



**Colorado
Legislative
Council
Staff**

Bill 3

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 18-0245
Prime Sponsor(s):

Date: October 17, 2017
Bill Status: County Courthouse and County Jail
Funding and Overcrowding
Solutions Interim Study Committee
Bill Request

Fiscal Analyst: Chris Creighton (303-866-5834)

BILL TOPIC: STATE FISCAL RESPONSIBILITY FOR PROVIDING COURTS

Fiscal Impact Summary	FY 2018-2019	FY 2019-2020	FY 2038-39
State Revenue			
State Expenditures	\$0	\$3,353,955	\$138,336,074
General Fund	0	3,353,955	138,329,954
Centrally Appropriated Costs	0	5,611	6,120
FTE Position Change	0.0 FTE	0.9 FTE	1.0 FTE
Appropriation Required: None.			
Future Year Impacts: Ongoing state expenditure increase.			

Summary of Legislation

There are 86 county courthouse facilities in Colorado, including 71 courthouses and 15 probation offices. Under current law, counties are required to provide and pay for the maintenance of court facilities. This bill, requested by the **County Courthouse and County Jail Funding and Overcrowding Solutions Interim Study Committee**, gradually transfers the fiscal responsibility for court facilities from counties to the state. Starting in FY 2019-20, the state must pay 5 percent of the fair market value rent of all county courthouses and court facilities. This percentage increases by 5 percent each year until the state assumes full fiscal responsibility for such facilities in FY 2038-39. Each county is required to report the fair market rent value for their courtrooms and court facilities to the Judicial Department by June 1, 2019, and each June 1 thereafter. The state Property Tax Administrator in the Department of Local Affairs (DOLA) must certify this calculation and the State Controller in the Department of Personnel and Administration will issue payment to each county treasurer. After the state assumes full responsibility of court facilities, the state may negotiate with any county to acquire the property in lieu of paying rent.

State Expenditures

This bill increases state **General Fund expenditures by \$3,353,955 and 1.0 FTE beginning in FY 2019-20 and continuing thereafter based on the adjusted fair market value rent of county court facilities.** Workload also increases in the Department of Personnel and Administration and the Judicial Department. These impacts are shown in Table 1 and are discussed below.

Table 1. Expenditures Under Bill 3			
Cost Components	FY 2018-19	FY 2019-20	FY 2038-39
State Controller (DPA)			
County Court Facility Payment	\$0	\$3,281,250	\$138,261,977
Property Taxation (DOLA)			
Personal Services	\$0	\$61,441	\$67,027
FTE	0.0 FTE	0.9 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	0	5,653	950
Centrally Appropriated Costs*	0	5,611	6,120
TOTAL	\$0	\$3,353,955	\$138,336,074

* Centrally appropriated costs are not included in the bill's appropriation.

Data and assumptions. The actual square footage and fair market value of each county court facility is unknown and will be determined by each county annually as specified in the bill. For estimation purposes, this analysis is based on the following data and assumptions:

- the aggregate square footage of all county court facilities is estimated to be 2.5 million square feet;
- a blended fair market rent rate of \$26.25 per square foot is used (total cost/aggregate square footage) because the fair market value of county court facilities differs by region; Table 2 shows the estimated square footage and fair market cost per region;
- the fair market value will increase by 4 percent per year;
- counties will continue to be responsible the maintenance of their facilities and for the provision of court security, unless acquired by the Judicial Department beginning in FY 2038-39.

Table 2. County Courthouse Facilities by Region under Bill 3			
Region	Aggregate Square Footage	Cost per Square Foot	Total Cost FY 2019-20
Mountain	625,000	\$25.00	\$15,625,000
Front Range	1,250,000	\$30.00	37,500,000
Eastern Plain	625,000	\$20.00	12,500,000
Total	2,500,000	\$26.25	\$65,625,000

Department of Personnel and Administration — State Controller. Workload in the State Controller's Office will increase to issue payments to all 64 counties beginning in FY 2019-20 and continuing each year thereafter. It is assumed that these payments will come from a General Fund appropriation from the General Assembly and that a lump sum payment will be made to each county. Table 3 shows the estimated payments for each fiscal year beginning FY 2019-20 and continuing through 2038-39 and each year thereafter.

Table 3. Estimated State Rental Subsidy, FY2019-20 to 2038-39 and Thereafter					
Fiscal Year	Estimated Gross SF	Assumed Rent Rate*	Fair Market Value Rent	State Share %	Annual State Rental Subsidy
2019-20	2,500,000	\$26.25	\$65,625,000	5%	\$3,281,250
2020-21	2,500,000	27.30	68,250,000	10%	6,825,000
2021-22	2,500,000	28.39	70,980,000	15%	10,647,000
2022-23	2,500,000	29.53	73,819,200	20%	14,763,840
2023-24	2,500,000	30.71	76,771,968	25%	19,192,992
2024-25	2,500,000	31.94	79,842,847	30%	23,952,854
2025-26	2,500,000	33.21	83,036,561	35%	29,062,796,
2026-27	2,500,000	34.54	86,358,023	40%	34,543,209
2027-28	2,500,000	35.92	89,812,344	45%	40,415,555
2028-29	2,500,000	37.36	93,404,838	50%	46,702,419
2029-30	2,500,000	38.86	97,141,031	55%	53,427,567
2030-31	2,500,000	40.41	101,026,672	60%	60,616,003
2031-32	2,500,000	42.03	105,067,739	65%	68,294,031
2032-33	2,500,000	43.71	109,270,449	70%	76,489,314
2033-34	2,500,000	45.46	113,641,267	75%	85,230,950
2034-35	2,500,000	47.27	118,186,918	80%	94,549,534
2035-36	2,500,000	49.17	122,914,394	85%	104,477,235
2036-37	2,500,000	51.13	127,830,970	90%	115,047,873
2037-38	2,500,000	53.18	132,944,209	95%	126,296,998
2038-39 & thereafter	2,500,000	55.30	138,261,977	100%	138,261,977

* Fair market rent is projected to increase by 4 percent per year.

Department of Local Affairs — Property Tax Administrator. This bill increases expenditures in the Division of Property Taxation in DOLA by 0.9 FTE in FY 2019-20 and 1.0 FTE beginning in FY 2020-21. These funds will be used to hire a property tax specialist to review and certify fair market rent submissions by the counties. This position will create policies and procedures regarding county fair market rent submissions, work with counties on the submissions, and is expected to travel to each county facility as part of the certification process. Costs in FY 2019-20 are prorated for the General Fund paydate shift.

Judicial Department. Workload will increase in the Judicial Department to receive the annual fair market submissions from the counties and to provide them to DOLA. This may include creating policies and procedures regarding such submissions. This workload increase can be addressed within existing resources and does not require an appropriation. Future Judicial Department workload is expected beginning in FY 2038-39 to review county court facilities and to consider acquiring them. To the extent that county court facility acquisitions are made, workload will further increase to negotiate with the county that owns the facility and costs will increase to purchase and maintain the facility. This analysis assumes that if future appropriations are required they will be requested through the annual budget process.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 4.

Cost Components	FY 2018-19	FY 2019-20	FY 2038-39
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$0	\$105	\$114
Supplemental Employee Retirement Payments	0	5,506	6,006
TOTAL	\$0	\$5,611	\$6,120

Local Government Impact

Under this bill, county revenue will increase from court facility fair market value payments received from the state. To the extent that revenue is appropriated and used on court facility maintenance, the amount counties spend annually on courthouse facilities will reduce and, additional funding will be available for other county programs and services. The total estimated statewide amount paid to counties per year is shown in Table 3, however actual amounts will vary by county depending on the number of courthouse facilities, the condition of the facilities, and local fair market value. Exact county payment amounts will be determined annually through the county reporting and DOLA certification process established in this bill. To the extent that counties contract or hire additional staff to aid in determining the value of their facilities, county costs will increase for these services, however overall costs are expected to decrease.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Counties	Judicial	Local Affairs
Information Technology	Personnel	Treasurers