Bill 4

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

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Prime Sponsors:		**Bill Status:**	Bill Request
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Bill Topic: **SUBSTANCE USE DISORDERS RECOVERY**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

The bill creates a voluntary recovery-ready workplace program for employers and a state income tax credit for participating employer. The bill decreases state revenue, increases state expenditures, and may impact local governments on an ongoing basis beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $330,642 to the Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Opioid and Other Substance Use Disorders Study Committee. The estimates for the Department of Labor and Employment are preliminary.

Table 1
State Fiscal Impacts Under Bill 4

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	($3.6 million)	($8.9 million)	($13.4 million)
	Total Revenue	**($3.6 million)**	**($8.9 million)**	**($13.4 million)**
Expenditures	General Fund	$330,642	$455,622	$408,981
	Centrally Appropriated Costs	$22,713	$18,927	$18,927
	Total Expenditures	**$353,355**	**$474,549**	**$427,908**
	Total FTE	**1.4 FTE**	**1.2 FTE**	**1.2 FTE**
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	($3.6 million)	($8.9 million)	not estimated
	General Fund Reserve	$49,596	$68,343	$61,347

Summary of Legislation

The bill establishes a voluntary program for employers to become a recovery-ready workplace within the Department of Labor and Employment (CDLE). The CDLE must develop program rules, as well as develop training materials, provide documentation that verifies an employer's status as a recovery-ready workplace, and create a program website. The CDLE must also contract or hire at least one recovery-ready workplace advisor for every one hundred employers in the program, and report annually on the program to members of the General Assembly.

The bill also creates a state income tax credit for employers that participate in the program or are certified recovery-ready workplaces. The income tax credit is available for tax years 2025, 2026, and 2027. The credit is equal to the costs the employer incurred in becoming a certified recovery-ready workplace or participant. Any unused amount of credit remaining may be carried forward for up to five years and applied first to the earliest income tax year possible.

The bill also clarifies that grant money received through the Recovery Support Services Grant Program must be used as specified by the program; declares that recovery residences, sober living facilities, and sober homes are residential uses of property for zoning purposes; and places restrictions on where liquor-licensed drugstores and fermented malt beverage and wine retailers may display alcohol beverages within their premises.

Assumptions

This fiscal note uses data from the Center for Health, Work, and Environment (CWHE) at the University of Colorado School of Public Health, which works with employers on substance use disorders. As of writing, 24 employers have signed their pledge to create a workplace that supports employees with addiction issues. Of these, 9 are small employers (1 to 49 employees), 4 are medium-size employers (50 to 249 employees), and 11 are large-size employers (greater than 250 employees). On average, the cost for certification as a recovery ready workplace or participant for a small size business is $5,587 per small employer, $57,885 per medium size employer, and $130,313 per large employer. Consistent with expectations shared by the School of Public Health, this fiscal note assumes that the number of employers that will apply for certification and be eligible for the income tax credit under the bill will increase to 100 employers in tax year 2025, the first year the credit is available, and by 225 employers in tax year 2027. Employers are expected to follow the same distribution of sizes as those reported above.

State Revenue

The bill is estimated to decrease state income tax revenue by $3.6 million in FY 2024-25 (half-year impact), $8.9 million in FY 2025-26, $13.4 million in FY 2026-27 and by $8.0 million in FY 2027-28 (half-year impact), when the credit expires after tax year 2027. State income tax revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the CDLE by about $373,000 in FY 2024-25 and $421,000 in FY 2025-26 and ongoing years, paid from the General Fund. The bill also increases expenditures in the DOR by $54,000 in FY 2025-26 and $7,000 in FY 2026-27 and ongoing years, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under Bill 4

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Labor and Employment			
Personal Services	$92,360	$76,967	76,967
Operating Expenses	$1,536	$1,280	$1,280
Capital Outlay Costs	$13,340	-	-
Workplace Advisor Contractor	$100,000	$200,000	$200,000
Outreach	$85,000	$85,000	$85,000
Legal Services	$38,406	$38,406	$38,406
Centrally Appropriated Costs	$22,713	$18,927	$18,927
FTE – Personal Services	1.2 FTE	1.0 FTE	1.0 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE	0.2 FTE
CDLE Subtotal	**$353,355**	**$420,580**	**$420,580**
Department of Revenue			
GenTax Programming and Testing	-	$43,957	-
Data Reporting	-	$7,392	$7,328
Document Management and Tax Form	-	$2,620	-
DOR Subtotal	**-**	**$53,969**	**$7,328**
Total	**$353,355**	**$474,549**	**$427,908**
Total FTE	**1.4 FTE**	**1.2 FTE**	**1.2 FTE**

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

Department of Labor and Employment. Beginning in FY 2024-25, the CDLE will require staff and legal services, and have costs for contracted services and performing outreach.

- **Staff.** THE CDLE requires 1.5 FTE initially in FY 2024-25 and 1.0 FTE annually thereafter to develop program rules, create training materials, provide oversight of the program and contracted workplace advisors, perform outreach, provide documentation of program status to employers, and report annually on the program. Staff costs will reduce beginning in FY 2025-26 as program rules and certification processes are established. First-year staffing costs are prorated for a September 1, 2024, start date.

- **Workplace advisor contractor**. The CDLE will require $100,000 to contract for a recovery-ready workplace advisor. The contractor will support employers involved in the recovery-ready program from enrollment to renewal. The fiscal note assumes this contractor will begin to manage the 100 employers that are predicted to enroll in the program initially, as described in the Assumptions section. Beginning FY 2025-26, contractor costs will increase to $200,000 to manage up to 225 employers. Additional resources may be requested through the budget process depending on actual program participation.

- **Outreach.** The CDLE requires $85,000 to conduct outreach to employers that are not engaged in the program, labor unions, and recovery support service organizations, as well as to apply towards updating the website to include program information.

- **Legal services.** The CDLE will require 300 hours of legal services annually, or 0.2 FTE, from the Department of Law at the rate of $128.02 for general counsel on rulemaking and program implementation, as well as to provide ongoing general counsel.

Department of Revenue. Beginning in FY 2025-26, expenditures will increase in DOR to administer the income tax credit in the bill.

- **Computer programming and testing**. For FY 2025-26 only, the bill requires expenditures of $43,957 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at $11,588, representing 50 hours of contract programming at a rate of $231.75 per hour. Additional computer and user acceptance testing are required to ensure programming changes are tested and functioning properly, resulting in an additional $32,369 in expenditures by the department.

- **Data reporting**. The Office of Research and Analysis (ORA) within DOR will have costs of $7,392 in FY 2025-26 and $7,328 in FY 2026-27 and ongoing years to collect and report data on the new tax credit.

- **Document management and tax form changes.** In FY 2025-26, the bill requires changes to tax forms and computer testing for paper filings at a cost of $2,620. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated funds.

- **Workload.** Based on the number of tax credits that are expected, workload for DOR can be absorbed within existing resources.

Other state agencies. To the extent that state departments opt to become recovery-ready workplaces, workload will increase to meet program requirements. Participation is at the discretion of the department leadership and workload may vary depending on the department.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the September 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

Similar to state departments, to the extent that county departments opt to become recovery-ready workplaces, workload will increase to meet program requirements. Participation is at the discretion of the county and impacts may vary depending on the county. Costs may also increase if the bill requires a city to update zoning codes.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For 2024-25, the bill requires a General Fund appropriation of $330,642 to the Department of Labor and Employment, and 1.2 FTE, of which $38,406 is reappropriated to the Department of Law, with an additional 0.2 FTE.

State and Local Government Contacts

Behavioral Health Administration	Counties	Economic Development
Labor	Law	Local Affairs
Municipalities	Personnel	Revenue