



Legislative  
Council Staff

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# FISCAL NOTE

**Drafting Number:** LLS 20-0382  
**Prime Sponsors:**

**Date:** October 24, 2019  
**Bill Status:** Bill Request  
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**Bill Topic:** LANDOWNER ASSISTANCE WILDFIRE MITIGATION

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates the wildfire mitigation resources and best practices grant program. Beginning January 1, 2021, the bill increases the percentage of the wildfire mitigation income tax deduction. The bill decreases state revenue between FY 2020-21 and FY 2023-24 and increases state expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2020-21, the Department of Local Affairs requires an General Fund appropriation of \$3,042,786.

**Fiscal Note Status:** This fiscal note reflects the Wildfire Matters Review Committee bill request.

**Table 1  
State Fiscal Impacts Under Bill 9**

		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Revenue</b>	General Fund	(at least \$44,000)	(at least \$90,000)	(at least \$90,000)	(at least \$46,000)
	<b>Total</b>	<b>(at least \$44,000)</b>	<b>(at least \$90,000)</b>	<b>(at least \$90,000)</b>	<b>(at least \$46,000)</b>
<b>Expenditures</b>	General Fund	\$3,042,786	\$3,040,276	\$3,040,276	\$3,040,276
	Centrally Appropriated	\$7,928	\$8,198	\$8,198	\$8,198
	<b>Total</b>	<b>\$3,050,714</b>	<b>\$3,048,474</b>	<b>\$3,048,474</b>	<b>\$3,048,474</b>
	<b>Total FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>
<b>TABOR Refund</b>	General Fund	(at least \$44,000)	(at least \$90,000)	Not estimated	Not estimated

## **Summary of Legislation**

This bill creates the Wildfire Mitigation Resources and Best Practices Grant Program in the Department of Local Affairs. Local governments, special districts, tribal agencies or programs, faith-based organizations, and nonprofit organizations are eligible for grant funding to be used to conduct outreach to landowners to inform them of resources available for wildfire mitigation and best practices for wildfire mitigation. Grants must be awarded by January 1 of each year and a report on the grant program must be submitted to the General Assembly by September 1 2021, and each year thereafter. The grant program is repealed January 1, 2025.

Under current law, between tax years 2017 and 2019, an income tax deduction not to exceed \$2,500 is available for 100 percent of the cost of a landowner performing wildfire mitigation on his or her property. This bill applies the 100 percent income tax deduction for mitigation work from January 1, 2021 prior to January 1, 2024 with the repeal date extended to December 31, 2027.

## **Background**

House Bill 16-1286 increased the wildfire mitigation tax deduction allowance from 50 percent of the cost of the mitigation work, not to exceed \$2,500, to 100 percent of the cost of this work. During the three prior income tax years (2014 to 2016) an average of 1,800 deductions were filed reducing state income revenue by an average of approximately \$73,000 per year. Complete data on tax deductions is not currently available, but it is estimated that state income tax revenue is reduced by an average of \$148,000 per year since House Bill 16-1286 was enacted assuming the same volume of deductions with 100 percent of the mitigation work costs able to be deducted, not to exceed a total of \$2,500. Under current law and this bill, the wildfire income tax deduction amount will reduce to 50 percent of mitigation work, not to exceed \$2,500, January 1, 2020. State income tax is estimated to be reduced by approximately \$74,000 assuming the same volume adjusted for population growth as a result.

## **State Revenue**

By expanding the wildfire mitigation tax deduction, this bill will reduce General Fund income tax revenue by at least \$44,000 in FY 2020-21, \$90,000 in FY 2021-22 and FY 2022-23 and \$46,000 in FY2024-25. This assumes a 10 percent increase in the number of income tax deductions resulting from the wildfire mitigation grant program and is adjusted annually for population growth. Revenue reductions in FY 2020-21 and FY 2023-24 are half-year impacts since the deduction is available at the beginning of the tax year in 2021 and expires after tax year 2023. This revenue is subject to TABOR.

## **State Expenditures**

Beginning in FY 2020-21, this bill increases DOLA costs by \$3.0 million and DOR workload by a minimal amount as shown in Table 2 and discussed below.

**Table 2  
 Expenditures Under Bill 9**

	FY 2020-21	FY 2021-22
<b>Department of Local Affairs</b>		
Personal Services	\$32,886	\$35,876
Operating Expenses	\$3,700	\$3,700
Capital Outlay Costs	\$6,200	-
Grant Program	\$3,000,000	\$3,000,000
Centrally Appropriated Costs*	\$7,928	\$8,198
<b>Total Cost</b>	<b>\$3,050,714</b>	<b>\$3,047,774</b>
<b>Total FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>

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

**Department of Local Affairs.** Beginning in FY 2020-21, DOLA requires \$3.0 million to administer this grant program. This includes \$3.0 million for wildfire mitigation and best practices grants assuming 100 grants averaging \$30,000 will be awarded. Because this grant program is open to local government, special district, tribal, and faith-based and nonprofit organizations the number of grant applications could greatly exceed 100 and it is assumed appropriations adjustments will be requested through the annual budget process, if needed. DOLA also requires 0.5 FTE to administer the grant program, manage contracts and fund use, provide support to grant recipients, and to prepare reports on the use of the grant funds. This assumes a July 1, 2020 start day, standard operating costs, and is prorated for the General Fund paydate shift.

**Department of Revenue.** Beginning in FY 2020-21, Department of Revenue workload will increase by a minimal amount to update instructions, related materials, and provide guidance to taxpayers on the wildfire mitigation income tax deduction.

**TABOR refunds.** The bill is expected to decrease state General Fund obligations for TABOR refunds by at least \$44,000 in FY 2020-21 and \$90,000 in FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly decrease the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2021 and 2022, depending on the total amount to be refunded each year. TABOR impacts have not been estimated beyond FY 2021-22.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$7,928 in FY 2020-21 and \$8,198 in FY 2021-22.

**Local Government**

Beginning in FY 2020-21, costs and workload will increase for any local government or special district that receives a grant award to conduct wildfire mitigation and best practices for wildfire mitigation efforts.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

For FY 2020-21, the Department of Local Affairs requires a General Fund appropriation of \$3,042,786

**State and Local Government Contacts**

Counties	Information Technology	Local Affairs
Municipalities	Revenue	Special Districts