Colorado Legislative Council Staff

Initiative # 53

INITIAL FISCAL IMPACT STATEMENT

Date: September 19, 2017 **Fiscal Analyst:** Ryan Long (303-866-2066)

LCS TITLE: DISPOSITION OF GOVERNMENT FINES, SURCHARGES, AND FORFEITURES

Fiscal Impact Summary	FY 2018-2019	FY 2019-2020
State Revenue	**($256.2 million)**	**($322.7 million)**
General Fund	(175.2 million)	(183.8 million)
Cash Funds	(81 million)	(138.9 million)
State Expenditures	**Up to ($256.2 million)**	**Up to ($322.7 million)**
General Fund	Up to (175.2 million)	Up to (183.8 million)
Cash Funds	Up to (81 million)	Up to (138.9 million)

Note: This *initial* fiscal impact estimate has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the Blue Book Voter Guide as new information becomes available.

Summary of Measure

Beginning in 2018, the initiative requires that all fines, forfeitures, or financial penalties, including surcharges, assessed by a government entity be directed first in restitution to the victim of a violation, or in the absence of a victim, to a registered charity of the fine payer's choosing.

Any collected fine or forfeiture amount that exceeds the amount of full restitution to a victim must also be diverted to a charity of the fine payer's choosing. The state may still collect and retain fine revenue in cases where the state is the entity recovering damages. The initiative requires state agencies to immediately give notice to anyone who is assessed a fine, and individuals that are required to pay fines have 60 days to make the payment.

State Revenue

The initiative will decrease state revenue by $256.2 million in FY 2018-19 and $332.7 million in FY 2019-20, with ongoing decreases in future years. These impacts are displayed in Table 1 and described below.

Table 1. Changes to Revenue Under Initiative #45		
Fund	**FY 2018-19**	**FY 2019-20**
General Fund	**($175,156,431)**	**($183,805,236)**
Cash Funds	**($81,025,452)**	**($138,900,773)**
Corrections	(23,505)	(40,294)
Health Care Policy and Financing	(210,611)	(361,048)
Higher Education	(39,667)	(68,000)
Human Services	(1,936,619)	(3,319,918)
Judicial *	(32,720,489)	(56,092,266)
Labor	(14,076,847)	(24,131,737)
Law	(3,450,248)	(5,914,711)
Natural Resources	(695,743)	(1,192,702)
Personnel and Administration	(65,511)	(112,305)
Public Health and Environment	(482,531)	(827,196)
Public Safety**	(7,466,667)	(12,800,000)
Regulatory Agencies	(171,967)	(294,801)
Revenue	(8,467,054)	(14,514,950)
State	(2,078,501)	(3,563,145)
Transportation	(9,139,492)	(15,667,700)
Total	**($256,181,883)**	**($322,706,009)**

* *This amount represents the amount of fine revenue collected by the Judicial Department, however many of these funds are reappropriated to other agencies.*
** *This amount includes funds that are reappropriated to the Department of Corrections, the Department of Human Services, and the Office of the State Court Administrator*.

General Fund. There will be a General Fund decrease of $175.2 million in FY 2018-19 and $183.8 million in FY 2019-20. Of this, $163 million per year can be attributed to penalties assessed on tax filings by the Department of Revenue. All other reductions in General Fund revenue are prorated to account for a December 2018 start date of the measure. The remaining impact comes from various fines assessed by the Departments of Law, Natural Resources, and Regulatory Agencies.

Cash Funds. In total, the measure reduces state cash fund revenue by $81.0 million in FY 2018-19 and $138.9 million in FY 2019-2020. Cash fund amounts in FY 2018-19 are prorated to account for a December 2018 start date.

State Expenditures

The initiative will decrease expenditures in all state departments starting in FY 2018-19. Additionally, implementation of the initiative will create new department expenditures. These impacts are described below

All departments. Programs in state departments and institutions of higher education will experience expenditure reductions of up to $256.2 million in FY 2018-19 and $322.7 million in FY 2019-20 under this initiative due to decreased revenue, including reappropriated fine revenue. The precise expenditure decrease will depend on how departments utilize other funding sources. For example, the Department of Revenue may increase fees in their Enforcement Business Group to make up for the loss of revenue under this initiative. For programs required by statute, departments may be required to seek extra General Fund money through the budget process to fulfill their statutory obligations.

New Expenditures. Additionally, department expenditures may increase by up to $3.6 million in FY 2018-19, with ongoing expenditures of $880,000 in future years to implement the provisions in the initiative. All departments, especially the Judicial Department, Department of Revenue, and Department of State, will have workload and expenditure increases to track the diversion of fine revenue to charitable organizations, to complete data entry, and to implement procedures to transfer donations to charitable organizations. There will also be new expenditures to implement changes to software in the Department of Revenue and the Judicial Department, including changes to the Driver License, Record, Identification, and Vehicle Enterprise Solutions (DRIVES) system, the MyLO system, and GenTax. Expenditures to update software systems will depend on the hours needed and the current contractor rate.

Further, the Department of Law will see a workload increase to advise departments on their implementation of the initiative. It is assumed that the department will pursue funds through the budget process if necessary.

Local Government Impact

According to 2013 estimates (the most recent year available), county, municipal, and city/county revenue from fines and forfeitures represented $133.3 million, or 1.5 percent, of total county and municipal government revenue statewide. For individual counties and municipalities, fine revenue comprised between 0 percent and 91.8 percent of total revenue per entity.

Local fine revenue. The Colorado Constitution allows a city or town to become a home rule entity. Ordinances that are made by a home rule entity typically supersede state laws within its territorial limits. The fiscal impact for local governments may vary to the extent that home rule cities can opt out of the provisions of this initiative. It is assumed that municipalities in the state that do not have home rule will be subject to the provisions in the initiative.

Local share of state fine revenue. The initiative will decrease local government Highway Users Tax Fund (HUTF) revenue. HUTF revenue generated by court fines is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs.

Economic Impact

Diverting fine revenue collected by the state to registered and legitimate charities will increase the number and amount of donations given to charitable organizations. For each state program that is reduced or discontinued as a result of this initiative, individuals benefitting from these programs may need to seek services elsewhere.

Effective Date

If approved by voters, the ballot initiative takes effect upon proclamation of the Governor within 30 days of the official canvas of votes at the 2018 general election.

State and Local Government Contacts

All State Agencies

Abstract of Initiative 53: Disposition of Government Fines, Surcharges, and Forfeitures

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of August 2017, identifies the following impacts:

The abstract includes estimates of the fiscal impact of the initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

State expenditures. The initiative decreases expenditures in state departments by up to $256.2 million in FY 2018-19 and $322.7 million in FY 2019-20. Additionally, implementation of the initiative will create new department expenditures of up to $3.6 million in FY 2018-19, with ongoing expenditures of up to $880,000. The expenditures include tracking and verifying registered charities that are recipients of fine revenue and updating existing software.

State revenue. The initiative will decrease state fine revenue by $256.2 million in FY 2018-19 and $322.7 million in FY 2019-20, with ongoing decreases in future years.

Local government revenue, expenditures, taxes, or fiscal liabilities. The Colorado Constitution allows a city or town to become a home rule entity. Ordinances that are made by a home rule entity typically supersede state laws within its territorial limits. The fiscal impact for local governments may vary to the extent that home rule cities can opt out of the provisions of this initiative. It is assumed that municipalities in the state that do not have home rule will be subject to the provisions in the initiative.

Economic impacts. Diverting fine revenue collected by the state to registered and legitimate charities will increase the number and amount of donations given to charitable organizations. For each state program that is reduced or discontinued as a result of this initiative, individuals benefitting from these programs may need to seek services elsewhere.