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Fiscal Note

Drafting Number: LLS 22-0662 **Date:** February 22, 2022
Prime Sponsors: Sen. Story **Bill Status:** Senate Local Government
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Bill Topic: **SPECIAL DISTRICT GOVERNANCE**

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input 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 extends the powers of the initiative and referendum to electors of special districts. Developer-affiliated boards of special districts are required to notify residents with board meeting materials and provide a self-nomination form to fill a board position. Beginning in FY 2022-23, the bill increases state and local expenditures.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$4,160 to the Department of Local Affairs.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 22-136

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$4,160	\$5,546
	Centrally Appropriated	\$2,031	\$2,375
	Total Expenditures	\$6,191	\$7,921
	Total FTE	0.1 FTE	0.1 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$624	\$832

Summary of Legislation

The bill extends the powers of the initiative and referendum to the electors of special districts. It also requires that districts with developer-affiliated boards send board packets to all district residents that include meeting agendas, a declaration of conflict of interest, and a self-nomination form for board positions. If residents return self-nomination forms, the board must identify and terminate developer-affiliated board positions and immediately appoint the residents who submitted self-nomination forms to board positions. If there are more residents returning the self-nomination form than developer-affiliated board positions, a special election must be held to fill all of the developer-affiliated positions on the board.

State Expenditures

The bill increases state workload and General Fund expenditures by \$6,191 in FY 2022-23, and by \$7,921 in FY 2023-24 and future years. These costs are reflected in Table 2 and described below.

Table 2
State Expenditures Under SB 22-136

	FY 2022-23	FY 2023-24
Department of Local Affairs		
Personal Services	\$4,160	\$5,546
Centrally Appropriated Costs ¹	\$2,031	\$2,375
Total	\$6,191	\$7,921
Total FTE	0.1 FTE	0.1 FTE

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

Department of Local Affairs. DOLA will require 0.1 FTE annually to process new director oaths, assist with special district filing, and provide technical assistance for budgeting, administering special elections, and general administration needs. This workload is based on 25 percent of Colorado's 2,097 metropolitan districts experiencing board turnover requiring the processing of new director oaths, and 10 percent of special districts requiring ongoing technical assistance from DOLA. Personal services have been prorated to reflect a September 1 start date and reflect the General Fund pay date shift in the first year.

Department of State. To the extent that special district electors file initiatives, the Elections Division will incur workload impacts for Issue Committees and Small Scale Issue Committees registering with the Department and disclosing activity related to special district activities. There are currently over 3,500 special districts in Colorado, and the Department currently handles all candidate committees for those districts. The department can absorb a workload impact within existing appropriations if the number of special districts registering issue committees for initiatives does not exceed 350 per year, representing 10 percent of special districts each election cycle.

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 shown in Table 2.

Other Budget Impacts

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 beginning in FY 2022-23. 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, which will decrease the amount of General Fund available for other purposes

Local Government

Special districts will incur election expenses related to initiatives or referendum ballot measures. Costs will vary based on a number of potential factors, including the number of initiatives and referenda filed or referred; whether the election is administered by the special district itself or held as part of a coordinated election conducted by county clerks; and whether the special district is able to place measures on the ballot as part of a regularly scheduled district election, rather than holding an election solely for deciding such measures. According to a 2020 survey of special district resident elections, the average election cost for special districts is \$41,539.

Special districts will also incur costs associated with mailing board packets and self-nomination forms to residents of districts with developer-affiliated boards. Should more self-nomination forms be received than there are developer-affiliated board positions, costs will be incurred by the district to hold a special election (see Technical Note below).

Technical Note

The bill requires that the process for initiative and referendum in special districts be conducted in a manner similar to the municipal election code. However, some municipal provisions and processes do not apply or are incompatible with special districts. In addition, the bill requires that a special election be held to replace developer-affiliated board members in certain situations, but there is not currently a process in statute for special districts to hold such elections.

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 FY 2022-23, the bill requires a general fund appropriation of \$4,160 to the Department of Local Affairs, and 0.1 FTE.

State and Local Government Contacts

Information Technology
Secretary of State

Local Affairs
Special Districts