



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 19-0668
Prime Sponsors: Rep. Bockenfeld

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Bill Status: House Appropriations
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Bill Topic: ZERO-BASED BUDGETING REVIEW PRINCIPAL DEPARTMENTS

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill requires the Joint Budget Committee (JBC) to use a zero-based budgeting method to review two principal departments of state government annually, such that each is evaluated every 10 years. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2019-20, the bill requires a General Fund appropriation of \$139,706, split between the Legislative Department and the Governor's Office.

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

Table 1
State Fiscal Impacts Under HB 19-1061

Table with 4 columns: Category, FY 2019-20, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated), Total, and Total FTE.

Summary of Legislation

This bill requires the JBC to incorporate zero-based budgeting into its protocols and methods for making budget recommendations to the General Assembly. Each principal department of state government is required to submit to a zero-based budgeting evaluation once every 10 years. The JBC is required to make appropriation recommendations based on these reviews.

Background

Zero-based budgeting is a method of evaluating the operational needs, functions, and budget requirements of governmental entities and private companies, whereby all existing and new expenses are justified and evaluated for each upcoming budget period.

Assumptions

The fiscal note assumes that the JBC staff will meet with the Office of State Planning and Budgeting (OSPB) and state departments to establish the framework for submitting zero-based budgets. This framework would specify, for example, the degree to which departments prepare a statutory review of program requirements, workload and FTE analysis, and identify historical data needs. It is also assumed that most of the data collection will be prepared by the departments and analyzed and evaluated by OSPB and the JBC staff each year. The fiscal note further assumes that the scheduling of departments for this review will be done to minimize workload for OSPB and JBC staff, such that two large departments are not scheduled for review in the same year.

State Expenditures

OSPB and JBC staff. The bill will increase state expenditures by \$168,448 and 1.8 FTE in FY 2019-20 and \$173,671 and 2.0 FTE in FY 2020-21 and subsequent years. These costs are paid from the General Fund and are shown in Table 2.

Table 2
Expenditures Under HB 19-1061

	FY 2019-20	FY 2020-21	FY 2021-22
Legislative Department and OSPB			
Personal Services	\$128,400	\$140,072	\$140,072
Operating Expenses and Capital Outlay Costs	\$11,306	\$1,900	\$1,900
Centrally Appropriated Costs*	\$28,742	\$31,699	\$31,699
Total Cost	\$168,448	\$173,671	\$173,671
Total FTE	1.8	2.0	2.0

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

Currently, the budget staff of OSPB and the JBC review and analyze new budget requests that involve incremental changes to a department's existing budget. This bill will require a review and analysis of all existing programs and functions within two departments each year, which is expected to increase staffing needs by at least 1.0 FTE in both OSPB and JBC to perform this work every year; although the precise staffing needs will depend on the zero-based budgeting framework that is established. Personal services, operating, and capital outlay expenses for these staff are shown in Table 2, and take into account the payday shift in FY 2019-20.

Other agency impacts. The bill will also entail temporary workload increases for departments starting in FY 2018-19 to work with OSPB and the JBC staff to establish a zero-based budgeting framework. On an ongoing basis, state departments will have an increase in workload every 10 years when their department is subject to a zero-based budget review. It is assumed this workload can be accomplished within existing appropriations; although additional resources may be needed depending on the framework established.

Future appropriations. The extent to which zero-based budgeting will result in different appropriations or budget recommendations compared to the current process is unknown. Any changes to future appropriations will be addressed by the General Assembly 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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$28,742 in FY 2019-20 and \$31,699 in FY 2020-21 and subsequent years.

Technical Note

There may be insufficient time for the JBC, OSPB, and state departments to develop and implement a zero-based budgeting framework in time for the FY 2020-21 budget submission, due on November 1, 2019. Departments will typically begin preparing for the FY 2020-21 budget submission in April and May of 2019. Until a framework is established, the two departments selected for review in the FY 2020-21 budget year may not have enough time to adequately prepare and deliver the necessary information to OSPB and the JBC staff.

Effective Date

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

State Appropriations

For FY 2019-20, the bill requires General Fund appropriations of \$69,853 and an allocation of 0.9 FTE to the Legislative Department and \$69,853 and an allocation of 0.9 FTE to the Governor's Office.

State and Local Government Contacts

All State Departments JBC Governor's Office