



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 21-0665 Date: February 23, 2021
Prime Sponsors: Rep. Benavidez Bill Status: House Finance
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Bill Topic: LEGISLATIVE OVERSIGHT COMMITTEE CONCERNING TAX POLICY

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

This bill creates the Legislative Oversight Committee Concerning Tax Policy and an associated tax force. This will potentially increase revenue from gifts, grants, and donations, and increase state expenditures beginning in FY 2021-22 through FY 2026-27.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$108,383 to the Legislative Department.

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

Table 1
State Fiscal Impacts Under HB 21-1077

Table with 4 columns: Category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and TABOR Refund.

Summary of Legislation

The bill creates the Legislative Oversight Committee Concerning Tax Policy and the associated Task Force Concerning Tax Policy.

Legislative Oversight Committee Concerning Tax Policy. The bill creates a six-member Legislative Oversight Committee Concerning Tax Policy (committee). The committee must meet at least four times a year to consider the policy recommendations contained in the tax expenditure evaluations prepared by the Office of the State Auditor (OSA). The bill sets compensation and appointing authorities for the committee. Legislative Council Staff (LCS), the Office of Legislative Legal Services (OLLS), and the OSA will provide staff support for the committee.

Task Force Concerning Tax Policy. The bill also creates a 21-member Task Force Concerning Tax Policy (task force). The task force must meet at least six times a year to study tax policy and develop and propose to the committee any modification to the current system of state and local taxation. Each committee member must attend or call into at least one task force meeting. The chair and the vice-chair of the committee will appoint the task force's voting members. Nonvoting task force members are entitled to compensation and reimbursement. Any state department or agency that is represented on the task force may receive and expend gifts, grants, and donations for any direct or indirect costs associated with participation on the task force. LCS and the Department of Revenue (DOR) will provide staff support for the task force.

At the request of a committee member, with approval of the committee chair, in consultation with the vice-chair, the task force must provide evidence-based feedback on the potential benefits or consequences of a legislative or other policy proposal not directly affiliated with or generated by the task force. Responses are to be provided to the committee within two weeks of the request if possible.

Reporting. On or before October 1 each year, the task force must submit to the committee a report that contains the issues studied; legislative or policy proposals; a summary of monthly task force meeting activities and discussions; any evidence-based feedback; and a summary of communication efforts. In addition, on or before January 1 of each year, the committee must submit a report to the General Assembly summarizing the issues studied, recommendations considered, and actions taken by the committee and the task force during the previous year.

The committee and the task force repeal on December 31, 2026.

Background

In 2000, the General Assembly created the Colorado Commission of Fair Taxation (commission). Commission duties included review of the current system of taxation, communication with people or groups affected by the current tax system, and development of proposals for modifications to the current system of state and local taxation. The commission expired in 2002. The Tax Expenditure Evaluation Interim Study Committee met during the 2019 interim to study the policy recommendations contained in the tax expenditure evaluations prepared by the OSA in its ongoing tax expenditure compilation report prepared pursuant to Senate Bill 16-203. House Bill 20-1022 continued the General Assembly's Sales and Use Tax Simplification Task Force until July 1, 2026. The

task force is charged with studying several policy issues, may recommend interim legislation, and reports annually to the General Assembly by November 1 each year.

State Revenue

The bill may increase state revenue from gifts, grants, or donations received by any state department or agency for the direct or indirect costs associated with the task force. At this time, no source of funds has been identified. Any gifts, grants, or donations received are exempt from TABOR.

State Expenditures

The bill increases General Fund expenditures by \$129,912 and 1.4 FTE in FY 2021-22 and by \$158,339 and 1.4 FTE in FY 2022-23 for the Legislative Department. The bill requires LCS and OLLS to provide staff within existing appropriations; however as explained in the Technical Note below, there are no existing appropriations available to implement the bill. New costs are shown in Table 2 and explained below.

Table 2
Expenditures Under HB 21-1077

| | FY 2021-22 | FY 2022-23 |
|---|------------------|------------------|
| Legislative Department | | |
| Personal Services | \$91,670 | \$120,234 |
| Operating Expenses | \$1,890 | \$2,295 |
| Capital Outlay | \$6,200 | - |
| Member Reimbursements | \$5,647 | \$5,647 |
| Task Force Reimbursements | \$2,976 | \$2,976 |
| Centrally Appropriated Costs ¹ | \$21,529 | \$27,187 |
| FTE – Legislative Council Staff | 0.8 FTE | 0.8 FTE |
| FTE – Legislative Legal Services | 0.6 FTE | 0.6 FTE |
| Total Cost | \$129,912 | \$158,339 |
| Total FTE | 1.4 FTE | 1.4 FTE |

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

Legislative Department. Due to the complex nature of tax policy and the associated workload, LCS and OLLS require 0.3 FTE of committee staff, 0.5 FTE of staff attorney, and 0.1 FTE of a legal editor to staff the committee. In addition, providing staff support to the task force is expected to require 0.5 FTE of a researcher to staff possible monthly meetings, conduct research, and prepare reports, at a cost of approximately \$20,000 per year. First-year costs reflect the General Fund pay date shift.

Reimbursement for oversight committee members assumes four meetings with per diem of \$111.28 and \$124.00 travel for six members, resulting in a total cost of \$5,647. Reimbursement for the four nonvoting members of the task force for six meetings is \$2,976.

Department of Revenue. Workload will increase for the DOR to provide staff assistance to the task force. If workload exceeds existing appropriations, additional resources will be requested through the annual budget process.

Other participating agencies. A number of agencies are required to participate in the task force. These agencies can accomplish this increased workload within existing appropriations.

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 \$21,529 in FY 2021-22 and \$27,187 in FY 2022-23.

Local Government

The bill requires participation from a number of local governments and agencies. This workload increase can be accomplished within existing resources.

Effective Date

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

Technical Note

The bill requires LCS and OLLS to provide staff support for the committee within existing appropriations and specifies that, if appropriations are not available, they should be requested through the annual budget process. However, if existing appropriations are not available, waiting to request funds through the budget process would mean that either this bill will not be implemented, or funding will be diverted from other statutorily authorized purposes. For this reason, the fiscal note assumes that appropriations should be made directly in this bill to ensure the bill is implemented fully.

State Appropriations

For FY 2021-22, the bill requires a General Fund appropriation of \$108,383 to the Legislative Department, including:

- \$54,079 and 0.8 FTE to Legislative Council Staff;
- \$45,681 and 0.6 FTE to the Office of Legislative Legal Services; and
- \$8,623 to the General Assembly.

State and Local Government Contacts

All Service Agencies
Municipalities

Counties
Revenue

Information Technology
Treasury