



**Colorado
Legislative
Council
Staff**

HB16-1048

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0301
Prime Sponsor(s): Rep. Primavera
Sen. Lundberg

Date: January 28, 2016
Bill Status: House Business Affairs and Labor
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: EXPAND SCOPE BUSINESS ENTERPRISE PROGRAM

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	Net revenue decrease.	
Cash Funds	Potential decrease.	
<i>State Diversions</i>		
Cash Funds - TABOR exempt	<u>(at least \$500,000 per year)</u>	
Cash Funds - TABOR non-exempt	<u>at least \$500,000 per year</u>	
State Expenditures	<u>\$77,335</u>	<u>\$72,845</u>
Cash Funds	13,798	12,798
Federal Funds	50,980	47,287
Centrally Appropriated Costs	12,557	12,770
TABOR Impact	at least \$500,000	at least \$500,000
FTE Position Change	1.0 FTE	1.0 FTE
Appropriation Required: \$64,778 - Department of Labor and Employment (FY 2016-17).		
Future Year Impacts: Ongoing state expenditures and net revenue decrease.		

The fiscal note has been updated to reflect new information received since the bill was considered during the interim committee process.

Summary of Legislation

This bill, recommended by the *Interim Committee to Study Vocational Rehabilitative Services for the Blind*, removes the exemption for property owned, leased or occupied by higher education institutions or the state fair authority for priority to persons who are blind and licensed vendors to operate vending facilities through the Business Enterprise Program (BEP). The bill also expands the scope of the program so that persons who are blind may also operate businesses other than vending facilities on state property. Lastly, the bill also makes conforming amendments to comply with federal law.

Background

Created in 1936, the Randolph-Sheppard Act authorizes state rehabilitation agencies to provide training, licensure, and job placement assistance to persons who are blind. In Colorado, the Division of Vocational Rehabilitation in the Department of Human Services has provided services in compliance with the act to eligible individuals. On July 1, 2016, the Division of Vocational Rehabilitation will move to the Colorado Department of Labor and Employment (CDLE), pursuant to Senate Bill 15-239. Currently there are 18 blind vendors participating in the BEP that serve more than 150 locations at state and federal government properties. BEP program staff expect that between 3 and 6 trainees becoming new licensed blind vendors in the next year.

State Revenue

Overall, the bill results in a net decrease in state cash fund revenue. However, it will also divert at least \$500,000 per year in vending revenue from institutions of higher education to the BEP program. These impacts are discussed below.

Potential decrease in vending income. If persons who are blind choose to apply for business opportunities at higher education institutions or the state fair authority, revenue from existing contracts may be reduced. However, at the writing of this fiscal note, it is unknown how many persons who are blind will pursue business opportunities at higher education institutions or the state fair authority and what the potential revenue reduction may be. Any decrease from additional blind vendors will be in addition to the lost revenue discussed in the state diversion section below.

State diversions. The bill will divert vending commission income from several state enterprises, specifically institutions of higher education and the state fair, to the BEP program in the CDLE. This revenue will be deposited into the BEP Cash Fund. An exact estimate of qualifying vending income across all higher education institutions and the state fair is not available and difficult to quantify. Based on information provided by several institutions of higher education, diverted vending income from vending machines alone could be at least \$500,000 per year. Income from other types of businesses operated by blind vendors on state property will also accrue to the BEP program (see the Technical Note regarding "other businesses" under the bill). The reduction in income will vary by institution depending on the existing size of their vending proceeds and the number of blind vendors choosing to operating businesses on state property.

TABOR Impact

The bill shifts revenue from institutions of higher education and the state fair, which are TABOR-exempt enterprises, to the BEP Cash Fund. Most revenue to the BEP Cash Fund is subject to TABOR. Therefore, this bill increases state cash fund revenue from vending income, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. The fiscal note estimates this amount will be at least \$500,000 per year.

State Expenditures

The bill will increase expenditures in the Colorado Department of Labor and Employment by \$77,335 and 1.0 FTE in FY 2016-17 and \$72,845 and 1.0 FTE in FY 2017-18 and future years, as discussed below, and detailed in Table 1. These costs are paid with approximately 79 percent federal funds and 21 percent cash funds derived from business net profits.

Table 1. Expenditures Under HB 16-1048		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$52,885	\$52,885
FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
Travel	6,240	6,240
Centrally Appropriated Costs*	12,557	12,770
TOTAL	\$77,335	\$72,845

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

Colorado Department of Labor and Employment. The bill will increase workload in the CDLE and require 1.0 FTE. Under the bill, the CDLE is expected to experience an increase in the number of persons who are blind applying to the program. The CDLE will be required to provide job training, licensing, and job placement to eligible individuals. The CLDE will also need to provide additional equipment maintenance to licensed and active individuals who have received job placement through the program. Travel costs will be \$6,240 per year for additional vendor and site selection visits.

Other agency workload increase. Institutions of higher educations will have additional workload to coordinate with the CDLE when constructing new buildings or making modifications to existing building to evaluate the feasibility of including space for blind vendors. It is assumed that this workload will be accomplished as part of the existing processed for capital projects.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under LLS 16-0301		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,031	\$8,031
Supplemental Employee Retirement Payments	\$4,526	4,739
TOTAL	\$12,557	\$12,770

Technical Note

The bill states that "one-hundred percent of all commission income from vending machines or other businesses operated on state property accrues to the department." Based on the context of the bill and location in statute, the fiscal note assumes that "other businesses" applies only to other business operated by a blind vender under the BEP. However, this provision could be interpreted to apply to any business operating on state property. Given the wide range of businesses that operate on state properties, especially at institutions of higher education, this interpretation of the bill could greatly increase the amount of revenue diverted from insitutions of higher educations to the BEP. This will reduce available revenue to schools and increase the TABOR refund obligation above the fiscal note estimates provided above.

Effective Date

The bill takes effect July 1, 2016.

State Appropriations

The bill includes a provision requiring the CDLE to implement the bill within existing resources. However, the fiscal note estimates that for FY 2016-17 the bill requires an appropriation of \$64,778 from cash and federal funds and an allocation of 1.0 FTE to the Colorado Department of Labor and Employment. Of these funds:

- \$13,798 will be from BEP Cash Fund; and
- \$50,980 will be from federal funds.

Departmental Difference

The CDLE estimates that the bill will increase costs by \$426,265 and 5.0 FTE in FY 2016-17 and \$404,009 and 5.0 FTE in FY 2017-18. The fiscal note does not include these estimates because of the low number of vendors currently participating in the BEP and the limited pool of potential new vendors who will be available and motivated to participate under the expansion proposed under the bill. The fiscal note assumes that 1.0 FTE is sufficient to accomplish the requirements of the bill.

State and Local Government Contacts

Labor and Employment
Corrections

Agriculture
Human Services

Research Note Available

An LCS Research Note for HB 16-1048 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.