



All committee members are appointed to two-year terms beginning on or before July 1, 2015. Following a general election, appointees may be designated from the members-elect of the next General Assembly. The committee will elect its own chairman and vice chairman to serve one-year terms, one from the Senate membership and one from the House membership, after which the chairmanship and vice chairmanship will reverse for the following year.

**Evaluation of tax expenditures.** The OSA is required to prepare evaluations of tax expenditures for review by the committee. The OSA may select a contractor to perform any or all of the required evaluations. The issues that must be addressed in each evaluation are described in detail in the bill. The OSA must evaluate at least five tax expenditures each year beginning with the bill's enactment, and evaluations must be submitted to the committee by November 15. Tax expenditures will be evaluated according to the order in which they were enacted, with the oldest expenditures evaluated first, except that the OSA may choose to perform evaluations of tax expenditures with similar objectives during the same year. Additionally, the bill requires that all tax expenditures enacted prior to the bill be evaluated within five years of the bill's effective date, and that each tax expenditure enacted after the bill be evaluated within five years of its enactment. Tax expenditures must be reevaluated within ten years of their previous evaluation.

Certain sales and use tax exemptions are exempt from evaluation by the OSA and review by the committee. These include sales and use tax exemptions for:

- food for home consumption;
- inputs used in the creation of goods and services that will be taxed at a later point in the production cycle, such as inputs used for manufacturing and energy production;
- sales to government entities and public schools; and
- construction materials used to build facilities for government entities, public schools, and charitable organizations.

**Committee responsibilities.** Each year, the committee is required to complete its reviews of the OSA's evaluations by December 15. Committee meetings are to be public and include public testimony in addition to testimony by the OSA or its contractor. The committee is authorized to make recommendations to the OSPB, the DOR, or the OEDIT regarding the administration of tax expenditures. Additionally, the committee may recommend legislation, which is exempt from the limit on the number of bills that may be introduced by each legislator.

## **State Revenue**

This bill does not affect state revenue. However, recommendations and legislation authored by the committee may alter the administration of state tax expenditures, which could result in revenue increases or decreases.

## **State Expenditures**

**General Fund expenditures will increase \$532,176 and 5.0 FTE in FY 2015-16, and \$477,238 and 4.9 FTE in FY 2016-17.** Expenditures are summarized in Table 1 on page 3.

<b>Table 1. Expenditures Under HB15-1205</b>		
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Legislative Branch		
Personal Services	\$232,379	\$232,379
FTE	4.3 FTE	4.3 FTE
Operating Expenses and Capital Costs	\$22,462	\$3,650
Consulting	\$83,333	\$83,333
Software	\$50,000	\$50,000
Travel	\$3,696	\$3,696
Centrally Appropriated Costs*	\$52,557	\$54,431
Executive Branch		
Personal Services	\$47,463	\$40,682
FTE	0.7 FTE	0.6 FTE
Operating Expenses and Capital Costs	\$5,503	\$750
Programming	\$25,462	
Centrally Appropriated Costs*	\$9,321	\$8,317
<b>TOTAL</b>	<b>\$532,176</b>	<b>\$477,238</b>

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

**Assumptions.** This analysis assumes the following:

- The bill will take effect on or around July 1, 2015. The OSA will commence evaluation of tax expenditures in FY 2015-16, and the committee will hold its first meetings in FY 2015-16.
- The committee will review evaluations of 168 tax expenditures, or approximately 34 tax expenditures per year, in the five years following the bill's enactment. This estimate is based on the 185 tax expenditures in current law, 17 of which are exempted from evaluation.
- The committee will need to meet six times each year to review the evaluations. Committee meetings will occur between November 15 and December 15 of each year.

**Legislative Branch.** General Fund expenditures for the Legislative Branch will increase \$444,427 and 4.3 FTE for FY 2015-16, and \$427,489 and 4.3 FTE for FY 2016-17.

**Office of the State Auditor.** Expenditures for the OSA will increase \$388,479 and 3.7 FTE for FY 2015-16, and \$371,187 and 3.7 FTE for FY 2016-17. Estimates of costs to the OSA are based on costs incurred for the production of similar tax expenditure reviews in Washington state. The majority of costs expected (\$210,843 in FY 2015-16 and \$192,031 in FY 2016-17) are for salaries, benefits, capital outlay, and operating expenses related to the addition of 3.3 FTE at the legislative auditor level and 0.4 FTE at the managing legislative auditor level. These personnel will be responsible for preparing evaluations of 34 tax expenditures annually. Additionally, the OSA will expend \$83,333 annually for outside consulting fees and \$50,000 annually for software costs.

**Committee staffing costs.** Seven members of the General Assembly will be appointed to the committee. Assuming that all seven members attend each of six meetings expected to be held annually, per diem, benefits, and travel payments for members will total \$8,705 in FY 2015-16 and \$8,759 in FY 2016-17, based on \$99 per member per meeting for per diem payments, and \$88 per member per meeting for travel costs.

The bill requires that the committee be staffed by Legislative Council Staff (LCS) and the Office of Legislative Legal Services (OLLS). LCS will require 0.3 FTE at the research analyst II level, plus \$20,602 in FY 2015-16 and \$20,722 in FY 2016-17, to staff the committee. The OLLS will require 0.3 FTE at the staff attorney level, plus \$26,641 in FY 2015-16 and \$26,822 in FY 2016-17, to draft legislation and answer legal questions from the committee.

**Department of Revenue.** General Fund expenditures for the Department of Revenue (DOR) will increase \$87,749 and 0.7 FTE for FY 2015-16, and \$49,750 and 0.6 FTE for FY 2016-17.

The DOR is required to provide information, analysis, or data requested by the committee, the OSA, or the OSA's contractor. The DOR will require \$62,287 and 0.7 FTE at the statistical analyst III level for FY 2015-16, and \$49,750 and 0.6 FTE for FY 2016-17, for reporting on the tax expenditures it administers. Over this period, the Department will prepare reports on 60 less complex tax expenditures, requiring 10 hours of staff time each, and 101 more complex tax expenditures, requiring 52 hours of staff time each. Seven other expenditures are not expected to require significant staff time. Expenditures for personnel are expected to be higher in FY 2015-16 than in FY 2016-17 because of staff training and initial setup.

In addition to personnel costs, the DOR will require one-time programming changes to its GenTax software system in order to collect and report information on tax expenditures. For FY 2015-16, the department will incur one-time programming costs of \$25,462, representing 120 hours of programming.

A representative of the DOR will serve as a nonvoting member of the committee. Costs associated with the representative's membership can be addressed within the DOR's existing resources.

**Governor's offices.** Representatives of the OSPB and the OEDIT will serve as nonvoting members of the committee. Costs associated with each representative's membership can be addressed within existing office resources.

Additionally, the OSPB and the OEDIT are required to provide information, analysis, or data requested by the committee, the OSA, or the OSA's contractor. For both offices, the costs of furnishing existing information or data are minimal. However, costs could increase above existing appropriations if the committee or the OSA requests analysis beyond the scope of what each office already prepares.

**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 on page 5.

<b>Table 2. Centrally Appropriated Costs Under HB15-1205*</b>		
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$40,188	\$39,382
Supplemental Employee Retirement Payments	\$21,690	\$23,367
<b>TOTAL</b>	<b>\$61,878</b>	<b>\$62,749</b>

*\*More information is available at: <http://colorado.gov/fiscalnotes>*

### **Effective Date**

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

### **State Appropriations**

For FY 2015-16, the bill requires the following appropriations from the General Fund:

- \$391,871 and 4.3 FTE to the Legislative Branch; and
- \$78,427 and 0.7 FTE to the Department of Revenue.

### **State and Local Government Contacts**

Legal Services  
Legislative Council Staff  
Office of Economic Development and International Trade  
Office of State Planning and Budgeting  
Revenue  
State Auditor