

*Colorado Legislative Council Staff*  
**FISCAL IMPACT STATEMENT**

**Date:** September 18, 2012

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**TITLE: STATE PERSONNEL SYSTEM**

**Ballot Title:** Shall there be an amendment to the Colorado constitution concerning the state personnel system, and, in connection therewith, expanding the veterans' preference; increasing the number of candidates eligible to be appointed to a position; adjusting the duration of allowable temporary employment; allowing the flexibility to remove a limited number of positions from the system; modifying the residency requirement; adjusting the terms of service for members of the state personnel board; and requiring merit-based appointments to be made through a comparative analysis process?

<b>Fiscal Impact Summary</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
<b>State Revenue</b>	Minimal change.	
<b>State Expenditures</b>	Minimal change.	
<b>Local Government Impact:</b> Minimal change - see Local Government Impact Section.		

**Summary of Measure**

Amendment S allows for the following changes in the state personnel system:

- appointments and promotions may be made on the basis of a comparative analysis of candidates using objective criteria rather than competitive tests of competence;
- selections for a position may be made from among any of the top six candidates on an eligibility list rather than only the top three;
- an out-of-state candidate may be appointed to a position if the state personnel director determines the position cannot be readily filled by a Colorado resident;
- positions that are located within 30 miles of the Colorado border are not limited to residents of Colorado;
- deputy department heads, senior executive service employees, chief financial officers, public information officers, legislative liaisons, human resource directors, and executive assistants may be excluded from the state personnel system, with the approval of the state personnel director;
- up to 1 percent of state personnel system employees may be exempted from its provisions; and
- temporary employees may be appointed for up to nine months, rather than six.

Amendment S also modifies the application of veterans' preferences in state employment and the appointment, duties, and terms of service for members of the State Personnel Board.

**Background.** The state of Colorado employs about 73,500 individuals in permanent full- and part-time positions within the executive, legislative, and judicial branches of government. These positions are generally categorized as classified (about 32,500 current employees) or nonclassified (about 41,000 current employees). Classified employees are included in the state personnel system and subject to its rules. The system is administered by the state personnel director (head of the Department of Personnel and Administration), with oversight from the independent State Personnel Board.

Colorado's constitution requires that positions within the system be filled by residents of Colorado unless the State Personnel Board finds the position requires special education or special qualifications and the position cannot be readily filled by a Colorado resident. Amendment S gives the state personnel director the authority to waive residency requirements as well. It also eliminates the residency requirement for positions located within 30 miles of the state border. In 2011, the State Personnel Board received 10 requests for residency waivers, all of which were granted.

### **Fiscal Impact**

The measure could potentially affect state revenue and spending and local government revenue, as described below.

**State revenue changes.** Allowing certain state jobs to be filled by nonresidents could affect state revenue from taxes and fees. The changes will vary depending on whether vacant state positions located within 30 miles of the border are filled more quickly and the proportion of such positions that are filled by people who are not Colorado residents. Relaxing the residency requirement near state borders should allow certain vacant positions to be filled more quickly, which would increase state income tax collections from wages paid to employees. However, Colorado residents pay certain taxes and fees that nonresidents do not, such as motor vehicle registration fees, so hiring nonresidents for state positions that would otherwise be filled by Colorado residents would decrease state revenue.

**State spending changes.** By changing the rules for hiring new employees, the measure could affect the time and effort involved in making hiring decisions, as well as the amount spent on recruiting, overtime compensation, and temporary employment. Overall, however, the impact on state spending is not expected to be significant.

**Local government revenue changes.** Similar to the impact discussed above for state revenue, the measure may impact local government revenues by a minimal amount, primarily from sales taxes and fees.