

**STATE, STATUTORY PUBLIC ENTITY and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 1, 2015)

**Drafting Number:** LLS 15-0081  
**Prime Sponsor(s):** Sen. Ulibarri  
 Rep. Melton

**Date:** April 17, 2015  
**Bill Status:** House Business, Affairs and Labor  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**BILL TOPIC:** VOLUNTEER FIREFIGHTER PENSION PLAN STUDY

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
<b>State Revenue</b>		
<b>State Expenditures</b>	<b>\$104,915</b>	
General Fund	104,271	
Centrally Appropriated Costs**	644	
<b>FTE Position Change</b>	0.0 FTE	
<b>Appropriation Required: \$104,271 - Multiple departments (FY 2015-16).</b>		

\* This summary shows changes from current law under the bill for each fiscal year.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

**Summary of Legislation**

This **reengrossed** bill requires the Office of the State Auditor (OSA) to coordinate a study concerning the structure and tax consequences of current volunteer firefighter pension plans (VFPPs) in Colorado. The OSA must develop a request for proposals and select a nationally-recognized law firm as the contractor with the assistance of the Fire and Police Pension Association (FPPA) and the Department of Local Affairs (DOLA). Actuarial services are authorized as part of this contract, if necessary.

The contractor's product is a report, to include specific study of VFPP status under federal tax law, alternatives to the current VFPP structure in Colorado, and other issues deemed necessary by the OSA, the FPPA, or DOLA. The report will serve as the basis for recommendations to be developed by those state agencies after the contractor delivers its findings to all those agencies as well as the Legislative Audit Committee. At a minimum, the study must support consideration of the following issues as they relate to VFPPs:

- the availability and adequacy of local contributions and state assistance;
- the need for periodic assessment of the actuarial value of VFPPs;
- practical difficulties associated with individual VFPPs, including administrative burdens and firefighter job transfers between departments; and
- the feasibility of alternative benefit systems or FPPA administration of all VFPPs.

During the study, the State Auditor may obtain needed information from the FPPA and local governments with VFPPs.

The Police Officers' and Firefighters' Pension Reform Commission (POFPRC) is required to meet not earlier than 45 days after receiving the report. The OSA, FPPA, and DOLA will present findings and recommendations at this meeting. The POFPRC must then discuss the report and take input from all interested parties, and decide whether or not to propose legislation.

**Background**

There are an estimated 225 local jurisdictions with VFPPs in the state. Of this number, 175 are affiliated with the FPPA. The remainder of VFPPs are organized and managed by the local jurisdiction.

Under current law, DOLA administers a state contribution to VFPPs. In FY 2013-14, total state assistance of \$4,096,075 funded contributions to 223 distinct VFPPs.

**State Expenditures**

**The bill increases state expenditures by \$104,915 in FY 2015-16.** The bill increases costs and workload for the OSA and DOLA. The majority of costs consist of \$100,000 for a contractor to complete the report required by the bill.

<b>Table 1. Expenditures Under SB15-029</b>	
<b>Cost Components</b>	<b>FY 2015-16</b>
<b><i>Office of the State Auditor - study costs</i></b>	<b><u>\$100,000</u></b>
Contractor Fees	100,000
<b><i>Department of Local Affairs - study participation</i></b>	<b><u>\$4,915</u></b>
Personal Services	3,423
Information Technology Services (8 hr. x \$106/hr.)	848
Centrally Appropriated Costs*	644
<b>TOTAL</b>	<b>\$104,915</b>

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

**Assumptions.** The fiscal note applies the following assumptions:

- The study is completed in FY 2015-16.
- The POFPRC may meet during the legislative session to hear the required presentation of the report. The POFPRC will thereafter hold one special meeting early in the 2016 legislative interim to discuss options for further action, including potential legislation. These meetings are included in the legislative budget as a result of the POFPRC's status as a statutory committee under current law.
- Actuarial expertise is deemed necessary for the study.
- The nationally-recognized law firm hired by the State Auditor will subcontract for other expert analysis as needed.

**Office of the State Auditor.** The OSA will expend \$100,000 in FY 2015-16 for contractual services under the bill, including legal analysis, actuarial expertise, tax consultation, and other fees. The bill also increases workload for the OSA to develop a scope of services, manage the hiring process for a contractor, obtain study data from VFPPs, coordinate with FPPA and DOLA, and present final recommendations to the POFPRC. This workload increase will not require an appropriation other than the \$100,000 for contractor services.

**Department of Local Affairs.** The DOLA will experience increased costs of \$4,915 in FY 2015-16 to assist the OSA, make recommendations, and present to the POFPRC as directed by the bill. A subject matter expert will spend approximately 60 hours working directly in conjunction with the OSA, while an additional 45 hours (including 8 hours by an Office of Information Technology business analyst) will be necessary to support DOLA's expert. Personal services also generate \$644 in centrally appropriated costs (health insurance, retirement benefits).

### **Statutory Public Entity Impact**

Throughout the study process, the bill creates a small workload increase for the FPPA. The FPPA will assist the OSA with defining the scope of the study; selection of the contractor; recommendations based on study results; and the presentation to the POFPRC. The FPPA will also compile information needed for the study, especially information regarding VFPPs affiliated with and managed by the FPPA.

### **Local Government Impact**

This bill causes a minimal workload increase for affected local governments. Information from the estimated 50 local jurisdictions (municipalities and special districts) that maintain a VFPP unaffiliated with the FPPA will be requested by the OSA. These local governments are each anticipated to spend two hours collecting data for the study regarding VFPP membership, benefits, and plan structure.

### **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 a total General Fund appropriation of \$104,271, including an appropriation of \$100,000 to the Office of the State Auditor and an appropriation of \$4,271 to the Department of Local Affairs. Of the amount appropriated to the Department of Local Affairs, \$848 is reappropriated to the Office of Information Technology.

The reengrossed bill includes an additional appropriation of \$2,970 to the General Assembly, with a total appropriation of \$107,241 in the reengrossed bill. According to updated analysis, this \$2,970 appropriation for the costs of an additional POFPRC meeting is not necessary, as sufficient funds are available in the legislative budget for at least the one additional POFPRC meeting that will result from this bill.

**State and Local Government Contacts**

State Auditor  
Special Districts

Department of Local Affairs  
Fire and Police Pension Association

PERA  
Municipalities