

State Revenue

Beginning in FY 2012-13, this bill reduces fine revenue by at least \$64.9 million per year, as described in Table 1 and the discussion that follows.

Table 1. Revenue Reductions Under HB12-1119	
Agency	Annual Revenue
Agriculture	(\$39,500)
Labor and Employment	(at least \$2 million)
Law	(\$25,000)
Natural Resources	up to (\$468,960)
Public Health and Environment	up to (\$2.8 million)
Regulatory Agencies	up to (\$3 million)
Revenue	(\$53,930,352)
State	(\$2,634,384)
TOTAL	<u>(up to \$64,909,196)</u>
General Fund	(41,896,780)
Multiple Cash Funds	(23,012,416)

Agriculture. The department currently collects an annual \$39,500 in cash fund fine revenue related to its alternative livestock and pet animal care facility programs, as well as the Divisions of Animal Industry and Plant Industry, which will no longer be collected under this bill.

Labor and Employment (CDLE). The CDLE collects an estimated \$60,000 per year for employment verification audits. In current practice, the first audit does not result in fines; the department only issues fines if the employer does not comply with the audit findings. A total of \$300,000 is collected per year from inspections under the Divisions of Oil and Public Safety and Workers Compensation. It is unknown what portion of these fines meet the health, life, and safety exemption under this bill. A total of \$2 million in fines are collected by the Unemployment Insurance Program for both first-time and ongoing violations. It is assumed that the majority of these fines would no longer be collected under the bill. Finally, a total of \$20,000 is collected as a result of misclassification fines through continuous audits, which would also no longer be collected. These amounts are all cash funds.

Law. The department collects about \$25,000 per year, including \$20,000 General Fund and \$5,000 cash funds for violations of the Uniform Consumer Credit Code and through the Collection Agency Board. It is assumed the department can make timely notification of the fines and that affected persons and businesses will cure violations within the time frames required under the bill and these moneys will no longer be collected.

Natural Resources. The department's Division of Parks and Wildlife collects a total of up to \$468,960 in cash fund fine revenue per year, some portion of which will no longer be collected. These fines stem from violations of hunting license provisions and/or unlawfully possessing certain animals.

Public Health and Environment. The department collects \$2.3 million per year in fines related to air quality, hazardous materials, and related violations which are credited to the General Fund. The department also collects \$511,000 per year as a result of water violations, which are credited to the Water Quality Improvement Fund. As a definition of health, life, and safety is not provided in the bill, it is unknown how much, if any, of this amount would continue to be collected.

Regulatory Agencies. The Division of Insurance collects an estimated \$3 million per year for violations, which is credited to the General Fund. It is assumed that these violations can be cured within 90 days and that this revenue will no longer be collected.

Revenue. The Department of Revenue (DOR) collects a number of fees and fines, totaling an estimated \$53.9 million per year, that are subject to this bill. First, the tax business group collects at least \$36.8 million in penalties related to a variety of tax payments per year. These monies are primarily credited to the General Fund (\$36.3 million), with the balance credited to the Highway Users Tax Fund (HUTF). As the DOR cannot identify these violations within 90 days, it is assumed this revenue would be lost. Second, the enforcement business group collects about \$89,000 per year in fines related to racing, medical marijuana, liquor, and tobacco programs. It is assumed these violations would be cured within the required time frames and this revenue would be lost. Finally, the fiscal note assumes that \$21.6 million in fees for late vehicle registration penalties would be eliminated. Of this amount, approximately \$4.5 million is retained by counties (as discussed under the Local Government Impact section and not included in the above totals) and \$17.1 million is credited to the HUTF for distribution to the State Highway Fund and local governments.

State. The Department of State collects a number of fines, including late fees for charitable organizations, bingo-raffle licensees, lobbyists, political campaigns, and businesses, such as entities that are required to file periodic reports, but miss the deadlines. As these fines will no longer be collected, cash fund revenue is reduced by a total of \$2.6 million per year.

State Expenditures

Overall, this bill reduces state expenditures by \$6.2 million and increases 3.0 FTE in FY 2012-13 and reduces expenditures by \$6.9 million and increases 3.0 FTE in FY 2013-14. This bill will increase one-time expenditures for computer system changes by an estimated \$463,484 in FY 2012-13. Costs and workload may also increase as a result of responding to fine challenges, payment for insufficient fund checks, to refinance costs under the Department of Public Health and Environment, and to pay increased violation follow-up costs in the Department of Regulatory Agencies. By reducing revenue to the HUTF, costs are decreased in the Department of Transportation by \$10.5 million per year. Costs are shown in Table 2 and the discussion that follows.

Table 2. Expenditures Under HB12-1119		
Cost Components	FY 2012-13	FY 2013-14
One-time computer costs	\$463,484	\$0
Insufficient checks costs	15,995	15,995
Department of Public Health and Environment	3,603,562	3,392,165
Department of Regulatory Agencies	\$229,656	\$219,237
Department of Transportation	(10.5 million)	(10.5 million)
TOTAL	(\$6.2 million)	(\$6.9 million)

One-time computer system costs. Many state agencies could require additional programming or new software to track violations to ensure they issue written notifications. Departments that have identified specific systems costs include the Departments of Human Services (\$700), Natural Resources (\$275,000), Revenue (\$88,800) and State (\$98,984). Because actual costs will need to be bid and efficiencies may be realized across state departments, the fiscal note includes these costs for information purposes, but does not include them in the state appropriations section. It should be noted that the funding source of these costs will vary by department, but are anticipated to include 60 percent General Fund.

Insufficient check funds. The Department of Revenue currently recovers bank costs for checks with insufficient funds as part of its fine revenue for tax payments. Based on the assumption that the department will no longer be able to levy such fines, costs are anticipated to increase by \$15,995, which includes \$13,140 General Fund and \$2,855 cash funds.

Department of Public Health and Environment. Under an agreement with the Environmental Protection Agency (EPA), the Department of Public Health and Environment currently enforces violations of EPA standards. Because those standards require the collection of fines and are specified by contract and not in federal law, the fiscal note assumes that this could require up to 37.9 FTE to be refinanced with General Fund. Should this occur, General Fund costs for personnel, indirect and centrally appropriated costs could increase by \$3,603,562 in FY 2012-13 and \$3,392,165 in FY 2013-14.

Department of Regulatory Agencies (DORA). The DORA requires \$229,656 and 3.0 FTE in FY 2012-13 and \$219,237 and 3.0 FTE in FY 2013-14 to ensure that insurance company violation follow up examinations take place within required time frames. These costs include personal services, operating, and capital outlay costs.

Department of Transportation. As discussed in the State Revenue section, this bill reduces revenue to the HUTF under the Department of Revenue, which is distributed in part to the State Highway Fund under the Department of Transportation. As a result, state expenditures from the State Highway Fund will be reduced by an estimated \$10.5 million per year. It should be noted that this fund is continuously appropriated to the department, and thus no reductions in appropriations are required.

All agencies. All agencies may experience an increase in workload in order to mail additional fine notices, to track additional violation notices, and to respond to any challenges for fines levied. This analysis assumes that most agencies will accomplish this workload increase within existing appropriations or will seek additional resources through the annual budget process.

Expenditures Not Included

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 summarized in Table 3.

Table 3. Expenditures Not Included Under HB12-1119*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$18,493	\$18,493
Supplemental Employee Retirement Payments	11,537	13,282
TOTAL	\$30,030	\$31,775

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

Local Government Impact

This bill reduces revenue to local governments by an estimated \$14.2 million per year. Based on FY 2010-11 collections and under current law, an estimated \$423,382 would be credited to the Highway Users Tax Fund (HUTF) from penalties on motor fuel and passenger mile taxes, with 40 percent of these moneys (\$169,353) distributed to cities and counties. In addition, the Department of Revenue collects an average of \$2.7 million per year in fines related to late payment of sales taxes for certain counties, statutory cities, and special districts, which would be lost under this bill. Based on the assumption that late vehicle registrations will no longer generate fine revenue, a total of \$4.5 million is lost to counties and \$6.8 million will be reduced from HUTF distributions to cities and counties.

State Appropriations

For FY 2012-13, the Department of Revenue requires an appropriation of \$15,995, which includes \$13,140 General Fund and \$2,855 cash funds. The Department of Regulatory Agencies requires an appropriation of \$229,656 cash funds and 3.0 FTE.

Departments Contacted

All Departments