



**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 12-0672**Date:** July 24, 2012**Prime Sponsor(s):** Rep. Ferrandino; Vaad  
Sen. Johnston; King K.**Bill Status:** Adopted**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO 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 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b>	up to \$775,000 per year	
<b>State Expenditures</b>	Increase - see State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon voter approval at the 2012 general election.		
<b>Appropriation Summary for FY 2012-2013:</b> Upon voter approval at the 2012 general election.		
<b>Local Government Impact:</b> Reduction of up to \$1.1 million per year. See Local Government Impact section.		

### Summary of Legislation

This concurrent resolution submits a ballot measure to amend Section 13 of Article XII of the Colorado Constitution, which describes the state personnel system. If approved, the amendment modifies the application of veterans' preferences in state employment and the appointment and service terms of members of the state personnel board. It also 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;
- with the approval of the state personnel director, deputy department heads, senior executive service employees, chief financial officers, public information officers, legislative liaisons, human resource directors, and executive assistants may also be excluded from the state personnel system;
- up to 1 percent of the total number of employees of the state personnel system may be exempted from its provisions; and
- temporary employees may be appointed for up to nine months, rather than six.

## **Background**

The State of Colorado employs about 74,150 individuals in full- and part-time positions within the executive, legislative, and judicial branches of government. These positions are generally categorized as classified (about 33,000 current employees) or nonclassified (about 41,150 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. The measure 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 from the Departments of Corrections, Human Services, Natural Resources, Public Health and Environment, and Public Safety, all of which were granted.

In FY 2009-10, the average household paid \$16,295 in taxes, including \$1,800 in state income tax, \$14,482 in federal income taxes, and \$3,124 in other state and local taxes, including property, sales and use, and gasoline taxes. The residency status of an employee of the State of Colorado does not affect state or federal income tax or property tax collections, but it can affect other taxes and fees.

## **State Revenue**

If the measure is approved, state revenue may be reduced by increasing the number of positions that may be filled by out-of-state residents. This analysis assumes that the existing residency waiver process, as described in the Background Section above, will continue, although requests may now be handled by the state personnel director rather than the State Personnel Board. These requests will not substantially alter state revenue collections. However, the measure also

allows positions located within 30 miles of the Colorado border to be filled by non-residents. As of this writing, about 1,260 positions meet this criteria. To the extent that this increases the number of persons who work for the State of Colorado but live in another state, it could reduce the amount of revenues collected from certain state taxes.

Revenue reductions are based on the assumption that most employees will purchase gasoline in Colorado, but that most personal and household purchases will be made in their home state. Assuming that all positions are filled by non-residents, and that each position represents the average taxing household, Table 1 shows the potential reduction in revenue in a given fiscal year.

<b>Table 1. Potential Reduction in Revenue under HCR12-1001</b>		
<b>State Tax</b>	<b>Average Taxes Paid in FY 2009-10</b>	<b>Potential Reduction in Revenue</b>
State Sales Tax	\$445	up to (\$561,145)
Vehicle Licenses and Registrations	80	up to (\$100,880)
Other	91	up to (\$114,751)
<b>TOTAL</b>	<b>\$616</b>	<b>up to (\$776,776)</b>

### **State Expenditures**

Modifying the manner in which appointments to state employment and the State Personnel Board are made does not alter the number of employees hired or otherwise affect compensation decisions. However, it is possible that workload and expenditures for the board or state personnel director may increase as a result of persons challenging application of the new provisions on residency, comparative analyses, or veteran preferences, among others. These impacts are anticipated to be minimal and can be accomplished within existing appropriations.

### **Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the November 2012 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. Table 2 below identifies the anticipated costs for the 2012 Blue Book.

<b>Table 2. Cost to Produce and Distribute the 2012 Blue Book to All Registered Voter Households</b>	
Printing	\$400,000
Postage	\$450,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$500,000
<b>Total Cost (14 issues)</b>	<b>\$1,370,000</b>
<b>Average Cost per Issue</b>	<b>\$97,857</b>

### **Local Government Impact**

Similar to state taxes, this analysis assumes that local tax revenues will be reduced in proportion to the number of non-resident employees hired in positions near a state border. The potential reduction in local revenues in a given fiscal year is shown in Table 3.

<b>Table 3. Potential Reduction in Revenue under HCR12-1001</b>		
<b>Local Tax</b>	<b>Average Taxes Paid in FY 2009-10</b>	<b>Potential Reduction in Revenue</b>
Local Sales and Use Tax	\$723	up to (\$911,703)
Specific Ownership (vehicle registrations)	161	up to (\$203,021)
<b>TOTAL</b>	<b>\$884</b>	<b>up to (\$1,114,724)</b>

### **Departments Contacted**

All Departments