2018 Legislative Wrap Up
Is This The Year Colorado Stops Digging? Stay Tuned.

Another Legislative Session is in the history books, and this year's session was certainly shaped by a unique set of factors. Close majorities, an election year, term limits for key leaders, a booming economy, and a significant budget surplus all made for an interesting 120 days and an unusual policy-making environment.

In many ways, this year felt like a fork in the road for Colorado.

Faced with persistent funding shortages in education, transportation, and several other key priorities, would Colorado repeat the mistakes of the past by slashing public investments, enacting piecemeal tax policies, and further hamstringing future legislatures? Or would we invest in the very priorities that build thriving communities and sustain the Colorado way of life?

We're happy to report that this General Assembly largely chose wisely, and avoided repeating past missteps. Responsible transportation investments were secured, PERA's continued viability was advanced, and school funding got a boost. These are all good things for the long-term economic viability for the state. Yet, while the General Assembly spent a lot of time talking about very diverse ideas for addressing the implications of our changing economy, there was not much in the way of fundamental policy change to address Colorado's underlying, root challenges.

In our ongoing efforts to make Colorado a state where fiscal and budget policies advance equity and widespread economic prosperity, CFI spent a lot of time working on a wide ranging set of issues with varying levels of success.

As we continue to debate fiscal policies and decide which fork in the road to take, it's worth asking whether Colorado has turned a corner and is now ready to make the investments that build the thriving communities we all want to live in? Stay tuned to this fall's elections, which will help determine the fate of future investments and shape the 2019 agenda and beyond.

Bill Summaries

State Budget

HB 18-1332, the Long Bill was signed by Governor John Hickenlooper authorizing total state spending for FY 2018-19 of $28.9 billion with General Fund spending of $11.4 billion. The budget included nearly $500 million for transportation, $250 million for PERA adjustments, about $480 million for schools, including $150 million to catch funding up to 2000 levels (adjusted for inflation), $75 million for higher education to keep tuition increases toaround 3 percent.

Tax Policy

The state Legislature considered a total of 22 different tax credit or deduction bills. Tax credits can dig the fiscal hole deeper without looking like a direct General Fund expenditure, which is why CFI has high standards for what a good tax credit looks like. Credits and deductions, like any general fund spending, should be targeted, equitable, and fiscally prudent.

This session, the General Assembly passed seven tax credit and deduction bills, which will take away $44 million from the General Fund. Those are based on first year expenditure estimates, and it's important to remember that tax credits tend to get more expensive over time. Two of the bills passed were continuations of existing tax credits. **HB 1004** continues the Child Care Contribution Tax Credit and **HB 1208** expands the Child Care Expenses Income Tax Credit. If every one of these 22 bills had passed, the General Fund would have seen a $261 million reduction in revenue in the first year of their implementation. Counties and school districts would have lost as much as $36 million in funds to invest in local needs. CFI worked hard to ensure that decision makers on Capitol Hill understood each of these bills means a reduction in the General Fund to invest in education, transportation, and other key priorities.

CFI opposed **SB 265**, which was the Child Care Savings Accounts Income Tax Benefits. This bill was a costly and poorly targeted tax credit for taxpayers who set aside money for child care expenses in a tax preferred savings account. Bad tax policies, like this one, mean that high income earners more easily get the benefits, while low income earners don't, and the gap between them persists over a lifetime, even a generation. SB 265 was just one bill considered that would allow individuals to set aside money for basic needs like child care or family and medical leave, it won't be the last even with a hefty price tag of $30 million General Fund annually. SB 265 died in Senate Appropriations Committee.

CFI also opposed **HB 1013**, which was the Income Tax Credit for Endowment Contributions. This bill allows for a tax credit for contributions to a qualifying nonprofit endowment. CFI opposed because there is already a federal tax benefit for charitable contributions, and this double credit would have gone to wealthy Coloradans and primarily to large endowed charities. HB 18-1013 did not meet CFI's standards for equity and prudent fiscal policy: the price tag for this bill was $12 million in the first full year of its implementation. HB 1013 died after no action was taken in the House Appropriations Committee.

HB 18-1060, a Tax Deduction for Military Retirement Benefits, is another tax expenditure that CFI opposed. This bill proposed that military retirement benefits below $40,000 for individuals under age 55 be deducted from that person's taxable income. The bill would cost the state as much as $8 million per year, and did not meet CFI's guidelines and principles for sound tax policy. HB 1060 was passed by the legislature on May 9.

CFI supported **HB 18-1185,** Market Sourcing for Business Income Tax Apportionment. This bill implemented a common-sense change to how Colorado calculates business income taxes, bringing our corporate tax code up to speed with the technology of the 21st century. The fiscal impact of the bill is unclear, but this change could end up increasing state tax revenue by as much as $18.3 million in the first full year of implementation. HB 1185 was passed by the legislature on May 7 and will be signed by the Governor.

CFI opposed **HB 18-1202,** Income Tax Credit for Organ Donation. This bill allows the employers of Coloradans who donate an organ to claim a tax credit for any expenses associated with the employee's leave. Giving tax breaks to employers is not the right way to incentivize organ donation. Though this bill's fiscal note is small ($114,000 in its most costly year), using state revenue to benefit employers is not prudent fiscal policy and does not meet CFI's principles for efficient, effective, and equitable tax policy. HB 1202 passed on May 8 and will be signed by the Governor.

CFI opposed **HB 18-1217,** Employer 529 Contributions Tax Credit. This bill allows employers to take a double deduction for any contribution they make to an employee's 529 college savings plan. 529 plans are used overwhelmingly by the wealthiest Coloradans, and enriching employers is not the best way to ensure more Colorado families can save for college. The estimated fiscal impact of this bill is $51,250 in 2019. HB 1217 passed on May 4 and will be signed by the Governor.

CFI supported **HB 18-1380,** Grants for Property Tax Rent and Heat. This bill built on an existing tax rebate which helps very low income seniors in Colorado pay for basic expenses like rent and utilities. HB 1380 proposed a modest increase (based on CPI inflation) to this already modest rebate, which would only go to Coloradans most in need. HB 1380 died in the Senate Committee on State, Veterans, & Military Affairs on May 3.

Among the bills that died, and kept the state from digging our budget hole deeper, was **Senate Bill 61**. This bill, among other things, proposed a reduction in the state income tax rate from 4.63% to 4.43%. The estimated cost of the bill was $384 million in FY 18-19. This reduction in revenue would have meant cuts in the state budget equal to more than a third of the General Fund spending for colleges and universities or more than 50 percent of General Fund allocation for corrections. CFI testified against this bill in Senate State, Veterans and Military affairs committee in January. The bill passed the Senate, but died in the House committee.

Another bill that would have dug a deeper hole for the state budget is **HB 1203** This bill reduced the state income tax rate from 4.63 percent to 4.0 percent. The estimated General Fund cost of the bill was $1.15 billion in FY 18-19. CFI testified on this bill, providing historical context for the impact of tax cut measures. HB 1203 bill died in the House State, Veterans and Military Affairs committee.

CFI also weighed in on **SB 273** that would have made the Senior Homestead Property Tax exemption "portable" for a very limited number of seniors. The bill proposed allowing seniors who had to leave their home for a "medical necessity" to take their eligibility for exempting a portion of their home value from local property taxes with them if they purchased a new home, thereby waiving the requirement of having to own the property for at least 10 years. CFI worked on proposals to improve the efficiency and targeting of the homestead exemption for the last few years and chose to oppose SB 273 because the solution proposed was too narrow and did not address the equity issues associated often identified with the Homestead exemption. The bill died in House Veterans and Military Affairs committee.

Transportation

One of the major accomplishments of the 2018 General Assembly was a workable compromise around funding for transportation needs statewide. Building on the framework from last year's end of session compromise, SB 17-267, the 2018 legislature's transportation funding measure provides General Fund transportation transfers of $495 million in FY 2018-19 and $150 in FY 2019-20. These short term infusions of General Fund were justified based on new revenue coming to the state because of federal tax changes. The bill also contains a long term General Fund commitment of $50 million annually for bond repayment or other transportation uses for 20 years. This long term obligation of General Fund revenue is a renewed commitment to transportation as a state funding priority and increases the pressure associated with balancing the state budget when revenue collections are falling. The exact use and duration of the General Fund transfer is contingent on outcome of 2018 and 2019 revenue elections.

The General Assembly considered two bills dealing with RTD's affordable fares program, a long-standing priority for CFI and our partners at Mile High Connects. CFI supported **HB 1401** - RTD Low Income Fare Program, which would have directed $80,000 to RTD to offset costs associated with implementing the recommendations from RTD's Pass Program Working Group for a reduced fare program for low-income riders and youth. The bill was ultimately a statement to RTD to stop dragging their feet and commit to creating a low-income fare program for transit riders like RTD has been claiming to want to do for several years. It forced RTD's officials to come down to the capitol and testify against receiving the money. This bill died in House Appropriations.

Alternatively, CFI opposed **SB 204**, Limit RTD Discount Fare Programs, which was a careless bill that would have prohibited RTD from changing any of their fare reduction programs without prior legislative approval. While no progress was made on funding the low-income and youth pass programs this year, it is clear that the General Assembly recognizes how important affordable transit is to families who are struggling to keep up with skyrocketing costs, and to the future economic vitality of the RTD district. This bill died in Senate.

Safety Net
CFI opposed **SB 171,** Marketplace Contractors Workers Comp and Unemployment, which was a bill that would make it easier for marketplace platforms like Handy and Instacart to classify people who find work through their platform as independent contractors, denying them access to important economic safety net benefits like workers compensation coverage and unemployment insurance. CFI worked with a fierce coalition of workers' rights advocates against this bill and SB 171 died on the House calendar.

CFI also opposed **SB 214**, Medicaid Work Requirements, which would have required Colorado to submit a waiver to the federal government to institute work requirements, copays and 5-year lifetime limits for able-bodied adults receiving health care through Medicaid. The bill would have increased the number of Coloradans without access to healthcare and harmed many rural economies where jobs are more scarce and wages lower. SB 214 died in Senate Health and Human Services Committee.

Once again, CFI prioritized **HB 1001**, FAMLI Family and Medical Leave Insurance Program, a new social insurance program that would provide paid leave to workers who need to take time off to welcome a new baby or to care for themselves or a loved one with a serious medical issue. Despite a growing coalition of business and health organizations, and persuasive data on the equity, health and income benefits of paid leave, the Senate State, Veterans and Military Affairs Committee killed the bill.

Housing
As the housing crisis continues to affect Coloradans around the state, CFI understands the importance of supporting legislation that improves tenant protections and increases funding options for affordable housing. CFI supported **SB 007,** Affordable Housing Tax Credit, which would rename the existing low-income housing tax credit to housing tax credit and would extend it through 2024. This credit is a crucial source of funding for affordable housing in the state, and with bipartisan support, the bill passed and is on its way to the Governor's desk.

CFI, along with other partners, also supported the Colorado Homes for All Coalition in their efforts to pass **HB 1397**, Landlord Tenant Warranty of Habitability. This bill would have provided tenants with more renter protections. Warranty of Habitability (WoH) is a Colorado State Statute that requires landlords to uphold and maintain safe and habitable conditions in rental units. Colorado's WoH statute fails as it favors landlord rights over tenant protections. For instance, the law assumes that if a landlord files an eviction or increases rent after a complaint is made by a tenant, the presumption is that the landlord is doing this in "good faith." With Colorado increasingly becoming a state with more renters than homeowners, not only is this a critical housing matter, but it is also a health, safety, and consumer concern. HB 1397 did not make it through the session this year.

Immigration
CFI knows that our communities thrive when everyone thrives and immigrants help supercharge economic growth and prosperity. Working with our allies at the Colorado Immigrant Rights Coalition CFI supported bills that strengthened laws that allow hard working immigrants to contribute to our communities, including supporting **HB 1417,** Protect Constitutional Rights of Colorado Residents, a bill that would designate public spaces like courts, hospitals and schools as safe spaces for immigrants from ICE operations, and **SB 108,** Expand Eligibility for CO Road and Community Safety Act, which will allow a more seamless administration of Colorado immigrant driver's license program. SB 108 made it through the process this year, but HB 1417 did not.

CFI opposed **SB 220**, Public Safety From Sanctuary Policies, and **HB 1178**, Hold CO Governments Accountable for Sanctuary Policies. Both bills would increase local government enforcement of federal immigration law. CFI's research shows that these aggressive enforcement policies create confusion for local government employees, generate fear and distrust in immigrant communities, compromise public safety, waste scarce local resources and damage the economy. Both bills died in House State, Veterans and Military Affairs Committee.

Environmental Policy
Severance tax revenue funds programs to offset the impacts of extracting and using natural resources in local communities and the state. This session, there were three bills related to severance tax that worked to meet revenue shortfalls and alleviate volatility. **HB 1338** would assist in funding Department of Natural Resource programs through General Fund transfers in the absence of sufficient severance tax revenue. **HB 1201** attempted to remove severance tax revenue from the state's TABOR revenue limits and **HB 1387** tried to eliminate local governments' responsibility to pay interest on refunds issued as a result of an error made by the taxpayer when filing. However, none of these bills made it through the process.