



Colorado  
Legislative  
Council  
Staff

Room 029 State Capitol, Denver, CO 80203-1784  
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

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**MEMORANDUM**

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July 28, 2009

**TO:** Long-Term Fiscal Stability Commission

**FROM:** Kate Watkins and Ron Kirk, Economists, (303) 866-3521

**SUBJECT:** Brief History of Fiscal Committees (or Commissions)

This memorandum provides information on the history of committees that were created by the legislature to evaluate tax policy issues or a specific tax. This research looks at committees (or commissions) created during the early 1990s through the present.

### **History of Fiscal Committees**

Over the past twenty-year period, there were a number of tax policy committees (and commissions) created by the legislature. These committees' charges ranged from broad-sweeping tax reform to the evaluation of a specific tax. For example, committees were charged to study tax policies of Colorado state and local governments including:

- general changes in tax policy;
- changes that would ensure the fair application of tax laws;
- the review of the current tax structure to determine whether it embodies the principles and values of the people of the state of Colorado;
- the need to conduct a fiscal study of state and local governments;
- the appropriate valuation for assessment ratio for each class of taxable real and personal property;
- exemptions from taxation of various classes of real and personal property including a "homestead" exemption;
- the evaluation of how tax policy changes, including changes in the business personal property tax, can stimulate economic development in Colorado;
- the use of dynamic modeling to analyze tax policy changes;
- tax policies that encourage economic development in rural areas; and
- the distribution and spending of state severance tax revenue.

Many of these committees held hearings in the metro-Denver area and regions throughout the state. A few committees focused on input from rural areas in Colorado. Persons and stakeholders who testified were representatives of state agencies and departments, local government, urban and rural businesses, corporations, nonprofit organizations, public-interest groups, quasi-governmental organizations, and other individuals (public).

The following sections provide specific information on some of these committees.

## History of Fiscal Committees

Year	Committee/Commission Charge and Activities	Proposals and Research Publications
1993	<p><b>Interim Committee on Tax Policy</b></p> <p><b>Committee charge.</b> House Bill 93-1246 created a 14-member committee charged with studying the tax policies of Colorado state and local governments and making recommendations to ensure the fair application of tax laws.</p> <p><b>Committee activities.</b> The committee held seven meetings at the State Capitol and six meetings around the state. During meetings held outside the Capitol, testimony focused on the interaction of Gallagher and TABOR.</p>	<p>The committee recommended four proposals for the 1994 session.</p> <p><b>For more information</b> see the 1993 report to the Legislative Council (Research Publication No. 390).</p>
1999	<p><b>Study of State and Local Government Fiscal Policy</b></p> <p><b>Committee charge.</b> Senate Joint Resolution 99-48 created an 11-member legislative study committee to consider the need for a fiscal study of state and local governments. The resolution directed the committee to develop a plan for: the phases and cost of a comprehensive study; data collection; and creation of committees or task forces to analyze data and make recommendations to the General Assembly. The committee was also charged with establishing the framework for a study that would yield recommendations that would make the organization and structure of state and local governments more efficient.</p> <p><b>Committee activities.</b> The committee held five meetings and received testimony on a variety of fiscal policy issues that impact state and local governments. The committee's first meeting focused on a discussion of the <i>principles of a high quality state revenue system</i> and how other state tax structures differed from Colorado's. Subsequent meetings allowed representatives from the state, local governments, nonprofit organizations, businesses, and citizens the opportunity to provide recommendations to the committee on issues that could be considered in a comprehensive tax study.</p>	<p>The committee did not make any legislative recommendations.</p> <p><b>For more information</b> see the 1999 Report to the General Assembly (Research Publication No. 461).</p>

### History of Fiscal Committees (continued)

Year	Committee/Commission Charge and Activities	Proposals and Research Publications
2000 thru 2002	<p><b>Colorado Commission on Taxation</b></p> <p><b>Commission charge.</b> Senate Bill 00-103 created a 15-member commission to review Colorado's tax system and:</p> <ul style="list-style-type: none"> <li>• determine whether the system embodies the principles and values of the people of the state of Colorado;</li> <li>• communicate with and obtain input from groups affected by the current tax system; and</li> <li>• if determined necessary, develop and propose recommendations for the modification of the tax system.</li> </ul> <p><b>Commission activities.</b> Within a two-year period, the Commission fulfilled many of its statutory duties. The Commission reviewed Colorado's state and local tax system to determine whether it embodies the principles and values of Colorado's citizens, communicated with taxpayers impacted by these systems, and made recommendations that worked toward promoting such principles and values.</p> <p>To carry out its charge, the Commission traveled extensively throughout the state and held nearly 40 local and statewide forums. The Commission learned about the concerns that citizens experience with taxes, the government services that are the most valued by taxpayers, and proposals for making the tax systems more fair. The Commission also looked at how other states analyze their tax systems.</p> <p>The Commission's primary recommendation was the need for a comprehensive tax study of Colorado's state and local revenue systems. The cost of the analysis was estimated at about \$1.6 million and would have evaluated many of the issues and concerns that taxpayers voiced to the commission. Since the commission was unable to raise enough private and state revenues to fund the study, the Commission endorsed a secondary recommendation. The Commission found that there is a need to develop an ongoing ability to analyze how taxes impact businesses and individuals (a tax incidence study).</p>	<p>The committee did not make any legislative recommendations but advocated the need for a comprehensive tax study of Colorado's state and local revenue systems and a tax incidence study.</p> <p><b>For more information see the following:</b></p> <p><i>April 16, 2001, Interim Report;</i>  <i>April 15, 2002, Second Status Report; and</i>  <i>September 5, 2002; Final Report</i></p>

### History of Fiscal Committees (continued)

Year	Committee/Commission Charge and Activities	Proposals and Research Publications
2004	<p><b>Interim Committee on Economic Development - Business Personal Property Tax</b></p> <p><b>Committee charge.</b> Senate Bill 04-001 created a 10-member committee charged with studying how changes in the business personal property tax can stimulate economic development in Colorado. Specifically, the committee was required to study:</p> <ul style="list-style-type: none"> <li>• how tax policy changes, including the phasing-out or elimination of the business personal property tax, affect job creation and retention;</li> <li>• the fiscal impact of these policy changes on state and local governments;</li> <li>• the use of dynamic economic models to analyze tax policy changes;</li> <li>• methods to mitigate any revenue reduction to state and local governments resulting from tax policy changes;</li> <li>• policies that encourage economic development in rural areas; and</li> <li>• other actions that can be taken to encourage, promote, and stimulate economic development in Colorado.</li> </ul> <p><b>Committee activities.</b> The Committee on Economic Development - Business Personal Property Tax held six meetings during the 2004 interim. These meetings focused on: (1) the impact of the business personal property tax on businesses and economic development in Colorado; (2) economic development issues facing the state; (3) policies to improve the state's business climate; and (4) the use of dynamic modeling to evaluate tax policy changes.</p>	<p>The committee recommended six proposals for the 2005 session.</p> <p><b>For more information</b> see the <i>2004 Report to the General Assembly (Research Publication No. 531)</i>.</p>

### History of Fiscal Committees (continued)

Year	Committee/Commission Charge and Activities	Proposals and Research Publications
2005	<p><b>Interim Committee on Rural Economic Development Issues</b></p> <p><b>Committee charge.</b> House Joint Resolution 05-1055 created a 12-member committee to work with the business community to enhance the state's business climate. Specifically, the committee was charged with:</p> <ul style="list-style-type: none"> <li>• evaluating ways to enhance the state as a prime location in which to start and grow a business;</li> <li>• determining ways to promote innovation, productivity, and competitiveness in the business community;</li> <li>• considering policies that would heighten the ability of businesses to provide diverse, secure, and high-paying career opportunities;</li> <li>• identifying the policies and practices of the state and local governments to maximize Colorado's competitiveness in the global marketplace;</li> <li>• working with the educational community to determine how Colorado's institutions of higher education can help Colorado's citizens compete in the 21st century; and</li> <li>• soliciting input from experts in the community in the areas of transportation, public health, and environmental conditions to foster economic development in the state.</li> </ul> <p>A 15-member advisory board representing different sectors of the state's economy and geographic areas of the state was appointed to assist the committee in its work. The board was charged with making presentations and providing written comments.</p> <p><b>Committee activities.</b> The Committee on Economic Development held six meetings during the 2005 interim. Meetings included a variety of presentations by representatives of economic development organizations, businesses, educational institutions, trade groups, the advisory board, and other interested parties. The advisory board met separately to discuss ways to promote economic development; and, several advisory board members participated at the committee's meetings.</p> <p>The committee meetings focused on: (1) Colorado's economy and business climate; (2) the use of economic development incentives; (3) educating Colorado's workforce; (4) tourism; (5) the arts industry's role in economic development; (6) transportation issues; and (7) energy issues as they relate to economic development.</p>	<p>The committee recommended three proposals for the 2006 session.</p> <p><b>For more information</b> see the 2005 Report to the General Assembly (Research Publication No. 544).</p>

## History of Fiscal Committees (continued)

Year	Committee/Commission Charge and Activities	Proposals and Research Publications
2007	<p><b>Committee to Study the Allocation of Severance Tax and Federal Mineral Leasing (FML) Revenues</b></p> <p><b>Committee charge.</b> Senate Joint Resolution 07-042 created an 11-member committee charged with proposing legislation and holding hearings to receive public input concerning the allocation of severance tax and FML revenue. An 11-member working group was appointed to work with the committee. This group was charged by the committee with: evaluating and quantifying the impacts of the mineral extraction industry; and making policy recommendations to the committee with respect to the allocation of revenue from severance tax and FML.</p> <p><b>Committee activities.</b> The committee held six meetings during the 2007 interim. While the working group generally met separately to study and develop recommendations for the committee, working group members and committee members regularly participated in each other's meetings. The committee and working group also visited areas of Garfield and Rio Blanco counties in northwest Colorado to tour mineral extraction facilities and take testimony from representatives of local communities regarding the impacts of the industry.</p> <p>The committee's meetings primarily focused on the following issues: (1) the impacts on local communities of mineral extraction activities; (2) the collection of severance tax and FML revenue; and (3) the allocation of severance tax and FML revenue.</p>	<p>The committee recommended three proposals for the 2008 session.</p> <p><i>For more information see the 2007 Report to Legislative Council</i></p>
2008	<p><b>Joint Select Committee on Job Creation and Economic Growth</b></p> <p><b>Committee charge.</b> Senate Joint Resolution 09-005 created a 10-member committee charged with responding to the national recession which began December 2007 and Colorado's economic downturn. The committee was charged to study options for growing Colorado's economy and evaluating policies that:</p> <ul style="list-style-type: none"> <li>• develop small businesses and non-profits;</li> <li>• improve Colorado's infrastructure;</li> <li>• expand Colorado's New Energy Economy; and</li> <li>• stimulate job growth in rural communities.</li> </ul> <p><b>Committee activities.</b> The committee held six meetings as an ad hoc committee prior to being established as a joint select committee for the 2009 legislative session and held eight meetings during the 2009 session. The committee heard presentations from a number of state and local government officials, higher education representatives, individuals, businesses, nonprofit organizations, and urban and rural groups. The committee's meetings focused on: (1) Colorado's economy and business climate as it relates to small businesses and nonprofit organizations; (2) the use of economic development incentives and state and federal funding to improve Colorado's infrastructure and create jobs; (3) the creation and expansion of businesses that promote Colorado's new energy economy; and (4) Colorado's Enterprise Zone Program's potential to stimulate job growth in rural communities.</p> <p>A ten-member Business Advisory Group was appointed by the committee to assist in the committee's charge.</p>	<p>The committee recommended 24 proposals for the 2009 session.</p> <p><i>For more information see the 2009 Report to the General Assembly (Research Publication No. 583).</i></p>