Colorado Legislative Council Staff

SB16-210

FISCAL NOTE

FISCAL IMPACT: ☒ State ☐ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 16-0034	**Date:**	May 2, 2016
Prime Sponsor(s):	Sen. Baumgardner Rep. DelGrosso; Priola	**Bill Status:**	Senate Finance
		Fiscal Analyst:	Larson Silbaugh (303-866-4720)

BILL TOPIC: FIX COLORADO ROADS ACT

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
Cash Funds		Conditional Increase. See State Revenue Section.
State Transfers		
General Fund		($13.6 million)
Highway Users Tax Fund (HUTF)		$39.1 million
Capital Construction Fund (CCF)		($25.5 million)
State Expenditures		See State Expenditures Section.
Appropriation Required: None.		
Future Year Impacts: Conditional revenue increase and ongoing transfers.		

Summary of Legislation

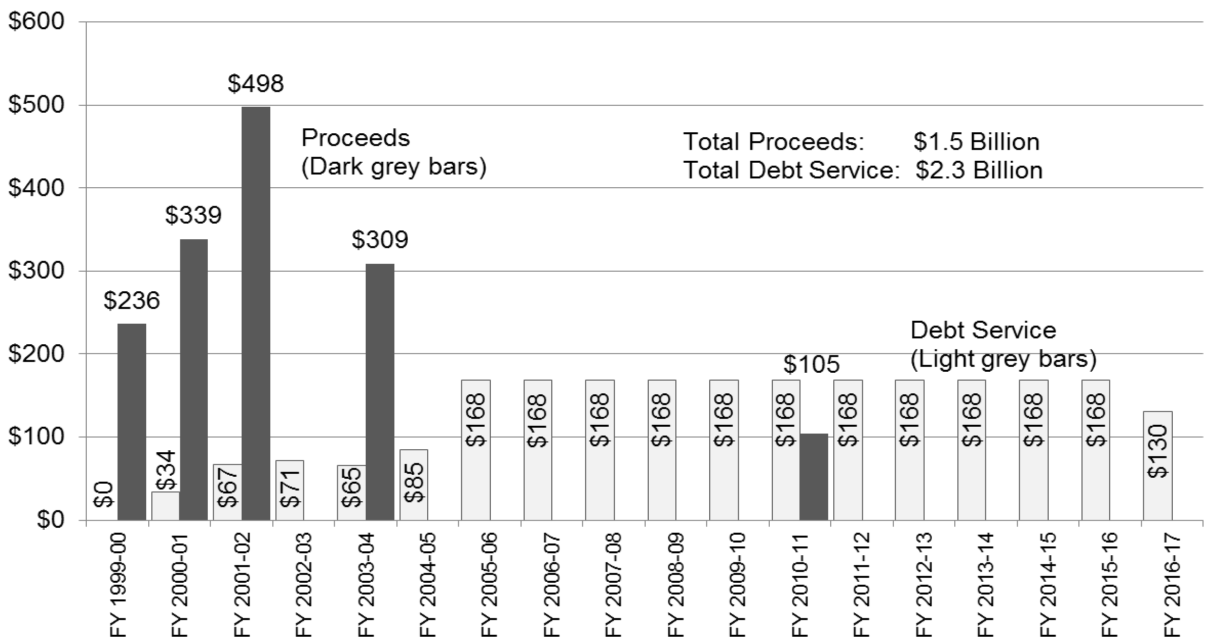
This bill requires the Transportation Commission to submit a ballot question to voters in 2016, 2017, or 2018 for approval of $3.5 billion in Transportation Revenue Anticipation Notes (TRANs) once existing transportation bonds have been repaid. The maximum repayment cost cannot exceed $5.5 billion or take longer than 20 years to repay. TRANs proceeds must be spent on a list of transportation projects described in the bill.

The bill also eliminates the final three years of Senate Bill 09-228 transfers and diverts 5 percent of state sales tax revenue to the Highway Users Tax Fund (HUTF) and 1 percent of state sales tax revenue to the Capital Construction Fund (CCF).

Background

Transportation Revenue Anticipation Notes. In 1999, Colorado voters authorized the Colorado Department of Transportation (CDOT) to borrow up to $1.7 billion by selling TRANs with a maximum repayment cost of $2.3 billion. Debt service on TRANs is paid with money from the federal government and state matching funds. TRANs proceeds were exempt from the TABOR revenue limit and could be used only for a list of 28 prioritized statewide projects. The use of TRANs allowed CDOT to accelerate construction on these projects. As shown in Figure 1, CDOT issued a total of $1.5 billion in installments from 2000 through 2011, with a total repayment cost of $2.3 billion. The final debt service payment is scheduled to occur in December 2016. TRANs proceeds were spent on a number of state highway projects, including the widening of I-25 in Denver (T-REX).

Figure 1. 1999 TRANs Proceeds and Debt Service



Source: Colorado Department of Transportation. Nominal data.

Senate Bill 09-228 transfers. SB 09-228 requires a five-year block of transfers from the General Fund to the HUTF and the CCF beginning after state personal income grows 5.0 percent or more during a single calendar year. The U.S. Bureau of Economic Analysis estimated that Colorado personal income grew 6.2 percent in 2014. Because personal income growth met the 5.0 percent trigger, transfers will begin in FY 2015-16 and continue through FY 2019-20.

However, transfers may be cut in half or not made depending on the existence and size of a state TABOR surplus for each fiscal year in which transfers are scheduled. Transfers are cut in half if the TABOR surplus during a fiscal year is greater than 1 percent and less than or equal to 3 percent of General Fund revenue. If the TABOR surplus exceeds 3 percent of General Fund revenue, the transfers are not made for that year. The March 2016 Legislative Council Staff Economic and Revenue Forecast expects half transfers in FY 2017-18, when the TABOR surplus is expected to be between 1 percent and 3 percent of General Fund revenue. No forecast of SB 09-228 transfers have been prepared for FY 2018-19 and FY 2019-20. Forecasts of the TABOR surplus relative to General Fund revenue incorporate substantial error.

The Governor signed HB 16-1416 as part of the long bill package, which removed the triggers for the SB 09-228 transfers and specified transfers equal to set dollar amounts to the HUTF and CCF in FY 2015-16 and FY 2016-17. The last three years of transfers were not impacted by HB 16-1416.

State Revenue

If voters approve the TRANs, revenue to the SHF will increase by up to $3.5 billion over a multi-year period beginning no earlier than FY 2017-18. Once the existing TRANs bonds have been repaid, the Transportation Commission is required to submit ballot language to voters allowing CDOT to issue bonds. It is assumed that the final payment for the existing bonds will occur on schedule in December 2016, voters will be able to vote on the measure in either the November 2017 or November 2018 elections. The state revenue increase is conditional on voters approving the bonds, and the timing of the revenue increase is uncertain.

If voters approve the sale of TRANs, the proceeds would be voter approved revenue and exempt from the state spending limit.

State transfers. This bill eliminates the final three years of SB 09-228 transfers to the HUTF and CCF and provides a diversion of state sales tax revenue. The HUTF will receive 5 percent of state sales tax revenue and the CCF will receive 1 percent of state sales tax revenue each year starting in FY 2017-18. Table 1 shows the FY 2017-18 impact on the General Fund, the HUTF and the CCF.

Table 1. FY 2017-18 Impact of SB 16-210

	SB 09-228	Sales Tax Transfer	Net Impact of SB 16-210
Highway Users Tax Fund	$111.2 million	$150.3 million	$39.1 million
Capital Construction Fund	$55.6 million	$30.1 million	($25.5 million)
General Fund	$166.8 million	$180.4 million	($13.6 million)

Note: Impact based on March 2016 Legislative Council Staff Forecast.

The SB 09-228 transfers in Table 1 are half transfers based on an expected TABOR surplus of between 1 and 3 percent of General Fund revenue. If the TABOR surplus exceeds 3 percent, then the SB 09-228 transfers will be eliminated. If the TABOR surplus is less than 1 percent of General Fund revenue, the SB 09-228 transfers will be made in full. The actual SB 09-228 transfers will not be known until the end of each fiscal year.

State Expenditures

Election expenditure impact (existing appropriations). The bill includes a referred measure that will appear before voters on the November 2017 or 2018 ballot. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. Table 2 shows the ballot costs for 2016. Similar costs are anticipated for ballot measures appearing on the 2017 or 2018 ballots.

Table 2. Projected Costs of a Single Statewide Ballot Measure Election in 2016	
Cost Component	**Amount**
County Reimbursement for Statewide Ballot Measures	$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	$670,000
TOTAL	**$3,070,000**

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Transportation
Office of Information Technology
Joint Budget Committee
Legislative Council Staff