Colorado Legislative Council Staff

HB17-1242

FINAL FISCAL NOTE

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

Drafting Number:	LLS 17-0200	**Date:**	May 16, 2017
Prime Sponsor(s):	Rep. Duran; Mitsch Bush Sen. Grantham; Baumgardner	**Bill Status:**	Postponed Indefinitely
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BILL TOPIC: NEW TRANSPORTATION INFRASTRUCTURE FUNDING REVENUE

Fiscal Impact Summary*	FY 2017-2018	FY 2018-2019
State Revenue	<u>at least $233.0 million</u>	<u>at least $467.5 million</u>
General Fund	282.4 million	568.7 million
Highway Users Tax Fund	(49.4 million)	(101.2 million)
State Highway Fund	potential increase	potential increase
State Diversions		
General Fund	(286.2 million)	(576.7 million)
Highway Users Tax Fund	243.3 million	490.2 million
Multimodal Transportation Options Fund	42.9 million	86.5 million
State Transfers**		
General Fund		60.0 million
State Highway Fund		(60.0 million)
State Expenditures	<u>at least $203,373</u>	<u>at least $30,766</u>
General Fund	179,550	22,197
State Highway Fund	potential increase	potential increase
Highway Users Tax Fund	6,592	
Centrally Appropriated Costs	17,231	8,569
TABOR Impact	($49.4 million)	($101.2 million)
FTE Position Change	1.1 FTE	0.5 FTE
Appropriation Required: $186,142 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing state revenue and expenditure increase; ongoing General Fund diversions and transfers.		

* *Totals may not sum due to rounding.*
** *Transfers are presented relative to SB17-262. See the Technical Note section of this fiscal note.*

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

This bill refers a ballot question to voters at the November 2017 election. All other portions of the bill are conditional upon voter approval of the ballot question.

If voters approve the ballot question, the bill makes a number of changes to state transportation funding. These are described in the following paragraphs.

Transportation revenue anticipation notes. The bill authorizes the executive director of the Colorado Department of Transportation (CDOT) to issue transportation revenue anticipation notes (TRANs). The sale value of the TRANs must not exceed $3.5 billion, and the repayment cost must not exceed $5.5 billion. The term of the debt service is limited to 20 years.

Proceeds from the sale of TRANs are credited to the State Highway Fund (SHF) and used exclusively to pay for transportation projects, including multimodal capital projects, selected by the Transportation Commission. The bill requires CDOT to furnish the most recent list of federal aid transportation projects approved for Tier 1 funding to the Legislative Council Staff (LCS) for inclusion in the ballot information booklet ("Blue Book") sent to voters before the election.

Prior to the issuance of TRANs, the Transportation Commission is required to adopt a resolution specifying the revenue sources that will be used for debt service payments. The first $100.0 million in annual debt service obligations must be paid from a newly authorized annual transfer of General Fund revenue to the SHF. The next $50.0 million must be paid from SHF revenue that the commission controls under current law. Any outstanding amount is paid first from newly allocated sales and use tax revenue.

Sales and use tax increase. The bill increases the state sales and use tax rates by 0.5 percentage points, from 2.9 percent to 3.4 percent, between January 1, 2018, and December 31, 2037. Revenue is diverted from the General Fund to the Highway Users Tax Fund (HUTF) and a newly created Multimodal Transportation Options Fund as described below.

- 85 percent is diverted to the HUTF. From this amount:
  - 41.2 percent is allocated to the SHF for TRANs repayment and transportation projects; and
  - 58.8 percent is allocated to counties and municipalities for transportation projects.

- 15 percent is diverted to the Multimodal Transportation Options Fund to be used for grants for multimodal transportation projects, including pedestrian and active transportation projects.

State Highway Fund share. From new sales and use tax revenue, the bill allocates 35.02 percent, or 41.2 percent of 85 percent, to the SHF. This amount is required to be used for TRANs repayment. Any amount remaining after debt service costs are paid is required be expended first for transportation projects, including multimodal capital projects, that are designated for Tier 1 funding as ten-year development projects on CDOT's project list. Any amount remaining thereafter may be expended for Tier 2 project funding and for maintenance of state highways. Funds may not be expended for toll highways, unless a federal record of decision has been issued as of January 1, 2018, or unless toll collection satisfies certain requirements. Tolls may not be collected for the singular or primary purpose of revenue generation, and toll lanes must demonstrably lower congestion in untolled lanes.

Local government share. The bill allocates 49.98 percent, or 58.8 percent of 85 percent, to local governments. Half of this revenue is disbursed to counties following the current statutory distribution formula for county HUTF allocations. The other half is disbursed to municipalities following their current statutory distribution formula. Funds may be used by local governments for transportation projects in the same way that current HUTF distributions are utilized.

Multimodal projects share. The bill diverts 15 percent of new sales and use tax revenue to a newly created Multimodal Transportation Options Fund. This fund comprises two accounts:

- the Transportation Options Account, which is administered by the existing Transit and Rail Advisory Committee; and
- the Pedestrian and Active Transportation Account, which is administered by the Transportation Commission.

No more than 75 percent of the funding in the Multimodal Transportation Options Fund may be paid to the Transportation Options Account, and no less than 25 percent of the funding may be paid to the Pedestrian and Active Transportation Account. To receive funding from either account, most counties and municipalities must provide a 50 percent match to money received from the accounts; counties or municipalities that receive less than $15 million in annual sales tax revenues may provide a 20 percent match.

CDOT must annually report to the Transportation Legislative Review Committee (TLRC) concerning disbursements from the Pedestrian and Active Transportation Account. The Transit and Rail Advisory Committee must annually report to the TLRC concerning disbursements from the Transportation Options Account.

Disbursements from the Multimodal Transportation Options Fund are subject to the Keep Jobs In Colorado Act of 2013, which requires that 80 percent of the workforce on projects be comprised of Colorado residents, that state agencies disclose their rationale for selecting a particular bidding process, and that the cost and country of origin of the most costly goods used be disclosed to the Department of Personnel and Administration.

Road safety surcharge. For 2018 through 2037, the bill reduces the road safety surcharge, an annual vehicle registration fee, as follows:

- the fee for motorcycles and vehicles weighing up to 2,000 lbs is reduced from $16 to $6;
- the fee for vehicles weighing between 2,000 lbs and 5,000 lbs is reduced from $23 to $9;
- the fee for vehicles weighing between 5,000 lbs and 10,000 lbs is reduced from $28 to $11; and
- the fees for vehicles weighing more than 10,000 lbs are unchanged.

Under current law, surcharge revenue is deposited in the HUTF and allocated in shares of 60 percent to the SHF, 22 percent to counties, and 18 percent to municipalities. For surcharges paid on vehicles in the first three weight classes, the bill eliminates the state share of this distribution, allocating the surcharge revenue in proportionate shares of 55 percent to counties and 45 percent to municipalities.

Late vehicle registration fees. Effective January 1, 2018, the bill repeals the late fee assessed on vehicles that are not registered by the date required. Under current law, late fees accumulate at a rate of $25 per month after a one-month grace period, but may not exceed $100. Fee revenue is deposited in the HUTF and allocated in shares of 60 percent to the SHF, 22 percent to counties, and 18 percent to municipalities.

General Fund transfers. The bill repeals FY 2018-19 and FY 2019-20 transfers to the HUTF proposed in Senate Bill 17-262, part of the budget package referred with the 2017 Long Bill. Under both current law and SB17-262, these transfers are allocated from the HUTF to the SHF. For FY 2018-19 through FY 2037-38, the bill requires annual transfers of $100.0 million from the General Fund to the SHF. The full amount of the transfer is expected to be used to make payments on TRANs each year.

Transit and Rail Advisory Committee. The bill assigns the responsibility for making grants from the Transportation Options Account in the Multimodal Transportation Options Fund to this existing committee. The committee is responsible for developing a formula to allocate money among regions of the state, providing supervision and guidance to CDOT in its solicitation and evaluation of transportation options projects, and determining which transportation options projects receive funding. Grants for projects receiving funding from the Transportation Options Account must be matched at 50 percent. The bill adds members to the committee representing metropolitan planning organizations, local governments, advocates for affordable transportation options, persons with disabilities, and advocates for bicyclists and pedestrians.

TRANs Citizen Oversight Committee. The bill creates the Transportation Revenue Anticipation Notes Citizen Oversight Committee to oversee expenditures from TRANs proceeds and any additional sales and use tax revenue allocated to the SHF and used by CDOT. The committee will meet at least four times per year to ensure that funds not otherwise pledged for debt service are used only for transportation projects that are on CDOT's priority list for transportation funding and for maintenance of state highways. The committee is comprised of 15 members including the executive director for CDOT or a designee, 8 members appointed by legislative leadership, and 6 members appointed by the Governor. The members of the committee will represent various stakeholders in transportation policy and different geographic regions of the state. Members serve without compensation or reimbursement. The committee will report annually to the TLRC.

Requirements related to CDOT contracts. The bill specifies that, within 30 days of making a contract award based on best value selection, CDOT must report all proposals submitted in response to its solicitation for a project proposal. Scoring of these proposals and related documents must be kept at the department's headquarters for at least one year. For projects with an estimated completion cost of $50 million or less, CDOT is required not to penalize contractors for a lack of experience in completing projects awarded on a design-build basis. Shortlisting of contractors must allow for the evaluation of five competitors unless fewer than five proposals are submitted.

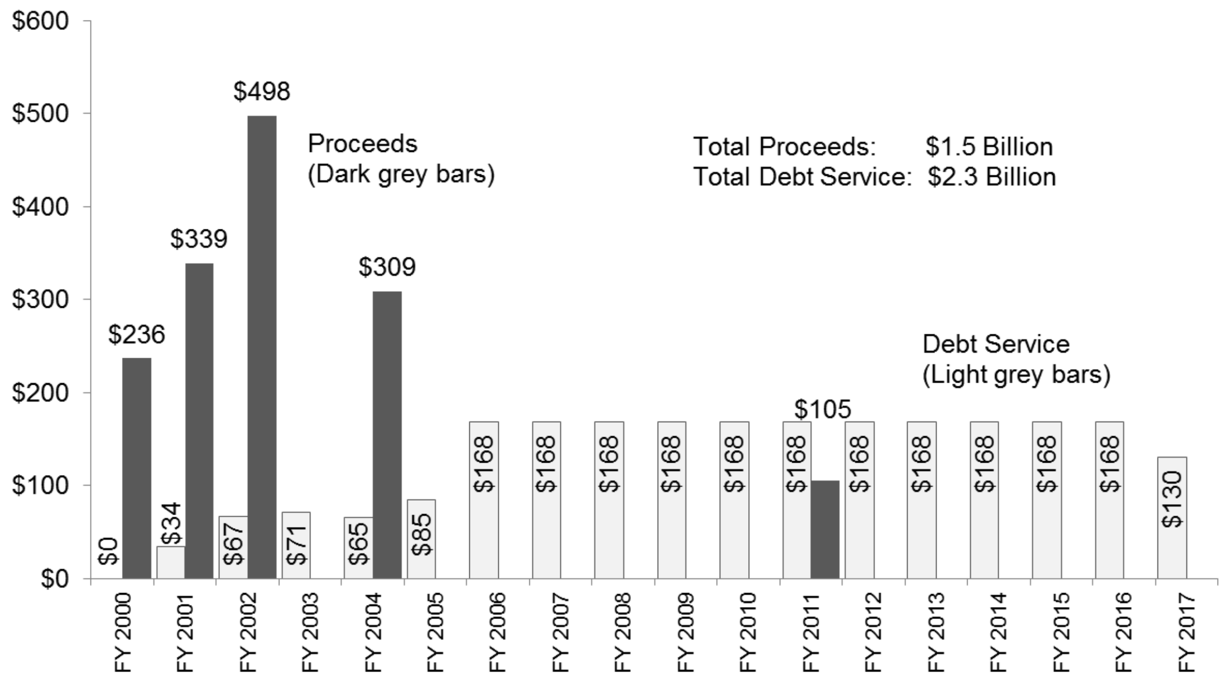
Study of high-occupancy vehicle lanes. The bill requires CDOT to prepare and present a report concerning options for more flexible use of high-occupancy vehicle and high-occupancy toll lanes. The report will evaluate options for conversion of lanes that are free for use by vehicles occupied by three or more people to make these lanes free for use by vehicles occupied by two or more people. The report must be presented to the TLRC no later than August 1, 2018.

Background

Transportation revenue anticipation notes. In 1999, Colorado voters authorized CDOT to borrow up to $1.7 billion by selling TRANs with a maximum repayment cost of $2.3 billion. Debt service on TRANs was 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, including the widening of I-25 in Denver (T-REX). 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 occurred in December 2016.

Figure 1. 1999 TRANs Proceeds and Debt Service
(Dollars in Millions)



Source: Colorado Department of Transportation. Not adjusted for inflation.

State Revenue

If voters approve the ballot measure, the bill is expected to increase state revenue by a net of **at least $233.0 million in FY 2017-18** and **at least $467.5 million in FY 2018-19**. These amounts do not include proceeds from the sale of TRANs, which are not estimated by year in this fiscal note but will total up to $3.5 billion between FY 2017-18 and FY 2037-38. The revenue estimate for FY 2017-18 represents a half-year impact based on the January 1, 2018, effective date for new sales and use tax and modified vehicle registration fee rates. State revenue will increase through the end of 2037, when the sales tax and road safety surcharge are each scheduled to return to their present rates. Because the bill permanently repeals late vehicle registration fees, state revenue is reduced in FY 2038-39 and years thereafter. State revenue changes are summarized in Table 1 and described in detail below.

Table 1. Revenue Under HB17-1242*		
	FY 2017-18	**FY 2018-19**
General Fund	**$282.4 million**	**$568.7 million**
Sales Taxes (diverted to HUTF and Multimodal Options Fund)	*259.4 million*	*524.9 million*
Use Taxes (diverted to HUTF and Multimodal Options Fund)	*26.8 million*	*51.8 million*
Add'l Sales Tax Diversion to Regional Tourism Projects	*(3.8 million)*	*(7.9 million)*
Highway Users Tax Fund	**($49.4 million)**	**($101.2 million)**
Road Safety Surcharge	*(39.5 million)*	*(80.5 million)*
Late Vehicle Registration Fees	*(10.0 million)*	*(20.7 million)*
TOTAL	**$233.0 million**	**$467.5 million**

**Excludes proceeds from the sale of TRANs. Totals may not sum due to rounding.*

TRANs proceeds. Conditional on approval of the ballot measure, revenue to the SHF will increase by up to $3.5 billion over the 20 years between FY 2017-18 and FY 2037-38 following the issuance of TRANs. The timing of the revenue will depend on the timing and structure of the debt issuance, which the bill defers to the executive director of CDOT.

Sales and use taxes. Conditional on approval of the ballot measure, the bill increases the state sales and use tax rates by 0.5 percentage points, from 2.90 percent to 3.4 percent, effective from January 1, 2018, to December 31, 2037. Based on the March 2017 LCS Economic and Revenue Forecast, state sales and use taxes other than those on aviation fuel are expected to generate $3,044.5 million and $300.3 million, respectively, in FY 2018-19 under the current 2.90 percent state tax rate. Raising the tax rate is expected to generate an additional $524.9 million in sales taxes and $51.8 million in use taxes. These amounts are prorated for a half-year impact in FY 2017-18. This revenue impact estimate does not include any changes in taxpayer behavior. To the extent that taxpayers reduce the amount of their purchases in response to the tax increase, the amount of revenue generated will be less than estimated.

Diversion to regional tourism projects. Under the Regional Tourism Act, the Colorado Economic Development Commission is authorized to approve regional tourism projects. A regional tourism project is financed using a percentage of the state sales tax revenue increment collected in the project zone above the revenue amount for the base year before the project was authorized. State sales tax revenue that is credited to the project is not accounted as state revenue in the General Fund.

The bill increases the state sales tax rate, increasing the amount of state sales tax revenue diverted for tourism projects. Additional diversions are expected to reduce the amount of new state sales tax revenue by $3.8 million in FY 2017-18 and $7.9 million in FY 2018-19.

Road safety surcharge. Conditional on approval of the ballot measure, the bill decreases the road safety surcharge assessed on three vehicle weight classes for 20 years between January 1, 2018, and December 31, 2037. Reduced surcharges are expected to reduce HUTF revenue by $39.5 million in FY 2017-18 and $80.5 million in FY 2018-19. These estimates are based on the share of vehicles registered in each weight class during 2016 and grown by the expected total increase in road safety surcharge revenue assumed in the March 2017 LCS forecast. Surcharge rates and revenue projections for the first full implementation year are summarized in Table 2.

Table 2. FY 2018-19 Road Safety Surcharges under Current Law and HB17-1242*						
	Current Law		HB17-1242		Difference	
Vehicle Weights	Surcharge	Revenue *(millions)*	Surcharge	Revenue *(millions)*	Surcharge	Revenue *(millions)*
Up to 2,000 lbs	$16	$10.8	$6	$4.1	($10)	($6.8)
2,000 to 5,000 lbs	$23	97.9	$9	38.3	($14)	(59.6)
5,000 to 10,000 lbs	$28	23.4	$11	9.2	($17)	(14.2)
10,000 to 16,000 lbs	$37	2.6	$37	2.6	-	-
16,000 lbs and up	$39	2.2	$39	2.2	-	-
TOTAL		**$136.8**		**$56.3**		**($80.5)**

**Totals may not sum due to rounding.*

Late vehicle registration fees. Conditional on approval of the ballot measure, the bill repeals late vehicle registration fees effective January 1, 2018. Based on the March 2017 LCS forecast, repeal of the fee is expected to reduce HUTF revenue by $10.0 million in FY 2017-18 and $20.7 million in FY 2018-19.

HUTF allocations. Allocations of HUTF revenue are reduced as a result of reductions to the road safety surcharge and the repeal of the late vehicle registration fee. The effects of reduced disbursements to the SHF, counties, and municipalities in the first full implementation year are summarized in Table 3.

Under current law, road safety surcharges and late vehicle registration fees are distributed in shares of 60 percent to the SHF, 22 percent to counties, and 18 percent to municipalities. Beginning in 2018, the bill adjusts the allocation for road safety surcharges paid on vehicles in the first three weight classes so that counties receive 55 percent of surcharge revenue and municipalities receive 45 percent.

Table 3. FY 2018-19 Registration Fee Allocations Under Current Law and HB17-1242*			
	Current Law	HB17-1242	Difference
Road Safety Surcharge	**$136.8 million**	**$56.3 million**	**($80.5 million)**
State Highway Fund	82.1 million	2.9 million	(79.2 million)
Counties	30.1 million	29.4 million	(0.7 million)
Municipalities	24.6 million	24.0 million	(0.6 million)
Late Vehicle Registration Fees	**$20.7 million**	**$0**	**($20.7 million)**
State Highway Fund	12.4 million		(12.4 million)
Counties	4.6 million		(4.6 million)
Municipalities	3.7 million		(3.7 million)
TOTAL	**$157.5 million**	**$56.3 million**	**($101.2 million)**
State Highway Fund	94.5 million	2.9 million	(91.6 million)
Counties	34.7 million	29.4 million	(5.3 million)
Municipalities	28.3 million	24.0 million	(4.3 million)

**Includes road safety surcharge and late vehicle registration fees only. Totals may not sum due to rounding.*

State diversions. The bill requires that all revenue generated by the additional sales and use taxes be diverted to the HUTF and the Multimodal Transportation Options Fund rather than being deposited in the General Fund. Total diversions are estimated at $286.2 million in FY 2017-18 and $576.7 million in FY 2018-19. General Fund diversions to the HUTF and the Multimodal Transportation Options Fund are shown in Table 4.

Table 4. Diversions to the HUTF and Multimodal Transportation Options Fund under HB17-1242

	FY 2017-18	**FY 2018-19**
Diversions to the HUTF	$243.3 million	$490.2 million
Allocated to the SHF[1]	*100.2 million*	*202.0 million*
Allocated to counties[2]	*71.5 million*	*144.1 million*
Allocated to municipalities[2]	*71.5 million*	*144.1 million*
Diversions to the Multimodal Transportation Options Fund	$42.9 million	$86.5 million
Transportation Options Account[3]	*32.2 million*	*64.9 million*
Pedestrian and Active Transportation Account[4]	*10.7 million*	*21.6 million*
TOTAL	**$286.2 million**	**$576.7 million**

[1] *After all debt service costs are paid, revenue is required to be expended for Tier 1 funding for projects on CDOT's project list until these are fully funded. Any remaining amount may be expended for Tier 2 funding for projects or for maintenance of state highways.*
[2] *Allocations among counties and municipalities follow existing statutory distribution formulas.*
[3] *These amounts assume 75 percent of the multimodal options allocation will be deposited in the transportation options account, the maximum amount allowed by the bill.*
[4] *These amounts assume 25 percent of the multimodal options allocation will be deposited in the pedestrian and active transportation account, the minimum amount allowed by the bill.*

State transfers. For FY 2018-19 and FY 2019-20, the bill repeals General Fund transfers to the HUTF under SB17-262 equal to $160.0 million each year. Under current law and SB17-262, the full amounts of these transfers are allocated to the SHF.

The bill requires new General Fund transfers to the SHF between FY 2018-19 and FY 2037-38. Transfers equal $100.0 million annually and are to be expended for debt service payments on the new TRANs.

For FY 2018-19 and FY 2019-20 only, General Fund transfers that are paid to the SHF decrease by $60.0 million on net relative to SB17-262. This amount is assumed to revert to the General Fund and be available to be spent or saved at the discretion of the General Assembly.

TABOR Impact

Conditional on approval of the ballot measure, this bill reduces HUTF revenue from vehicle registration fees, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will increase by an identical amount.

If approved by voters, revenues from the sales and use tax increase and TRANs sales are exempt from TABOR as a voter-approved revenue change.

TABOR refund mechanisms. Under current law and the March 2017 LCS forecast, the TABOR surpluses for FY 2017-18 and FY 2018-19 are expected to be refunded via a temporary reduction in the state income tax rate from 4.63 percent to 4.50 percent in tax years 2018 and 2019. The bill will reduce the TABOR surplus below an amount sufficient to fund the rate reduction in 2019, instead requiring the full TABOR refund amount to be paid using the six-tier sales tax refund mechanism. Table 5 shows the projected impact on the mechanisms used to refund the TABOR surplus in current law.

Table 5. Impact of HB17-1242 on TABOR Refund Mechanisms

	FY 2017-18 Surplus FY 2018-19 Refund Tax Year 2018	FY 2018-19 Surplus FY 2019-20 Refund Tax Year 2019
Current Law		
TABOR Refund Obligation	$286.7 million	$288.6 million
Income Tax Rate Reduction	*230.1 million*	*243.5 million*
Sales Tax Refund	*56.5 million*	*45.1 million*
House Bill 17-1242		
TABOR Refund Obligation	$237.2 million	$187.4 million
Income Tax Rate Reduction	*230.1 million*	
Sales Tax Refund	*7.1 million*	*187.4 million*
Change from Current Law		
TABOR Refund Obligation	($49.4 million)	($101.2 million)
Income Tax Rate Reduction		*(243.5 million)*
Sales Tax Refund	*(49.4 million)*	*142.3 million*

State Expenditures

Conditional on approval of the ballot measure, the bill is expected to increase state expenditures by **at least 203,373 and 1.1 FTE in FY 2017-18** and **at least 30,766 and 0.5 FTE in FY 2018-19**. General Fund expenditures will increase by $196,781 and 1.1 FTE in FY 2017-18 and 30,766 and 0.5 FTE in FY 2018-19. HUTF expenditures from the Colorado State Titling and Registration System (CSTARS) account will increase by $6,592 in FY 2017-18. These amounts do not include spending for TRANs debt service, transportation projects, and maintenance, which will be paid from SHF revenue at the discretion of the Transportation Commission and the TRANs Citizen Oversight Committee. Expenditures for grants from the Multimodal Transportation Options Fund, which will be made at the discretion of the Transportation Commission and the Transit and Rail Advisory Committee, are also not included.

General Fund budget. The amount available for the General Fund budget will increase by a net of $45.7 million in FY 2017-18 and $153.3 million in FY 2018-19. These amounts represent the net impacts of reduced TABOR refund obligations, increases in the amount of General Fund revenue diverted to regional tourism projects, and, for FY 2018-19 only, a net decrease in General Fund transfers to transportation.

Department of Transportation. Workload will be required in CDOT to conduct and report on the high-occupancy lane study. As CDOT currently possesses information concerning options to reduce vehicle occupancy requirements, it is assumed that this workload can be accomplished within current appropriations. Additional staff time will be required to evaluate transportation project proposals from a larger number of firms shortlisted as required under this bill. This workload increase also can be accomplished within existing appropriations.

TRANs repayment. Total TRANs repayment costs may not exceed $5.5 billion, and debt must be serviced within 20 years. Based on assumed repayment costs of $5.0 billion over 20 years, the average annual debt service costs will be $250 million. Table 6 compares the potential TRANs repayment cost with sales and use tax revenue deposited into the SHF.

Table 6. Comparison of Debt Service and Tax Revenue Allocation Under HB17-1242		
	FY 2017-18	**FY 2018-19**
TRANs debt service (estimated)	($125.0 million)	($250.0 million)
Required to be paid from General Fund transfer		100.0 million
Required to be paid from existing revenue	50.0 million	50.0 million
Sales and use tax allocated to SHF for TRANs service	100.2 million	202.0 million
Sales and use tax revenue remaining in SHF*	**$25.2 million**	**$102.0 million**

* *Any amount remaining is required be expended first for transportation projects, including multimodal capital projects, that are designated for Tier 1 funding as ten-year development projects on CDOT's project list. The remainder thereafter may be expended for Tier 2 funding or for maintenance of state highways.*

Department of Revenue. Department of Revenue (DOR) expenditures will increase by $203,373 and 1.1 FTE in FY 2017-18 and $30,766 and 0.5 FTE in FY 2018-19. Expenditures for the department are summarized in Table 7 and explained below.

Table 7. Conditional DOR Expenditures Under HB 17-1242		
Cost Components	**FY 2017-2018**	**FY 2018-19**
Personal Services	$47,788	$21,722
FTE	1.1 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	5,748	475
Postage and Mailing	111,414	
GenTax Computer Programing	14,600	
CSTARS Computer Programing	6,592	
Centrally Appropriated Costs*	17,231	8,569
TOTAL	**$203,373**	**$30,766**

** Centrally appropriated costs are not included in the bill's appropriation.*

Personal services. It is assumed that departmental workload will increase to address filing errors and to respond to increased call volume in the Taxpayer Service Division. Additional workload will require 1.1 FTE and $53,536 in personal services and operating costs in FY 2017-18, and 0.5 FTE and $22,197 in costs in FY 2018-19. It is assumed any new staff would be hired for nine months as temporary employees and would start in January 2018, conditional on approval of the ballot measure.

Postage and mailing. The department will send a one-time mailing notifying the 206,300 active filing accounts of the change in the tax rate. This will cost $111,414 in FY 2017-18.

Computer programming. Expenditures will be required to update the state's tax administration software. This bill requires changes to the department's GenTax system. Changes are programed by a contractor at a rate of $200 per hour. The changes in this bill are expected to increase General Fund expenditures by $14,600, representing 73 hours of programming. All GenTax programming changes are tested by department staff.

Changes to the state's motor vehicle registration software, CSTARS, will be required to eliminate the late vehicle registration fee and modify assessment of the road safety surcharge. Programming costs in CSTARS will total $6,592 in FY 2017-18, assuming 64 hours of programming at $103 per hour. Programming costs for DRIVES, the program replacing CSTARS in August 2018, can be accomplished within current appropriations.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 8. Department of Revenue leased space is included to show the incremental impact of the additional FTE, and calculated at the department's rate of 200 square feet per FTE at a rate of $27 per square foot.

Table 8. Centrally Appropriated Costs Under HB 17-1242

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$8,629	$3,923
Supplemental Employee Retirement Payments	4,282	1,946
Leased Space	4,320	2,700
TOTAL	**$17,231**	**$8,569**

Election expenditure impact (existing appropriations). This bill includes a referred measure that will appear before voters at the November 2017 election. Although no additional appropriation is required in this bill, certain election costs are incurred by the state when ballot measures are referred to voters. These costs, paid using existing appropriations, are in two areas. First, current law requires the state to reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund in the Secretary of State's Office. 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, paid from the Ballot Analysis Revolving Fund in the Legislative Department. Table 9 estimates the costs for a single ballot measure in 2017. These costs will increase by approximately $100,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

Table 9. Projected Costs of a Single Statewide Ballot Measure Election in 2017

Cost Component	Amount
County Reimbursement for Statewide Ballot Measures	$2,700,000
Ballot Information Booklet (Blue Book) and Newspaper Publication	700,000
TOTAL	$3,400,000

Local Government Impact

Conditional on approval of the ballot measure, the bill increases local government revenue and expenditures beginning in FY 2017-18.

Local government revenue. Local governments will receive disbursements from the state sales tax increase. The local government allocation equals 49.98 percent of new tax revenue, or 58.8 percent of 85 percent. Counties and municipalities each receive half of this amount. Revenue is distributed to individual counties and municipalities according to the statutory HUTF distribution formulas used under current law. For FY 2018-19, the local government share of new sales and use tax revenue is estimated at $288.2 million, of which $144.1 million is paid to counties and $144.1 million is paid to municipalities as shown in Table 4 on page 8.

Multimodal Transportation Options Fund. To receive money from this fund for transportation options projects, counties and municipalities must provide a 50 percent match to money received from the accounts in the fund; counties or municipalities that receive less than $15 million in annual sales tax revenues must provide a 20 percent match.

Vehicle registration fees. Counties and municipalities will receive reduced allocations from the HUTF as a result of the repeal of the late vehicle registration fee and the reduction of the road safety surcharge. In FY 2018-19, changes to fee revenue are estimated to reduce county and municipal HUTF disbursements by $5.3 million and $4.3 million, respectively. These impacts are summarized in Table 3 on page 7.

Regional tourism projects. Regional tourism projects receive a percentage of state sales and use tax revenue collected in the project zone above the amount for the base year before the project was authorized. Under the bill, three regional tourism projects are expected to receive increased diversions as follows:

- FY 2018-19 diversions to the project in Colorado Springs will increase by $4.9 million;
- FY 2018-19 diversions to the project in Pueblo will increase by $2.3 million; and
- FY 2018-19 diversions to the project in Denver will increase by $0.8 million.

Diversions will continue until projects are fully funded as authorized.

Local government TABOR impact. Allocations paid from state revenue to local governments are by default subject to those governments' TABOR limits. In practice, voters in many jurisdictions have authorized their governments to retain and spend or save state allocations as a voter-approved revenue change. In jurisdictions where voters have not approved such authorizations, additional revenue subject to TABOR could create or increase local government refund obligations. Specific refund mechanisms are created and administered by each individual local government.

Local government expenditures. Local governments receiving allocations will have additional amounts to spend for transportation projects. The bill does not alter current law requirements for local government use of HUTF disbursements. Under current law, local governments must spend HUTF revenue for construction and maintenance of public highways, together with acquisition of rights-of-way and access rights, and for the construction and maintenance of transit-related projects.

Technical Note

This bill amends the General Fund transfers statute as enacted in Senate Bill 17-262, which has not been enacted into law. Because HB17-1242 modifies SB17-262, rather than modifying current law, the fiscal impact of the bill on state transfers if SB17-262 does not pass is unclear.

Effective Date

The bill was postponed indefinitely by the Senate Finance Committee on April 25, 2017.

State Appropriations

Conditional on approval of the ballot measure, the bill appropriates $186,142 to the Department of Revenue in FY 2017-18 with an allocation of 1.1 FTE. These amounts are consistent with this fiscal note. Of the appropriation,

- $179,550 is from the General Fund; and
- $6,592 is from the CSTARS account in the HUTF.

From this appropriation, the bill reappropriates $6,592 to the Office of Information Technology.

State and Local Government Contacts

Counties	Information Technology
Legislative Council Staff Economics Section	Local Affairs
Municipalities	Revenue
Transportation	Treasury