Colorado Legislative Council Staff

SB17-248

FINAL FISCAL NOTE

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

Drafting Number:	LLS 17-1016	**Date:**	June 20, 2017
Prime Sponsor(s):	Sen. Hill; Merrifield Rep. Lee; Liston	**Bill Status:**	Postponed Indefinitely
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BILL TOPIC: MODIFY PREVIOUSLY APPROVED REGIONAL TOURISM PROJECT

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**$134,944**	**$90,708**
Cash Funds	134,944	$90,708
State Expenditures	**$134,944**	**$90,708**
Cash Fund	128,549	84,036
Centrally Appropriated Costs	6,395	6,672
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: $128,549 - OEDIT (FY 2017-18.)		
Future Year Impacts: Ongoing revenue and expenditure increase.		

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

Summary of Legislation

The bill allows a local government participating in an approved regional tourism project to apply to the Colorado Economic Development Commission (commission) to modify a previously approved project if a component of the project is no longer viable, if the change will increase the number of out-of-state tourists visiting the project, or if the change will increase net revenue generated by the project.

The bill specifies the procedures for a local government to apply to the Office of Economic Development and International Trade (OEDIT) for a project modification, as well as the procedures for OEDIT and the commission to review and approve the modified application. The local government is responsible for the costs associated with the application.

The commission may amend the financial award for the project, but may not approve an increase in the initial award, or decrease the award by more than 25 percent of the total dollar amount awarded to the project.

Background

The Regional Tourism Act is a financing mechanism that allows local governments to apply for state sales tax increment financing for tourism-related capital improvement projects. The improvements are paid from bond proceeds that are repaid from the growth in sales tax revenue, or tax increment, generated from the project. Local governments apply to the commission; the application must include a description of the project and a third-party economic analysis containing an estimate of the additional sales tax revenue that will be generated in the regional tourism zone because of the project. The commission determines what percentage of the sales tax increment is necessary for the project to be built, and may approve up to two projects per year.

The commission has approved five tourism improvement districts in Colorado. Three projects (in Colorado Springs, Pueblo, and Denver) are currently receiving state sales tax increment revenue, one project in Aurora has not been implemented and does not receive any diverted revenue, and one project in Northern Colorado has not yet begun.

Assumptions

Of five total projects, the fiscal note assumes that two will apply for modification in FY 2017-18, and one will apply in FY 2018-19. In addition, the fiscal note assumes that costs and workload for the program will extend through multiple years.

State Revenue

The bill increases state cash fund revenue to OEDIT by $134,944 in FY 2017-18 and $90,708 in FY 2018-19. This revenue increase comes from local governments who submit applications for modifications and must cover OEDIT's administrative costs.

In addition, the bill may increase state General Fund revenue from sales tax; however, the increase cannot be quantified because it is dependent on decisions made by the commission. The bill does not allow the commission to increase the original amount of sales tax diverted to the project, but the commission may reduce the sales tax diverted to the project by up to 25 percent, resulting in additional General Fund revenue.

State Expenditures

The bill increases cash fund expenditures in OEDIT by $134,944 and 0.5 FTE in FY 2017-18 and $90,708 and 0.5 FTE in FY 2018-19. Costs are listed in Table 1 and discussed below.

Table 1. Expenditures Under SB 17-248		
Cost Components	**FY 2017-18**	**FY 2018-19**
Personal Services	$33,361	$36,394
FTE - OEDIT	0.4 FTE	0.4 FTE
Legal Services	25,188	12,642
FTE - Department of Law	0.1 FTE	0.1 FTE

Table 1. Expenditures Under SB 17-248 (Cont.)		
Cost Components	**FY 2017-18**	**FY 2018-19**
Third Party Analyses	60,000	30,000
Meeting Costs	10,000	5,000
Centrally Appropriated Costs*	6,395	6,672
TOTAL	**$134,944**	**$90,708**

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

Personal services. OEDIT requires 0.4 FTE in both FY 2017-18 and FY 2018-19 to establish application procedures, work with local governments on applications for modifications, review and approve applications, and make recommendations to the commission. The FY 2017-18 FTE costs are based on an August 1, 2017, start date.

Legal services. OEDIT requires approximately $25,188 in FY 2017-18 and $12,642 in FY 2018-19 for legal services associated with modifying approved projects. The fiscal note assumes 133 hours per project at a rate of $95.05 per hour. Legal services are provided by the Department of Law, which requires an allocation of 0.1 FTE to provide the services.

In addition, there are likely to be litigation costs associated with modifying projects that have already been approved. The scope of these costs cannot be estimated. For informational purposes, recent litigation surrounding an approved project cost approximately $15,000. The fiscal note assumes that any litigation costs will initially be accomplished within existing appropriations and that should additional resources be required, it will be addressed through the annual budget process.

Third party analyses. OEDIT requires $60,000 in FY 2017-18 and $30,000 in FY 2018-19 to conduct third-party analyses of the economic impact analyses submitted by local governments as part of the application for modification. The fiscal note assumes $30,000 per analysis. To the extent that local governments reimburse OEDIT for the cost of the third party analysis, net costs may be lower than the estimated $30,000 cost for each analysis.

Meeting costs. OEDIT requires $10,000 in FY 2017-18 and $5,000 in FY 2018-19 to hold additional commission meetings to review and approve applications for modifications. The fiscal note assumes two onsite and two offsite meetings per application at a cost $5,000 per application.

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 2.

Table 2. Centrally Appropriated Costs Under SB 17-248		
Cost Components	**FY 2017-18**	**FY 2018-19**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$3,406	$3,411
Supplemental Employee Retirement Payments	2,989	3,261
TOTAL	**$6,395**	**$6,672**

Local Government Impact

Beginning in FY 2017-18, the bill increases workload and costs for local governments that apply to modify an approved regional tourism project. These local governments are responsible for the administrative costs for OEDIT to review and approve or deny the application, including a third-party economic analysis and staff costs. State expenditures are discussed above in the State Expenditure section; assuming three projects apply over two years (FY 2017-18 and FY 2018-19), costs are approximately $75,000 per project, divided among the local governments participating in the project.

Technical Note

The bill does not create a cash fund for the revenue and expenditures associated with modifying previously approved regional tourism projects. The fiscal note assumes that a cash fund will be created for the process. In addition, to the extent that fees are collected from local governments at the end of the application and review process, OEDIT may need to cover costs using other sources, or may request upfront funding for administrative expenses.

Effective Date

The bill was postponed indefinitely by the Senate Appropriations Committee on April 6, 2017.

State Appropriations

In FY 2017-18, the bill requires a cash fund appropriation, as discussed in the Technical Note above, of $128,549 and an allocation of 0.5 FTE to the Office of Economic Development and International Trade. Of that amount, $25,118, and an allocation of 0.1 FTE, is reappropriated to the Department of Law.

State and Local Government Contacts

Counties
Information Technology
Law
Municipalities
Office of Economic Development and International Trade