Colorado Legislative Council Staff

HB17-1242

FISCAL NOTE

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

Drafting Number:	LLS 17-0200	**Date:**	March 21, 2017
Prime Sponsor(s):	Rep. Duran; Mitsch Bush Sen. Grantham; Baumgardner	**Bill Status:**	House Transportation
		Fiscal Analysts:	Greg Sobetski (303-866-4105) Ryan Long (303-866-2066)

BILL TOPIC: NEW TRANSPORTATION INFRASTRUCTURE FUNDING REVENUE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**at least $312.9 million**	**at least $629.3 million**
General Fund	345.7 million	695.8 million
Highway Users Tax Fund	(39.5 million)	(80.5 million)
Marijuana Tax Cash Fund	4.5 million	9.5 million
Aviation Fund	2.2 million	4.6 million
State Diversions		
General Fund	(350.4 million)	(705.6 million)
Highway Users Tax Fund	335.3 million	583.9 million
Multimodal Transportation Options Fund	15.1 million	121.7 million
State Transfers		
General Fund	110.6 million	116.9 million
Highway Users Tax Fund	(110.6 million)	(116.9 million)
State Expenditures	**at least $213,061**	**at least $50,966**
General Fund	179,550	22,197
State Highway Fund	10,100	20,200
CSTARS Cash Fund	6,180	
Centrally Appropriated Costs	17,231	8,569
TABOR Impact	($39.5 million)	($80.5 million)
FTE Position Change	1.1 FTE	0.5 FTE
Appropriation Required: $185,730 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing state revenue and expenditure increase; ongoing General Fund diversions; and state transfers through FY 2019-20.		

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 $5.0 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 its most recent project list to 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 $50.0 million in annual debt service obligations 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 0.62 percentage points, from 2.90 percent to 3.52 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 follows:

- $300 million to the HUTF to be allocated to the SHF for TRANs repayment; and
- of the remainder:
  - 70 percent to the HUTF to be allocated to counties and municipalities for transportation projects; and
  - 30 percent 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 diverts $300 million annually to the HUTF for allocation to the SHF. This amount is required to be used for TRANs repayment. The first $50 million of any amount remaining must be reserved for rapid response maintenance necessitated by natural disasters or unexpected infrastructure failures. Any amount remaining after debt service costs and the rapid response reserve may be expended for transportation projects, including multimodal capital projects, that are on CDOT's priority list for transportation funding and for maintenance of state highways.

Local government share. The bill diverts 70 percent of new sales and use tax revenue remaining after the SHF share to the HUTF for allocation 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 30 percent of new sales and use tax revenue remaining after the SHF share to a newly created Multimodal Transportation Options Fund. This fund is comprised of two accounts:

- the Transportation Options Account, which is administered by the newly created Multimodal Transportation Options 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.

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. The bill eliminates the state share of this revenue, allocating the full surcharge in proportionate shares of 55 percent to counties and 45 percent to municipalities.

Senate Bill 09-228 transfers. The bill repeals the outstanding SB09-228 transfers of General Fund revenue to the HUTF. Transfers to the HUTF are repealed for FY 2017-18 through FY 2019-20. Transfers to the Capital Construction Fund are unaffected.

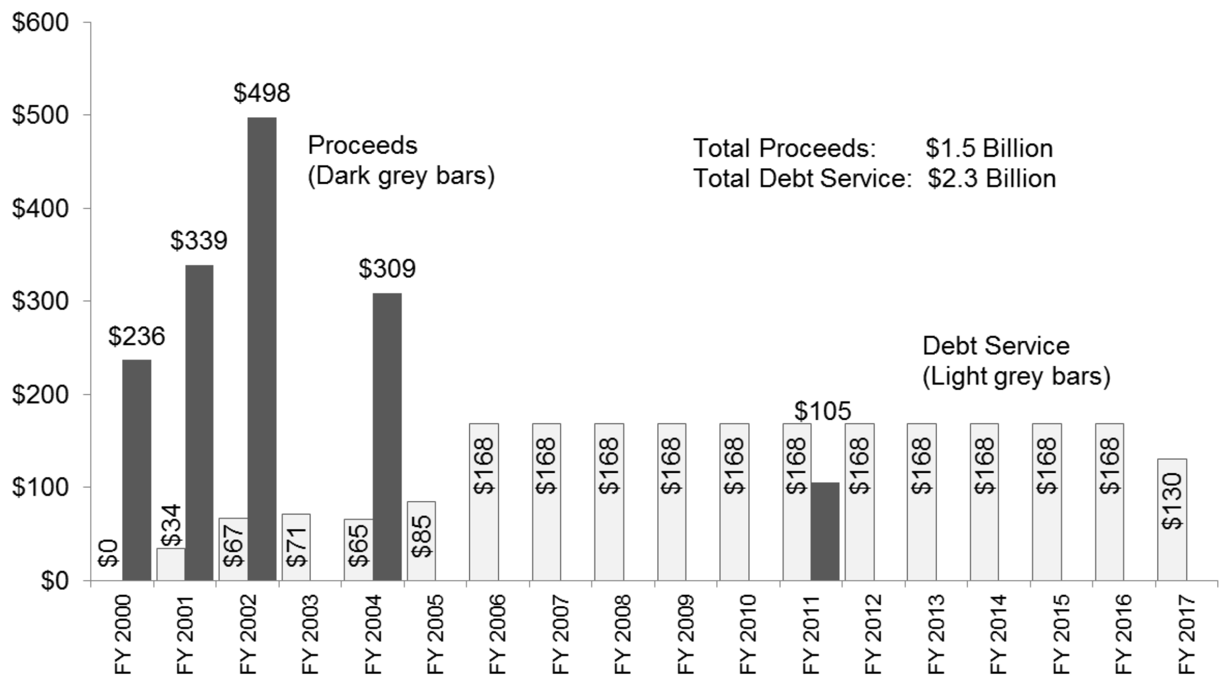
Multimodal Transportation Options Commission. The bill creates the Multimodal Transportation Options Committee in CDOT. This committee is responsible for allocating funds from the Transportation Options Account of the Multimodal Transportation Options Fund. To this end, the committee is responsible for developing a formula to allocate money among regions of the state, providing supervision and guidance to the Division of Transit and Rail in CDOT in its solicitation and evaluation of transportation options projects, determining which transportation options projects receive funding, and proposing programs for transportation options service to low-income Coloradans. Grants for projects receiving funding from the Transportation Options Account must be matched at 50 percent. The committee is comprised of 11 members, including the executive director of CDOT or a designee and 10 gubernatorial appointees. Appointees serve without compensation but receive travel and expense reimbursements.

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 14 members including 8 members appointed by leadership in the House and Senate and 6 members appointed by the Governor. The members of the committee represent various stakeholders in transportation policy. Members serve without compensation or reimbursement. The committee will report annually to the Transportation Legislation Review Committee.

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 $312.9 million in FY 2017-18** and **at least $629.3 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 road safety surcharge 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. 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	**$345.7 million**	**$695.8 million**
Sales Taxes (diverted to HUTF and Multimodal Options Fund)	*317.2 million*	*641.4 million*
Use Taxes (diverted to HUTF and Multimodal Options Fund)	*33.3 million*	*64.2 million*
Add'l Sales Tax Diversion to Regional Tourism Projects	*(4.7 million)*	*(9.9 million)*
Highway Users Tax Fund	**($39.5 million)**	**($80.5 million)**
Road Safety Surcharge	*(39.5 million)*	*(80.5 million)*
Marijuana Tax Cash Fund	**$4.5 million**	**$9.5 million**
Sales Taxes	*4.5 million*	*9.5 million*
Aviation Fund	**$2.2 million**	**$4.6 million**
Sales Taxes	*2.2 million*	*4.6 million*
TOTAL	**$312.9 million**	**$629.3 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 0.62 percentage points, from 2.90 percent to 3.52 percent, effective from January 1, 2018, to December 31, 2037. Based on the March 2017 LCS Economic and Revenue Forecast, the state sales and use taxes are expected to generate $3,000.2 million and $300.3 million to the General Fund, respectively, in FY 2018-19 under the current 2.90 percent state tax rate. Raising the tax rate is expected to generate an additional $641.4 million in sales taxes and $64.2 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 $4.7 million in FY 2017-18 and $9.9 million in FY 2018-19.

Marijuana Tax Cash Fund. Under current law, sales taxes assessed on medical and retail (non-medical) marijuana are deposited in the Marijuana Tax Cash Fund (MTCF). Based on the March 2017 LCS forecast for marijuana tax revenue, the bill is expected to increase MTCF revenue by $4.5 million in FY 2017-18 and by $9.5 million in FY 2018-19.

Aviation Fund. Under current law, sales taxes assessed on aviation fuel are deposited in the Aviation Fund. Based on the March 2017 LCS forecast for transportation-related cash fund revenue, the bill is expected to increase Aviation Fund revenue by $2.2 million in FY 2017-18 and $4.6 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 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.*

Under current law, road safety surcharges 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 so that counties receive 55 percent of road safety surcharge revenue and municipalities receive 45 percent. Table 3 shows road safety surcharge allocations to the SHF, counties, and municipalities under current law and HB17-1242 in the first full implementation year.

Table 3. FY 2018-19 Road Safety Surcharge Allocations Under Current Law and HB17-1242*

	Current Law	**HB17-1242**	**Difference**
State Highway Fund	$82.1 million		(82.1 million)
Counties	30.1 million	$31.0 million	0.9 million
Municipalities	24.6 million	25.3 million	0.7 million
TOTAL	**$136.8 million**	**$56.3 million**	**($80.5 million)**

**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 $350.4 million in FY 2017-18 and $705.6 million in FY 2018-19. These estimates are based on the assumption that the requirement for diversions applies only to the share of sales and use tax revenue that would otherwise be credited to the General Fund, including foregone General Fund revenue allocated to regional tourism projects. If this portion of the bill is applied to revenue that would otherwise be credited to the MTCF and the Aviation Fund, actual diversions will be greater than estimated by $6.7 million in FY 2017-18 and $14.0 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	$335.3 million	$583.9 million
Allocated for TRANs repayment[1]	*300.0 million*	*300.0 million*
Allocated to counties[2]	*17.6 million*	*142.0 million*
Allocated to municipalities[2]	*17.6 million*	*142.0 million*
Diversions to the Multimodal Transportation Options Fund	$15.1 million	$121.7 million
Transportation Options Account[3]	*11.3 million*	*91.3 million*
Pedestrian and Active Transportation Account[4]	*3.8 million*	*30.4 million*
TOTAL	**$350.4 million**	**$705.6 million**

[1] The first $50 million in excess of that required for debt service must be reserved for rapid response maintenance necessitated by natural disasters or infrastructure failures. Any remainder may be expended for projects, including multimodal capital projects that are on CDOT's priority list for transportation funding, and 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. The bill repeals General Fund transfers to the HUTF scheduled under SB09-228 for FY 2017-18 through FY 2019-20. Under current law, 2.0 percent of General Fund revenue is transferred to the HUTF each year through FY 2019-20 unless the state TABOR refund obligation exceeds 1.0 percent of General Fund revenue, in which case transfers are reduced by half. If the TABOR refund obligation exceeds 3.0 percent of General Fund revenue, transfers are not made.

Transfers are estimated at $110.6 million for FY 2017-18 and $116.9 million for FY 2018-19 under current law, and have not been estimated for FY 2019-20. These amounts represent halved transfers based on the March 2017 LCS forecast. Under the bill, transfers are repealed after FY 2016-17 and the amount obligated for transfers is assumed to revert to the General Fund.

TABOR Impact

Conditional on approval of the ballot measure, this bill reduces HUTF revenue from the road safety surcharge, 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	$247.2 million	$208.1 million
Income Tax Rate Reduction	*230.1 million*	
Sales Tax Refund	*17.1 million*	*208.1 million*
Change from Current Law		
TABOR Refund Obligation	($39.5 million)	($80.5 million)
Income Tax Rate Reduction		*(243.5 million)*
Sales Tax Refund	*(39.5 million)*	*163.0 million*

State Expenditures

Conditional on approval of the ballot measure, the bill is expected to increase state expenditures by **at least $213,061 and 1.1 FTE in FY 2017-18** and **at least $50,966 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. State Highway Fund expenditures will increase by at least $10,100 in FY 2017-18 and at least $20,200 in FY 2018-19. Colorado State Titling and Registration System (CSTARS) Cash Fund expenditures will increase by $6,180 in FY 2017-18. The expenditures estimated are for Multimodal Transportation Options Committee meetings and for the implementation of tax policy changes in the Department of Revenue. 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 Multimodal Transportation Options Committee, are also not included.

General Fund budget. The amount available for the General Fund budget will increase by a net of $145.4 million in FY 2017-18 and $187.6 million in FY 2018-19. These amounts represent the net impacts of SB09-228 transfers to the HUTF, reducing the TABOR refund obligation, and increasing the amount of General Fund revenue diverted to regional tourism projects.

Department of Transportation. CDOT expenditures will increase by $10,100 in FY 2017-18 and 20,200 in FY 2018-19 and future years to reimburse members of the Multimodal Transportation Options Committee for travel and hotel expenses. These amounts are assumed to be paid from SHF revenue that would otherwise be allocated to the Division of Transit and Rail. Expenses in FY 2017-18 were adjusted to account for the effective date of the bill.

CDOT workload will increase in the Division of Transit and Rail, the Division of Transportation Development, and the Division of Accounting and Finance to implement the bill. The fiscal note assumes that these workload increases will be addressed within existing resources, and no appropriations are required for this purpose.

TRANs repayment. Total TRANs repayment costs may not exceed $5.0 billion, and debt must be serviced within 20 years. Based on 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 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 existing revenue	50.0 million	50.0 million
Sales and Use Tax Allocated to SHF for TRANs Service	300.0 million	300.0 million
Sales and Use Tax Revenue Remaining in SHF*	**$225.0 million**	**$100.0 million**

* *The first $50 million of this amount must be reserved for rapid response maintenance. Any remainder may be expended for projects, including multimodal capital projects that are on CDOT's priority list for transportation funding, and for maintenance of state highways.*

Department of Revenue. Department of Revenue (DOR) expenditures will increase by $202,961 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	6,180	
Centrally Appropriated Costs*	17,231	8,569
TOTAL	**$202,961**	**$30,766**

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

Personal services. It is assumed the department's 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 identify the new road safety surcharge, apply it to titling transactions, and provide for the separate allocation of revenue as required by the legislation. Programming costs in CSTARS will total $6,180 in FY 2017-18, assuming 60 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 general 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 first $300 million of new sales and use tax revenue for a given fiscal year is diverted to the HUTF and paid to the SHF; 70 percent of the remaining amount is diverted to the HUTF and apportioned to counties and municipalities. 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 $284.0 million, of which $142.0 million is paid to counties and $142.0 million is paid to municipalities.

Road safety surcharge. Beginning January 1, 2018, counties and municipalities will receive the total amount of a reduced road safety surcharge. Because the amount by which surcharge revenue is reduced is expected to be slightly less than the current state share, counties and municipalities will receive slightly more than under current law. For FY 2018-19, the county share of the surcharge is expected to increase by $0.9 million and the municipal share is expected to increase by $0.7 million.

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 $6.0 million;
- FY 2018-19 diversions to the project in Pueblo will increase by $2.8 million; and
- FY 2018-19 diversions to the project in Denver will increase by $1.0 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. For jurisdictions in which these allocations are not exempt, disbursements may create or add to local TABOR 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.

Effective Date

The portion of the bill referring a ballot measure to voters takes effect upon signature of the Governor, or upon becoming law without his signature. The remainder of the bill takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed.

State Appropriations

Conditional on approval of the ballot measure, the bill requires that $185,730 be appropriated to the Department of Revenue in FY 2017-18 with an allocation of 1.1 FTE. Of this amount,

- $179,550 is from the General Fund; and
- $6,180 is from the CSTARS Cash Fund.

The Office of Information Technology will require reappropriated funds of $6,180.

State and Local Government Contacts

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