Colorado Legislative Council Staff

SB17-205

FINAL FISCAL NOTE

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

Drafting Number:	LLS 17-0789	**Date:**	June 20, 2017
Prime Sponsor(s):	Sen. Kefalas Rep. Rosenthal	**Bill Status:**	Postponed Indefinitely
		Fiscal Analyst:	Larson Silbaugh (303-866-4720)

BILL TOPIC: MULTIMODAL TRANSPORTATION INFRASTRUCTURE FUNDING

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	See State Revenue section.	
State Expenditures	See State Expenditure section.	
Appropriation Required: See State Appropriation section.		
Future Year Impacts: Conditional state revenue impacts continue.		

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

Summary of Legislation

This bill requires the Transportation Commission to submit a ballot question in the November 2017, 2018, or 2019 election allowing voters to authorize $4 billion in Transportation Revenue Anticipation Notes (TRANs) and a 0.25 percentage point sales and use tax increase.

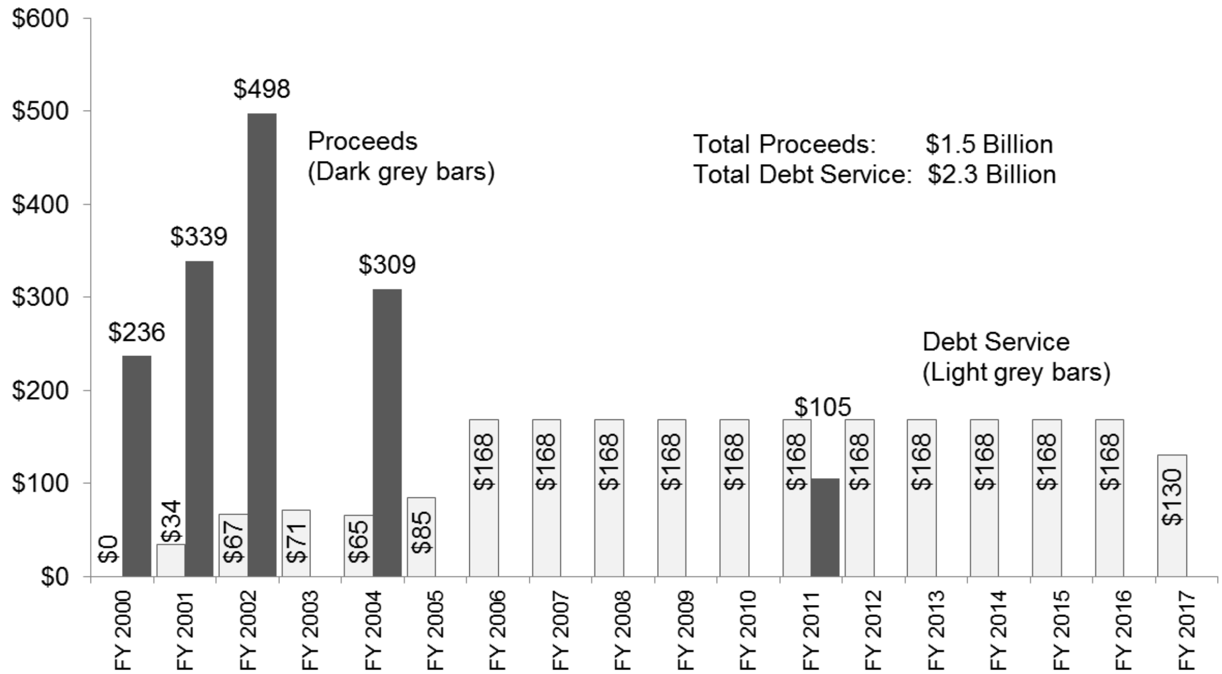
If approved, the TRANs allows the state to borrow up to $4 billion to accelerate construction of transportation projects and must be paid back in 20 years with a total repayment cost of $5.75 billion. At least $500 million of the TRANs proceeds must be used to extend passenger rail service along the I-25 corridor. Remaining TRANs proceeds must be used to pay for transportation projects on the Colorado Department of Transportation's (CDOT) priority list.

If approved, the state sales and use tax increases from 2.9 percent to 3.15 percent. The additional sales tax revenue would be credited to the Highway Users Tax Fund (HUTF) and paid to the State Highway Fund (SHF) to repay the bonds and fund state transportation projects. Any sales tax revenue above the bond repayment amount can be combined with existing state transportation funding.

Background

Transportation Revenue Anticipation Notes. In 1999, Colorado voters authorized the 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

Senate Bill 17-205 has a conditional state revenue impact from TRANs and an increased sales and use tax rate. These impacts are detailed below.

Conditional state TRANs revenue increase. If voters approve the ballot question, revenue to the SHF will increase by up to $4.0 billion over a multi-year period following the issuance of bonds. The timing of new revenue will depend on the year voters approve the measure and the timing and structure of the bond issuance.

Conditional state sales and use tax revenue increase. If voters approve the ballot question, the sales and use tax will be increased from 2.9 percent to 3.15 percent. The sales and use tax increase takes effect July 1 in the year following voter approval. Table 1 shows the additional sales and use tax revenue if voters approve the tax increase at the November 2017 election.

This revenue will be deposited into the SHF and added to current state transportation funding. The 5-year compound average annual growth rates for sales and use taxes was used to estimate additional revenue in FY 2019-20 and FY 2020-21.

Conditional revenue impact on Marijuana Cash Tax Fund. The state's sales tax on medical and retail marijuana is deposited into the Marijuana Cash Tax Fund (MCTF). This sales tax rate increases from 2.9 percent to 3.15 percent, increasing the revenue into the MCTF.

Conditional revenue impact on Aviation Fund. Under current law, sales taxes assessed on aviation fuel are deposited in the Aviation Fund. This sales tax rate increases from 2.9 percent to 3.15 percent, increasing the revenue into the Aviation Fund.

As drafted, the ballot question allows the state to keep and spend $287.5 million in the first full fiscal year of the tax increase, however the new tax collections are expected to exceed this amount as shown in Table 1.

Table 1. Conditional Voter-approved Tax Revenue Under SB 17-205
(Millions of Dollars)

	FY 2018-19	FY 2019-20	FY 2020-21
Sales Tax	258.6	270.1	282.1
Use Tax	25.9	27.0	28.2
Additional Revenue into SHF	**$284.5**	**$297.1**	**$310.3**
Sales Tax (MCTF)	3.8	4.1	4.3
Aviation Fund	2.0	2.0	2.1
Total New Revenue	**$290.3**	**$303.2**	**$316.7**

Note: Impact based on March 2017 Legislative Council Staff Forecast and voter approval in November 2017.

State Expenditures

Senate Bill 17-205 has a conditional expenditure increase for transportation projects contingent on the timing of voter approval. In addition, the Department of Revenue requires conditional funding to notify taxpayers, correct mistakes caused by the changes to the tax rate, and program the state's tax administration software.

Department of Transportation. If voters approve the TRANs bonds, CDOT will accelerate spending on road construction and is obligated to spend future revenues on interest payments.

The total bond repayment costs may not exceed $5.75 billion and must be repaid within 20 years. Based on repayment costs of $5.75 billion over 20 years, the average annual bond repayment cost will be $287.5 million. Table 2 shows the potential bond payment and the sales and use tax increase deposited into the SHF.

Table 2. Comparison of Bond Payment and Tax Increase Under SB 17-205

	FY 2017-18	FY 2018-19	FY 2018-19	FY 2019-20
Bond payment	$287.5 million	$287.5 million	$287.5 million	$287.5 million
New SHF Revenue		$284.5 million	$297.1 million	$310.3 million
Difference	($287.5 million)	($3.0 million)	$9.6 million	$22.8 million

The amounts in Table 2 will vary depending on the actual bond payment and additional sales and use tax revenue. The annual bond payment will depend on the terms of the bonds, including the timing of issuance and the interest rate.

Department of Revenue. Department of Revenue (DOR) expenditures will increase onetime by $220,378 and 1.6 FTE in the year the measure is approved. Expenditures for the department are summarized in Table 3 and explained below.

Table 3. Conditional DOR Expenditures Under SB 17-205	
Cost Components	**Fiscal Year Measure is Approved**
Personal Services	$69,510
FTE	1.6 FTE
Operating Expenses and Capital Outlay Costs	3,488
Postage and Mailing	111,414
GenTax Computer Programing	5,000
CSTARS Computer Programing	3,296
Centrally Appropriated Costs*	27,670
TOTAL	**$220,378**

*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 1.6 FTE and $69,510 in personal services and operating costs in the fiscal year the measure is approved. 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 the fiscal year the measure is approved.

Computer programming. Expenditures will be required to update the state's tax administration software. This bill requires changes to the departments 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 $5,000, representing 25 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 account for the use tax rate increase for titling transactions, and provide for the separate allocation of revenue as required by the legislation. Programming costs in CSTARS will total $3,296 in FY 2017-18, assuming 32 hours of programming at $103 per hour. CSTARS is being replaced by the DRIVES software in August 2018. If the measure is approved in 2018 or 2019, the DRIVES programing 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 4. 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 4. Centrally Appropriated Costs Under SB 17-205	
Cost Components	**Fiscal Year Measure is Approved**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$12,801
Supplemental Employee Retirement Payments	6,229
Leased Space	8,640
TOTAL	**$27,670**

Election expenditure impact (existing appropriations). This bill includes a referred measure that will appear before voters at the November 2017, 2018, or 2019 statewide 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 5 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 5. 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

County clerks and recorders title and register vehicles and collect use taxes when vehicles are sold between two private parties. Clerks and recorders would need to collect and remit the use tax increase if approved by voters.

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. The bill increases the state sales tax rate, increasing the amount of state sales tax revenue diverted for tourism projects.

If voters approve the sales tax increase in November 2017, 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 $2.4 million;
- FY 2018-19 diversions to the project in Pueblo will increase by $1.1 million; and
- FY 2018-19 diversions to the project in Denver will increase by $0.4 million.

Diversions will continue until projects are fully funded as authorized.

Effective Date

The bill was postponed indefinitely by the Senate Transportation Committee on April 4, 2017.

State Appropriations

If voters approve the tax increase, the Department of Revenue requires an appropriation of $192,108. Of this, $189,412 will be from the General Fund and 1.6 FTE in the fiscal year that voters approve the tax increase. If the measure passes in 2017, the department requires $3,296 from the CSTARS cash fund, which will be reappropriated to the Office of Information Technology.

State and Local Government Contacts

Counties
Municipalities
Revenue
Regional Transportation District
Information Technology
Transportation
Secretary Of State's Office