



**Colorado
Legislative
Council
Staff**

SB16-016

FISCAL NOTE

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

Drafting Number: LLS 16-0026 **Date:** January 25, 2016
Prime Sponsor(s): Sen. Steadman; Cadman **Bill Status:** Senate Finance
 Rep. Hullinghorst; Lawrence **Fiscal Analyst:** Greg Sobetski (303-866-4105)

BILL TOPIC: MODIFICATIONS TO THE SCFD

Fiscal Impact Summary	FY 2015-2016 <i>(current year)</i>	FY 2016-2017	FY 2017-2018
State Revenue			
State Expenditures	<u>\$13,200</u>		
General Fund	13,200		
FTE Position Change			
Appropriation Required: \$13,200 - Department of Revenue (FY 2015-16).			

Summary of Legislation

The Scientific and Cultural Facilities District (SCFD) funds scientific and cultural facilities within the seven-county Denver metropolitan area. Under current law, the 0.1 percent sales and use tax funding the SCFD is scheduled to expire on June 30, 2018. This bill allows the SCFD to submit a ballot question to district voters at the 2016 or 2017 November election authorizing the extension of the tax for 12 years through June 30, 2030. Beginning in FY 2018-19, the bill makes several changes to the funding formula for SCFD recipients, as described below.

Changes to the SCFD funding formula. The bill increases the share of SCFD tax revenue allowed to be spent on administrative expenses from 0.75 percent to 1.5 percent. After administrative expenses, revenue is segmented into three tiers each funding a different collection of facilities, as follows:

- Tier 1 funds the Denver Museum of Nature and Science, the Denver Zoo, the Denver Art Museum, the Denver Botanic Gardens, and the Denver Center for the Performing Arts;
- Tier 2 funds regional scientific and cultural facilities with at least a minimum level of operating income; and
- Tier 3 funds all other qualified district scientific and cultural facilities.

The bill creates two new allocations to each of these tiers, one governing the first \$38 million of annual SCFD revenue and the other governing revenue in excess of \$38 million. These allocations are summarized in Table 1.

	Current Law Allocation (through June 2018)	SB16-016 Allocation (first \$38 million)	SB16-016 Allocation (in excess of \$38 million)
Tier 1	65.5 percent	64.0 percent	57.0 percent
Tier 2	21.0 percent	22.0 percent	26.0 percent
Tier 3	13.5 percent	14.0 percent	17.0 percent

The bill changes the fixed distribution shares to each of the five facilities included in Tier 1.

For Tier 2, the bill:

- requires that a facility demonstrate its regional service and impact according to criteria established by the SCFD board;
- increases the minimum amount of time for which an eligible facility must have been in operation from five to seven years; and
- allows the SCFD board to consider facility operating income, annual paid attendance, and annual free attendance when determining a formula for distribution of funds.

For Tier 3, the bill:

- disqualifies facilities already receiving funding via Tier 2;
- increases the minimum amount of time for which an eligible facility must have been in operation from three to five years; and
- allows county cultural councils making funding determinations to consider a facility's financial and organizational capacity to expend tax dollars to serve the public and achieve their organizational mission.

Effects independent of the reauthorization election. The bill makes two changes that are not conditioned on the result of the election. First, aviation fuel is exempted from the SCFD sales and use tax beginning July 1, 2016. Second, the deadline for the municipalities of Castle Rock and Larkspur to hold an election to join the SCFD is extended from 2016 to 2025.

Background

The General Assembly created the SCFD in 1987. The district funds scientific and cultural facilities in the seven county metro area excluding the municipalities of Castle Rock and Larkspur.

The SCFD levies a 0.1 percent sales and use tax. The tax was last authorized at the 2004 general election and is set to expire on June 30, 2018. The Taxpayer's Bill of Rights (TABOR) permits an expiring tax to be extended only with the approval of district voters.

In 2014, the SCFD collected \$52.1 million in sales and use tax. Of this amount, \$51.4 million was distributed to scientific and cultural facilities, and \$0.5 million was spent on administrative expenses. The SCFD distributed revenue to 279 facilities. On average, Tier 1 facilities received 18.4 percent of their revenue from the SCFD; for Tier 2 and Tier 3, the SCFD shares were 9.5 percent and 16.0 percent, respectively.

State Expenditures

General Fund expenditures for the Department of Revenue will increase by **\$13,200 in FY 2015-16**. These are one-time expenditures associated with the exemption of aviation fuel from the SCFD sales and use tax. Costs for programming this change in the department's GenTax system are estimated at \$12,000, representing 60 hours of programming at a cost of \$200 per hour. Costs for updating the aviation fuel sales tax return form are estimated at \$1,200; these costs are paid to a Department of Personnel and Administration contractor via the Department of Revenue.

Local Government Impact

Election costs. Current law requires that a portion of election costs be borne by the SCFD, based in part on the number of ballot questions and candidate elections occurring concurrently in each county. Because the year in which the election will occur and the number of measures that will appear on each county's ballot are unknown, the SCFD share of election cannot be estimated. To the extent that expenses are higher than stated in the statutory formula, the excess will be borne by the counties conducting the election.

SCFD revenue. Exempting aviation fuel from the SCFD sales and use tax is projected to reduce SCFD revenue by approximately \$810,000 in FY 2016-17 and by approximately \$845,000 in FY 2017-18. The SCFD is estimated to have generated \$831,000 from taxes on aviation fuel in FY 2014-15. Expectations for reduced revenue are based on the December 2015 LCS Forecast and the assumption that the share of state aviation fuel sales occurring at airports in the SCFD will remain constant through FY 2017-18.

SCFD revenue — conditional impact. If the tax is approved by voters, SCFD revenue will increase by \$64.6 million in FY 2018-19. Under current law, the SCFD will not collect tax revenue after June 30, 2018. If the ballot question is approved, the tax will be extended through FY 2029-30. Expectations for revenue are based on the December 2015 LCS Forecast and the assumptions that:

- SCFD tax revenue will grow at a rate consistent with state sales and use tax revenue; and
- sales and use tax revenue growth in FY 2018-19 will be consistent with actual growth in FY 2014-15 and expected growth between FY 2015-16 and FY 2017-18.

SCFD revenue for FY 2019-20 and subsequent years will be similar to SCFD revenue for FY 2018-19 and depend on economic performance, inflation, and population in the metro area.

SCFD expenditures. The bill reduces SCFD expenditures by approximately \$810,000 in FY 2016-17 and by approximately \$845,000 in FY 2017-18.

SCFD expenditures — conditional impact. If the tax is approved by voters, SCFD expenditures will increase by \$64.6 million in FY 2018-19 and by similar amounts in subsequent years as discussed above. Expenditures will be made to Tiers 1, 2, and 3 and to the five facilities in Tier 1 following a different formula in FY 2018-19 than will be used through FY 2017-18. Assuming that SCFD revenue will total \$61.1 million in FY 2017-18 and \$64.6 million in FY 2018-19, Table 2 illustrates the change in expenditures to different tiers and facilities.

Table 2. SCFD Expenditures Under SB16-016 and District Reauthorization*		
	FY 2017-18 <i>(current law formula)</i>	FY 2018-19 <i>(SB16-016 formula)</i>
Assumed Revenue	\$61.1 million	\$64.6 million
Administrative Cost Allowance	0.5 million	1.0 million
Tier 1 Distribution	39.7 million	38.9 million
<i>Denver Museum of Nature and Science</i>	9.9 million	9.6 million
<i>Denver Zoo</i>	9.6 million	9.4 million
<i>Denver Art Museum</i>	8.3 million	7.9 million
<i>Denver Botanic Gardens</i>	4.7 million	5.2 million
<i>Denver Center for the Performing Arts</i>	7.2 million	6.9 million
Tier 2 Distribution	12.7 million	15.0 million
Tier 3 Distribution	8.2 million	9.7 million

*Totals may not sum due to rounding.

Effective Date

Except as noted below, the bill takes effect upon signature of the Governor, or upon becoming law without his signature.

Changes to definitions and to Tier 2 and Tier 3 facility eligibility requirements take effect January 1, 2017.

Changes allowing the SCFD board to adjust the formula distributing SCFD revenue to Tier 2 facilities take effect January 1, 2018.

The revised distribution of SCFD revenue to Tier 1 facilities takes effect July 1, 2018.

State Appropriations

For FY 2015-16, the bill requires a \$13,200 General Fund appropriation to the Department of Revenue. From this amount, the bill requires a \$1,200 reappropriation to the Department of Personnel and Administration.

State and Local Government Contacts

Counties
Local Affairs
Scientific and Cultural Facilities District

County Clerks
Revenue
Special District Association

Research Note Available

An LCS Research Note for SB16-016 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.