



**Colorado
Legislative
Council
Staff**

HB17-1242

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 27, 2017)

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

Drafting Number: LLS 17-0200 **Date:** March 30, 2017
Prime Sponsor(s): Rep. Duran; Mitsch Bush **Bill Status:** House Second Reading
 Sen. Grantham; Baumgardner **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	<u>at least \$300.7 million</u>	<u>at least \$604.0 million</u>
General Fund	350.2 million	705.2 million
Highway Users Tax Fund	(49.4 million)	(101.2 million)
State Highway Fund	potential increase	potential increase
State Diversions		
General Fund	(354.9 million)	(715.1 million)
Highway Users Tax Fund	354.9 million	613.1 million
Multimodal Transportation Options Fund		102.0 million
State Transfers		
General Fund	110.6 million	116.9 million
Highway Users Tax Fund	(110.6 million)	(116.9 million)
State Expenditures	<u>at least \$213,473</u>	<u>at least \$50,966</u>
General Fund	179,550	22,197
State Highway Fund	at least 10,100	at least 20,200
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 state transfers through FY 2019-20.		

*Totals may not sum due to rounding.

Note: The revised fiscal note is provided pursuant to House Rule 32 A(c). It reflects the introduced bill with the adoption of the Appropriations Committee Report; the Finance Committee Report as amended by L.076; the Transportation and Energy Committee Report as amended by L.083, L.103 as amended by part 1 of the severed L.110, L.079, and L.072; and L.081, L.082, L.111, and L.118.

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:

- \$375 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 \$375 million annually to the HUTF for allocation to the SHF. This amount is required to be used for TRANS repayment. Any amount remaining after debt service costs is required 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, including rapid response maintenance. 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 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. 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 Multimodal Transportation Options Committee, described below, 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.

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, six gubernatorial appointees, and four appointees of legislative leadership. Appointees serve four-year terms without compensation but receive travel and expense reimbursements.

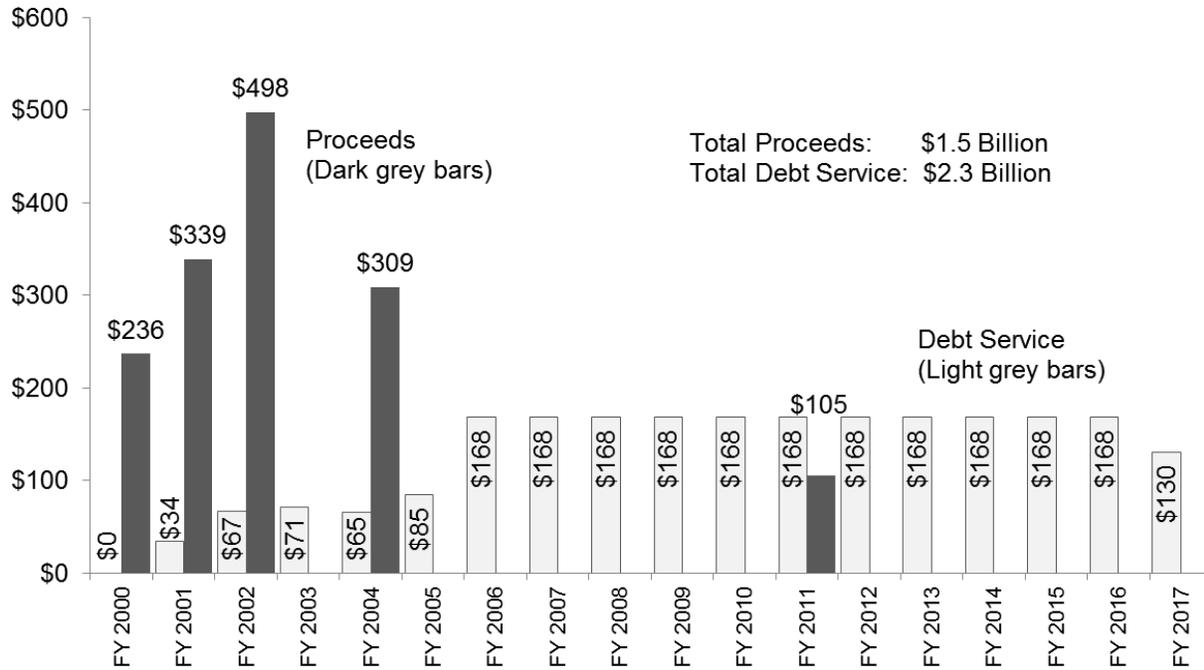
TRANS Citizen Oversight Committee. The bill creates the Transportation Revenue Anticipation Notes Citizen Oversight Committee to oversee expenditures from TRANS proceeds and any additional sales and use tax revenue allocated to the SHF and used by CDOT. The committee will meet at least four times per 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 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, and appointing authorities must specifically ensure that the western slope and eastern plains are represented. Members serve without compensation or reimbursement. The committee will report annually to the TLRC.

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 of the General Assembly 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 \$300.7 million in FY 2017-18** and **at least \$604.0 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	\$350.2 million	\$705.2 million
<i>Sales Taxes (diverted to HUTF and Multimodal Options Fund)</i>	<i>321.6 million</i>	<i>650.9 million</i>
<i>Use Taxes (diverted to HUTF and Multimodal Options Fund)</i>	<i>33.3 million</i>	<i>64.2 million</i>
<i>Add'l Sales Tax Diversion to Regional Tourism Projects</i>	<i>(4.7 million)</i>	<i>(9.9 million)</i>
Highway Users Tax Fund	(\$49.4 million)	(\$101.2 million)
<i>Road Safety Surcharge</i>	<i>(39.5 million)</i>	<i>(80.5 million)</i>
<i>Late Vehicle Registration Fees</i>	<i>(10.0 million)</i>	<i>(20.7 million)</i>
TOTAL	\$300.7 million	\$604.0 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, 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 \$650.9 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.

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.

Vehicle Weights	Current Law		HB17-1242		Difference	
	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.

	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 \$354.9 million in FY 2017-18 and \$715.1 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	\$354.9 million	\$613.1 million
<i>Allocated to the SHF¹</i>	354.9 million	375.0 million
<i>Allocated to counties²</i>		119.0 million
<i>Allocated to municipalities²</i>		119.0 million
Diversions to the Multimodal Transportation Options Fund	\$0	\$102.0 million
<i>Transportation Options Account³</i>		76.5 million
<i>Pedestrian and Active Transportation Account⁴</i>		25.5 million
TOTAL	\$354.9 million	\$715.1 million

¹ After all debt service costs are paid, the 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 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
<i>Income Tax Rate Reduction</i>	<i>230.1 million</i>	<i>243.5 million</i>
<i>Sales Tax Refund</i>	<i>56.5 million</i>	<i>45.1 million</i>
House Bill 17-1242		
TABOR Refund Obligation	\$237.2 million	\$187.4 million
<i>Income Tax Rate Reduction</i>	<i>230.1 million</i>	
<i>Sales Tax Refund</i>	<i>7.1 million</i>	<i>187.4 million</i>
Change from Current Law		
TABOR Refund Obligation	(\$49.4 million)	(\$101.2 million)
<i>Income Tax Rate Reduction</i>		<i>(243.5 million)</i>
<i>Sales Tax Refund</i>	<i>(49.4 million)</i>	<i>142.3 million</i>

State Expenditures

Conditional on approval of the ballot measure, the bill is expected to increase state expenditures by **at least \$213,473 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. HUTF expenditures from the Colorado State Titling and Registration System (CSTARS) account will increase by \$6,592 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 \$155.4 million in FY 2017-18 and \$208.3 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 administer committees, disburse funds, and complete the high-occupancy lane study. The fiscal note assumes that these workload increases will be addressed within existing resources, and no appropriations are required for this purpose. This assumption is based in part on CDOT already possessing information concerning options to reduce vehicle occupancy requirements.

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	6,592	
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 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 programmed 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, CSTARTS, will be required to eliminate the late vehicle registration fee and modify assessment of the road safety surcharge. Programming costs in CSTARTS will total \$6,592 in FY 2017-18, assuming 64 hours of programming at \$103 per hour. Programming costs for DRIVES, the program replacing CSTARTS 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.

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 \$375 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 \$238.1 million, of which \$119.0 million is paid to counties and \$119.0 million is paid to municipalities as shown in Table 4 on page 7.

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 \$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. 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 appropriates \$186,142 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
- \$6,592 is from the CSTAR 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