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Final Fiscal Note

Drafting Number: LLS 24-0251 Date: August 5, 2024
Prime Sponsors: Rep. Brown; Bird Bill Status: Signed into Law
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Bill Topic: REDUCE AVIATION IMPACTS ON COMMUNITIES

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [X] Local Government
[X] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill creates new requirements concerning adverse airport impacts for the State Aviation System Grant Program and the Division of Aeronautics, and creates a tax credit for unleaded aviation gasoline. It decreases state revenue, increases state expenditures, and impacts local governments on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires and includes an appropriation of \$44,609 to the Department of Revenue. The Aviation Cash Fund is continuously appropriated to the Colorado Department of Transportation.

Fiscal Note Status: This final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1235

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (General Fund, Total Revenue), Expenditures (General Fund, Cash Funds, Total Expenditures), Transfers, and Other Budget Impacts (TABOR Refund, General Fund Reserve).

Summary of Legislation

State tax credit. The bill creates a tax credit for aircraft owners that incur qualified expenses to modify and certify their aircraft to use unleaded aviation gasoline rather than leaded aviation gasoline.

Changes to Aviation Grant Program. The bill instructs the Division of Aeronautics in the Department of Transportation (CDOT), when considering grant applications for the State Aviation System Grant Program, to designate the lesser of 10 percent of the amount awarded in grants per year, or \$1.5 million, for the purpose of aiding the transition from leaded to unleaded aviation gasoline. Airports receiving a grant for this purpose must have adopted a plan by January 1, 2026, for phasing out sales of leaded gasoline by 2030. Airports must also have established and enforced, in consultation with flight schools and pilots that regularly use the airport, a voluntary noise abatement plan that follows federal guidelines. Limitations do not apply to money expended at an international airport or for an aviation project designed to mitigate significant adverse effects on the health and safety of residents near the project.

Aeronautical board. The bill increases membership on the Colorado Aeronautical Board from seven to nine by adding two members that are residents of communities affected by general aviation or commercial airport traffic. It also adds the executive director of the Department of Public Health and Environment (CDPHE), or the director's designee, as a nonvoting member of the board.

Adverse impact prevention and mitigation. The bill requires the Division of Aeronautics to work with the CDPHE to as it continues to provide data and information to CDOT and airports about the effects of leaded aviation fuel on human health.

Background and Assumptions

Aviation gasoline. Aviation gasoline is typically used by small piston-engine aircraft. There are approximately 4,500 piston-engine aircraft in Colorado, although not all of these aircraft are necessarily airworthy or actively flying.

The most widely used grade of aviation gasoline, Avgas 100LL (low-lead), contains lead. There are some versions of unleaded aviation gasoline that are currently available, such as Avgas UL91 and Avgas UL94, but not all piston-engine aircraft can use these fuels due to their lower octane rating, and these fuels are not widely available in Colorado outside of Centennial airport. The cost of unleaded aviation gasoline is generally higher than the cost of Avgas 100LL. Most aircraft do not need to be modified to use unleaded gasoline, but they are required to obtain a Supplemental Type Certificate (STC) certifying that the aircraft may be powered by unleaded aviation gasoline. For UL94, these STCs cost about \$100.

The Federal Aviation Administration has launched an initiative to eliminate the use of leaded aviation fuels by the end of 2030, including facilitating the production, distribution, and use of unleaded replacement fuels. There are a number of potential types of 100-octane unleaded aviation gasoline in the process of being developed or produced. This includes G100UL, which will be available in select airports in California beginning in the summer of 2024, but has not

received American Society for Testing and Materials (ASTM) certification. The cost of obtaining an STC for G100UL ranges from about \$200 to \$600.

State Revenue

Tax credit for certification of aircraft to use unleaded aviation gasoline. The tax credit in the bill is expected to reduce General Fund revenue, which is subject to TABOR, by about \$800 in FY 2024-25 (a half-year impact) and \$17,800 in FY 2025-26. This tax credit is equal to half the amount of expenses incurred to receive a Supplemental Type Certificate (STC), certifying that the aircraft may be powered by unleaded aviation gasoline. Currently, STCs can cost between \$100 (for UL94) and \$600 (for multi-engine aircraft using g100UL). The fiscal note assumes that unleaded 100-octane aviation gasoline will not be available in Colorado until 2026. It is assumed that about 30 taxpayers will get the tax credit in tax year 2025 for UL94 STCs, and about 200 will get the credit in 2026 when higher octane unleaded fuels are expected to be available in Colorado. The fiscal note also assumes the cost of an STC for other types of unleaded aviation gasoline will be comparable to the cost of an STC for G100UL.

State Expenditures

The bill increases state expenditures in the Department of Revenue (DOR) and CDOT by \$52,000 in FY 2024-25 and \$15,000 in FY 2025-26, from the General Fund and the Aviation Cash Fund, respectively. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB 24-1235**

	FY 2024-25	FY 2025-26
Department of Revenue		
Programming and Testing	\$42,018	-
Data Reporting	-	\$7,392
Document Management	\$2,591	-
DOR Subtotal	\$44,609	\$7,392
Department of Transportation		
Aviation Board	\$7,500	\$7,500
CDOT Subtotal	\$7,500	\$7,500
Total	\$52,109	\$14,892

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Revenue. The bill increases General Fund expenditures in the DOR for various programming and data management costs, as follows.

- **Programming and testing.** In FY 2024-25 only, the bill requires \$42,018 to program, test, and update database fields in the DOR's GenTax software system, including 115 hours of contract programming at a rate of \$231.75 per hour and \$10,535 for ISD development and testing.
- **Data reporting.** Beginning in FY 2025-26, the Office of Research and Analysis requires \$7,391 to change related GenTax reports so the department can access and document tax statistics related to the new tax policy. These costs represent 231 hours of data management and reporting at \$32 per hour.
- **Document management.** For FY 2024-25 only, the bill requires changes to one tax form at a cost of \$2,591. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated funds.

Division of Aeronautics—CDOT. The Division of Aeronautics requires \$7,500 annually to support the additional two members on the Aeronautics Board. These costs are paid from the Aviation Cash Fund, which is continuously appropriated to the division. The division will make necessary changes to its grant program and collaborate with the CDPHE on evaluation, education, and technical assistance to airports regarding noise and leaded gas within its existing resources.

Department of Public Health and Environment. The bill requires the CDPHE to collaborate with the Division of Aeronautics on airport outreach regarding adverse impacts. Any CDPHE workload will be minimal and accomplished within existing resources.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill may increase workload for local governments that receive money from the State Aviation Grant Program if these entities need to develop a noise mitigation plan and/or a plan to phase out leaded gasoline. Impacts will vary by jurisdiction.

Effective Date

The bill was signed into law by the Governor on May 17, 2024, and takes effect on August 7, 2024, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires and includes a General Fund appropriation of \$44,609 to the Department of Revenue.

State and Local Government Contacts

Colorado Energy Office	Counties	Local Affairs
Public Health and Environment	Revenue	Transportation
Treasury		

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).