



**Legislative Council Staff**  
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# Revised Fiscal Note

(replaces fiscal note dated April 29, 2024)

<b>Drafting Number:</b>	LLS 24-0242	<b>Date:</b>	May 1, 2024
<b>Prime Sponsors:</b>	Sen. Priola; Winter F. Rep. Vigil; Marvin	<b>Bill Status:</b>	House Finance
		<b>Fiscal Analyst:</b>	Matt Bishop   303-866-4796 Elizabeth Ramey   303-866-3522

**Bill Topic: METHODS TO INCREASE THE USE OF TRANSIT**

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill extends an income tax credit for alternative transportation options, expands free transit grants, and creates a statewide transit pass exploratory committee. It reduces state revenue, creates state transfers, increases state expenditures, and may increase local revenue and expenditures beginning in FY 2024-25.

**Appropriation Summary:** No appropriation is required, as the affected cash funds are continuously appropriated to the Department of Transportation and the Colorado Energy Office.

**Fiscal Note Status:** The revised fiscal note reflects the reengrossed bill, as amended by the House Transportation and Local Government Committee. The bill was recommended by the Transportation Legislation Review Committee.

**Table 1**  
**State Fiscal Impacts Under SB 24-032**

		<b>Current Year FY 2023-24</b>	<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>	General Fund	-	(up to \$3.3 million)	(up to \$7.0 million)
	<b>Total Revenue</b>	-	<b>(up to \$3.3 million)</b>	<b>(up to \$7.0 million)</b>
<b>Expenditures</b>	Cash Funds	-	\$9,581,306	\$75,879
	Centrally Appropriated	-	\$20,927	\$22,358
	<b>Total Expenditures</b>	-	<b>\$9,602,233</b>	<b>\$98,237</b>
	<b>Total FTE</b>	-	<b>1.1 FTE</b>	<b>1.2 FTE</b>
<b>Transfers</b>	Ozone Season Fund	(\$3,400,000)	-	-
	Multimodal Transpo. Opts. Fund	-	(\$10,000,000)	-
	Zero Fare Transit Fund	\$3,400,000	\$10,000,000	-
	<b>Net Transfer</b>	-	<b>\$0</b>	-
<b>Other Budget</b>	TABOR Refund	-	(up to \$3.3 million)	(up to \$7.0 million)

## **Summary of Legislation**

The bill extends an income tax credit for alternative transportation options, creates a new grant program for youth transit in Colorado Energy Office (CEO), extends the Ozone Season Transit Grant Program, and creates a committee in the Department of Transportation (CDOT) to study the creation of a statewide transit program.

**Alternative transportation options tax credit.** The bill extends a refundable income tax credit available for tax years 2023 and 2024 under current law, through tax year 2028. The credit is equal to 50 percent of expenditures incurred by employers to provide alternative transportation options to their employees. A single employer is limited to an annual tax credit of \$250,000, and the maximum amount that an employer can claim for a single employee is \$2,000. Private, nonprofit, and local government employers may claim the credit.

**Zero Fare Transit Grant Programs.** The bill expands grants for transit agencies by creating a new program for fare-free year-round transit services for youth riders and extending the existing program for ozone season transit grants, which is scheduled to repeal on July 1, 2024. The bill creates the Zero Fare Transit Fund, which is continuously appropriated to the CEO, and transfers the balance of the Ozone Season Transit Grant Program Fund to it on June 30, 2024.

The CEO must establish policies governing the grant program, provide grants to the Regional Transportation District (RTD) and to transit agencies through the Colorado Association of Transit Agencies (CASTA), and report to the General Assembly annually on the program. The State Auditor must include the Regional Transportation District's (RTD) use of grant money as part of its next performance audit. The bill transfers \$10 million to the Zero Fare Transit Fund from the Multimodal Transportation Options Fund on July 1, 2024. Any of this money that remains on June 30, 2026, transfers back to the Multimodal Transportation Options Fund.

**Transit pass exploratory committee.** The bill creates a statewide transit pass exploratory committee within CDOT to produce a proposal for implementing a statewide transit pass. The committee must be created by October 1, 2024, and produce a proposal by July 1, 2026, with an implementation goal of January 1, 2028. The committee members are appointed by the executive director of CDOT and must include representatives of a diverse group of transit agencies throughout the state and other stakeholders.

**Visitor benefit tax.** The bill increases the amount of visitor benefit tax on overnight accommodations that a transit authority may collect. Under current law, visitor benefit taxes are limited to 2 percent of the price of accommodations and may generate no more than one third of an authority's revenue. The bill eliminates the 2 percent limit and permits these taxes to generate up to one half of an authority's revenue.

## **Assumptions**

Based on the most recent data on commuting behavior, commuting benefits, employment, and transit pass prices from the Bureau of Labor Statistics, the Bureau of Transportation Statistics and the Regional Transportation District (RTD), and the March 2024 Legislative Council Staff forecast, the fiscal note assumes that approximately 1.0 percent of employees, or 33,000

workers, received carpooling or public transit benefits from their employer in 2023. This number is adjusted for forecasted employment growth as well as an anticipated increase in carpooling and public transit usage, reflecting post-pandemic patterns, for tax years 2024 through 2028. This fiscal note assumes that all employers offering these benefits will utilize the new alternative transportation tax credit, and that the number of employees receiving carpooling and public transit benefits from their employers will increase 5 percent in each tax year from 2024 through 2028 as more employers become aware of the new tax credit.

The fiscal note assumes that employers will spend up to \$365 per employee per year on average in 2024 and 2025 for qualifying alternative transportation benefits. This amount is based on the estimated price of an RTD EcoPass. This amount is adjusted for forecasted inflation through tax year 2028.

**State Revenue**

The bill decreases state revenue by extending an existing tax credit, and may increase state cash fund revenue from gifts, grants, or donations.

**Transit benefits tax credit.** The bill is expected to decrease state revenue by up to \$3.3 million in FY 2024-25, a half-year impact, and by up to \$7.0 million in FY 2025-26. The revenue impact is expected to increase in subsequent years, with a reduction of up to \$8.2 million in FY 2027-28, until FY 2028-29, with a final half-year impact of up to \$4.3 million when the credit expires in tax year 2028. These amounts reflect the assumptions stated above; however, the bill’s actual revenue impact could be lower or higher depending on a number of factors, including the rate at which the credit is utilized and the cost of alternative transportation benefits. The bill decreases revenue from income taxes, which are subject to TABOR. Revenue impacts on a tax year basis and additional information are presented in Table 2.

**Table 2  
 Revenue Reduction Under SB 24-032, Tax Years 2025 through 2028**

	<b>Tax Year 2025</b>	<b>Tax Year 2026</b>	<b>Tax Year 2027</b>	<b>Tax Year 2028</b>
Employees receiving alternative transportation benefits	36,600	38,800	41,100	43,600
Average annual expenditure per employee	\$365	\$373	\$382	\$391
Total expenditures	\$13.4 million	\$14.5 million	\$15.7 million	\$17.0 million
<b>State revenue impact – 50 percent credit</b>	<b>\$6.7 million</b>	<b>\$7.2 million</b>	<b>\$7.9 million</b>	<b>\$8.5 million</b>

**Gifts, grants, and donations.** The bill potentially increases state revenue to the Zero Fare Transit Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

**State Transfers**

In the current FY 2023-24, the bill transfers the balance of the Ozone Season Transit Grant Program Fund to the new Zero Fare Transit Fund. This is estimated to be up to \$3.4 million.

In FY 2024-25, the bill transfers \$10 million from the Multimodal Transportation Options Fund to the Zero Fare Transit Fund.

**State Expenditures**

The bill increases state expenditures by \$9.6 million in FY 2024-25, and \$100,000 in FY 2025-26 and ongoing as shown in Table 3 below. Costs in the CEO are paid from the Zero Fare Transit Fund, and costs in CDOT are paid from the State Highway Fund and various other cash funds available for the department’s construction, maintenance, and operations budget. These costs are described in more detail below.

**Table 3  
Expenditures Under SB 24-032**

	FY 2024-25	FY 2025-26
<b>Colorado Energy Office</b>		
Personal Services	\$29,470	\$19,646
Operating Expenses	\$384	\$256
Grant Program	\$9,500,000	-
Centrally Appropriated Costs <sup>1</sup>	\$6,517	\$4,345
FTE – Personal Services	0.3 FTE	0.2 FTE
<b>CEO Subtotal</b>	<b>\$9,536,371</b>	<b>\$24,247</b>
<b>Department of Transportation</b>		
Personal Services	\$43,758	\$54,697
Operating Expenses	\$1,024	\$1,280
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs <sup>1</sup>	\$14,410	\$18,013
FTE – Personal Services	0.8 FTE	1.0 FTE
<b>CDOT Subtotal</b>	<b>\$65,862</b>	<b>\$73,990</b>
<b>Total</b>	<b>\$9,602,233</b>	<b>\$98,237</b>
<b>Total FTE</b>	<b>1.1 FTE</b>	<b>1.2 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Colorado Energy Office.** The increases expenditures by \$9.6 million in FY 2024-25 and FY 2025-26 only to administer grants for the two programs. This requires the continuation of 0.3 FTE of existing staff, with the remainder available for grants. If grant funding is available in future years, expenditures will increase, including administrative costs.

**Department of Transportation.** CDOT requires 1.0 FTE in FY 2024-25 and FY 2025-26 to administer stakeholder outreach, meetings, and research associated with the exploratory committee. Costs are paid from continuously appropriated fund sources in CDOT.

**Office of the State Auditor.** Auditing the Youth Fare Free Transit Grant Program in RTD increases workload in the Office of the State Auditor. Since the RTD audit takes place during RTD's next performance audit, and since state law requires RTD to cover the costs of its audits, no change in appropriations is required.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 3.

## **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 March 2024 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.

## **Local Government**

The bill conditionally increases revenue to regional transit authorities that increase their visitor benefit taxes as permitted under the bill. Tax revenue impacts depend on transit authority decision-making, and any increase in tax rates would require local voter approval under TABOR.

The bill may increase workload for transit associations, transit agencies, and RTD to apply for, implement, and report on grants. Transit agencies and RTD selected to receive grant funds will have increased revenue and additional costs to operate the free fare programs. In addition, in any year in which a grant award is less than the cost of implementing a free-fare program, the difference in cost will, on net, increase operating costs for the agency or RTD and reduce funding available for other services. Because program participation and local free fare program design depend on decisions by local entities, and grant award amounts will be determined by CDOT, these impacts are not estimated in the fiscal note. For informational purposes, RTD estimates that foregone fare collections during ozone season are about \$7 million per month, and that providing free fares to youth reduces fare collections by up to \$5 million per year.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State and Local Government Contacts**

Colorado Energy Office  
Transportation

Personnel

Revenue

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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: [leg.colorado.gov/fiscalnotes](http://leg.colorado.gov/fiscalnotes).