



**Colorado
Legislative
Council
Staff**

Bill 4

FISCAL NOTE

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

Drafting Number: LLS 18-0289
Prime Sponsor(s):

Date: October 30, 2017

Bill Status: Transportation Legislation Review
Committee Bill Request

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BILL TOPIC: RTD DISCOUNTS FOR LOW-INCOME INDIVIDUALS

Fiscal Impact Summary	FY 2018-2019	FY 2019-2020
State Revenue		
State Expenditures	\$128,100	
General Fund	128,100	
Appropriation Required: \$128,100 - Department of Revenue (FY 2018-19).		
Future Year Impacts: None.		

Summary of Legislation

The bill, **requested by the Transportation Legislation Review Committee (TLRC)**, requires the Regional Transportation District (RTD) to create a program that offers a 50 percent discount on all transit services for anyone whose family income is no greater than 150 percent of the federal poverty level. RTD has the authority to regulate how a passenger demonstrates their eligibility for the fare. Marketing for this program must occur in the same way as marketing for other discounted fare programs.

Under current law, RTD assesses a 1.0 percent sales tax on most goods and some services transacted in the district. Vendors who remit tax on time are allowed to retain 3.33 percent of tax revenue to offset the costs of collecting the tax (vendor fee). Starting January 1, 2019, any vendor with gross annual receipts exceeding \$1 million dollars will retain a lesser percentage of tax as a vendor fee. The vendor fee percentage allowed to be retained by these retailers is not specified in the bill. A range of estimates for decreased vendor fee rates are provided in the Regional Transportation District Impact section.

Background

RTD currently provides discounted fares for:

- seniors over the age of 65;
- individuals with disabilities;
- Medicare recipients;

- elementary middle and high school students;
- children 5 years old or younger with a fare-paying adult; and
- active duty service members.

State Expenditures

The bill will increase state General Fund expenditures in the Department of Revenue (DOR) by **\$128,100 in FY 2018-19 only**. The bill requires changes to DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$250 per hour. The changes in this bill are expected to increase General Fund expenditures by \$124,500, representing 498 hours of programming. All programming changes are tested by DOR staff; and the DOR can perform the testing required in this bill within existing appropriations. The department will also develop new forms and modify existing electronic forms related to sales tax collections at a cost of \$3,600.

Regional Transportation District Impact

Sales tax revenue to RTD will increase to the extent that the vendor fee is reduced. Additionally, fare revenue will decrease to the extent the reduced fare program is utilized. These impacts are discussed further in the sections below.

Sales tax revenue to RTD. Under current law, the fee retained by vendors is 3.33 percent. Table 1 outlines the projected increase in RTD revenue based on decreases in the vendor fee rate for retailers with at least \$1.0 million in annual gross sales. A specific decrease is not outlined in the bill.

Vendor Fee Rate	FY 2018-19	FY 2019-20	FY 2020-21
2.22 percent	\$3,159,254	\$6,634,433	\$6,972,789
1.66 percent	4,753,112	9,981,535	10,490,593
0.00 percent	9,477,762	19,903,299	20,918,368

Data and assumptions. The following data and assumptions were used to calculate the revenue impact of a reduced vendor fee:

- in 2016, approximately \$16.4 million of vendor fees were retained by 11,320 businesses that had gross sales over \$1 million within the RTD tax area;
- annual gross sales were used in lieu of annual gross receipts to calculate the revenue impact of changing the vendor fee rate;
- the annual state sales tax growth rates in the Legislative Council September 2017 forecast were used to estimate revenue to RTD in future years; and
- the revenue impacts for FY 2018-19 were adjusted to account for a January 1, 2019, implementation date.

Reduction in fare revenue to RTD. Fare revenue to the Regional Transportation District will decrease due to the 50 percent reduction in fares for families with incomes of no greater than 150 percent of the federal poverty level. This amount will vary based on the actual number of riders and the number of people who apply for the program. Expenses for RTD will also increase to perform or contract for income verification. These impacts have not been estimated.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed. Changes to the vendor fee will take effect January 1, 2019.

State Appropriations

For FY 2018-19, the bill requires an appropriation of \$128,100 to the Department of Revenue.

State and Local Government Contacts

Counties
Information Technology

Municipalities
Revenue

Regional Transportation District

