HB 18-1214

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-0530	**Date:**	May 16, 2018
Prime Sponsors:	Rep. Valdez; Catlin Sen. Sonnenberg	**Bill Status:**	Postponed Indefinitely
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Bill Topic:	STATE BD LAND COMMNS TELECOM TOWER LEASES

Summary of Fiscal Impact:	⊠ State Revenue ⊠ State Expenditure ☐ State Transfer	☐ TABOR Refund ☐ Local Government ☐ Statutory Public Entity

This bill would have required the State Land Board to set lease rates for telecommunications towers in rural areas of the state based on a local market-based appraisal. The bill would have lead to an ongoing decrease in revenue to the Permanent Fund and an ongoing increase in expenditures from cash funds.

Appropriation Summary:	No appropriation is required.
Fiscal Note Status:	This fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 18-1214

		FY 2018-19	FY 2019-20
Revenue	Permanent Fund	(up to $25,000)	(up to $25,000)
Expenditures	Cash Funds	up to $17,500	up to $17,500
Transfers		-	-

Summary of Legislation

The bill directs the State Land Board, within the Department of Natural Resources (DNR), to set ground lease rates based on a local market-based appraisal for the construction and operation of a telecommunications tower on state land in rural areas. For purposes of the bill, a rural area is defined to mean a county with a population of fewer than 30,000 people or a municipality with a population of fewer than 20,000 people if it is not contiguous to a municipality with a population of 20,000 or more.

Background

The State Land Board charges market rates when leasing land for various uses. Income from the leases is deposited in the Public School Fund (Permanent Fund). According to the DNR, the cell tower lease rates currently charged by the State Land Board are derived from various rate studies it has commissioned in the last three years. These studies provide data on lease rates charged in rural areas.

Assumptions

This fiscal note assumes that the bill requires a new appraisal of cell tower leasing rates each time a new lease is proposed, rather than using a non-specific rate study. The fiscal note further assumes that no new ground leases in qualifying areas will be considered until FY 2018-19.

State Revenue

The bill may decrease state revenue to the Permanent Fund by up to $25,000 a year because it will reduce rental income on state lands managed by the State Land Board and increase operating expenditures that could otherwise be counted as income from the management of state lands. The State Land Board anticipates that it will consider about five ground leases for cell towers per year in qualifying rural areas. Conducting a local market-based appraisal before entering into a new lease is expected to decrease state revenue by about $5,000 per occurrence. The estimated appraisal cost per lease is about $3,500. An appraisal is expected to delay a lease by up to a month, which would result in about $1,500 in lost revenue per lease. If five appraisals are conducted each year for leases in qualifying rural areas, the decrease in state revenue is about $25,000, or five leases x $5,000 per occurrence (including $1,500 in lost earnings and $3,500 for the cost of an appraisal).

State Expenditures

The bill increases State Land Board expenditures from the State Land Board Trust Administration Fund by up to $17,500 in FY 2018-19 and beyond to appraise cell tower lease rates each time a new lease is proposed. The estimated appraisal cost per lease is $3,500. If five appraisals are conducted each year for leases in qualifying rural areas, the increase in state expenditures is about $17,500, or five appraisals x $3,500 per appraisal.

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Effective Date

The bill was postponed indefinitely by the House Business Affairs and Labor Committee on April 10, 2018.

State and Local Government Contacts

Information Technology   Natural Resources