



Legislative Council Staff

Research Note

Version: Senate Finance
Date: 1/14/2016

Bill Number

Senate Bill 16-016

Sponsors

**Senators Steadman & Cadman
Representatives Hullinghorst &
Lawrence**

Short Title

***Modifications To The Scientific
and Cultural Facilities District***

Research Analyst

Damion Pechota (x4789)

Status

This bill is currently pending before the Senate Finance Committee. The research note reflects the introduced version of the bill.

Summary

The Scientific and Cultural Facilities District (SCFD) funds scientific and cultural facilities within the seven-county Denver metropolitan area. Under current law, the 0.1 percent sales and use tax funding the SCFD is scheduled to expire on June 30, 2018. This bill allows the SCFD to submit a ballot question to district voters at the 2016 or 2017 November election authorizing the extension of the tax for 12 years through June 30, 2030. Beginning in FY 2018-19, the bill makes several changes to the funding formula for SCFD recipients, as described below.

Changes to the SCFD funding formula. The bill increases the share of SCFD tax revenue allowed to be spent on administrative expenses from 0.75 percent to 1.5 percent. After administrative expenses, revenue is segmented into three tiers, each funding a different collection of facilities, as follows:

- Tier I funds the Denver Museum of Nature and Science, the Denver Zoo, the Denver Art Museum, the Denver Botanic Gardens, and the Denver Center for the Performing Arts;
- Tier II funds regional scientific and cultural facilities with a minimum level of operating income, set at \$1,250,000 in 2006, and adjusted annually for inflation; and
- Tier III funds all other qualified district scientific and cultural facilities.

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The bill creates two new allocations to each of these tiers, one governing the first \$38 million of annual SCFD revenue and the other governing revenue in excess of \$38 million. These allocations are summarized in Table 1.

Table 1. SCFD Tier Funding Allocations Under Current Law and SB16-016

| Tier | Current Law Allocation (through June 2018) | SB 16-016 Allocation (first \$37 million) | SB 16-016 Allocation (in excess of \$38 million) |
|----------|--|---|--|
| Tier I | 65.5 percent | 64.0 percent | 57.0 percent |
| Tier II | 21.0 percent | 22.0 percent | 26.0 percent |
| Tier III | 13.5 percent | 14.0 percent | 17.0 percent |

The bill changes the fixed distribution shares to each of the five facilities included in Tier I.

For Tier II, the bill:

- requires that a facility demonstrate its regional service and impact according to criteria established by the SCFD board;
- increases the minimum amount of time for which an eligible facility must have been in operation from five to seven years; and
- allows the SCFD board to consider facility operating income, annual paid attendance, and annual free attendance when determining a formula for distribution of funds.

For Tier III, the bill:

- disqualifies facilities already receiving funding via Tier II;
- increases the minimum amount of time for which an eligible facility must have been in operation from three to five years; and
- allows county cultural councils making funding determinations to consider a facility's financial and organizational capacity to expend tax dollars to serve the public and achieve their organizational mission.

Effects independent of the reauthorization election. The bill makes two changes that are not conditioned on the result of an election. First, aviation fuel is exempted from the SCFD sales and use tax beginning July 1, 2016. Second, the deadline for the municipalities of Castle Rock and Larkspur to hold an election to join the SCFD is extended from 2016 to 2025.

Background

Under current law, the SCFD is set to expire on June 30, 2018. The district is comprised of Adams, Arapahoe, Boulder, and Jefferson counties and the city and county of Broomfield and the city and county of Denver. Douglas County is also included in SCFD with the exception of the municipal boundaries of Castle Rock and Larkspur.

The Colorado General Assembly created the SCFD in 1987 with the enactment of House Bill 87-1138. The establishment of the district allowed the SCFD Board of Directors to request a tax increase from voters in the district to fund scientific and cultural organizations. The



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legislation established that the boundaries of the SCFD were to be contiguous with those of the Regional Transportation District (RTD), roughly including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. In 1988, the SCFD board of directors submitted a ballot question to the registered voters of the district asking to increase the sales and use tax within the district by 0.1 percent. Voters approved the tax in 1988 and reauthorized the levy in 1994. In 2004, voters approved language put forward in House Bill 04-1212, extending the tax and its exclusion from the Taxpayer's Bill of Rights (TABOR) limits through 2018 and adding Lone Tree and the Park Meadows Mall to the district.

In 2014, the SCFD collected \$52.1 million in sales and use tax. Of this amount, \$51.4 million was distributed to scientific and cultural facilities, and \$0.5 million was spent on administrative expenses. The SCFD distributed revenue to 279 facilities. On average, Tier 1 facilities received 18.4 percent of their revenue from the SCFD; for Tier 2 and Tier 3, the SCFD shares were 9.5 percent and 16.0 percent, respectively.

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