



Legislative
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FISCAL NOTE

Drafting Number:	LLS 20-1253	Date:	May 26, 2020
Prime Sponsors:	Rep. Esgar; McCluskie Sen. Zenzinger; Rankin	Bill Status:	House Trans. & Local Govt.
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Bill Topic: MODIFY TRANSPORTATION FUNDING MECHANISMS

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

Budget package bill. This bill repeals scheduled transfers in FY 2020-21 and FY 2021-22 and changes the source of funds used to pay lease obligations. It also repeals state law requiring referral of a 2020 ballot measure to authorize the issuance of transportation revenue anticipation notes, and refers a similar 2021 measure instead. If approved by voters, the measure will increase state revenue and expenditures for transportation over the period from FY 2021-22 to FY 2023-24, and require transfers and expenditures for debt service.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2020-21 budget balancing package.

**Table 1
State Fiscal Impacts Under HB 20-1376***

		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenue	State Hwy Fund	-	(\$121.2 million)	\$378.8 million	\$378.8 million
	Multimodal Fund	-	\$66.9 million	\$66.9 million	\$66.9 million
	Total	-	(\$54.3 million)	\$445.7 million	\$445.7 million
Expenditures	General Fund	(\$12.0 million)	(\$36.2 million)	(\$24.2 million)	(\$24.2 million)
	State Hwy Fund	\$12.0 million	(\$91.6 million)	\$427.4 million	\$427.4 million
	Multimodal Fund	-	\$66.9 million	\$66.9 million	\$66.9 million
Total	\$0	(\$60.9 million)	\$470.0 million	\$470.0 million	
Transfers	General Fund	\$50.0 million	\$50.0 million	(\$29.5 million)	(\$29.5 million)
	State Hwy Fund	(\$50.0 million)	(\$50.0 million)	\$29.5 million	\$29.5 million
		\$0	\$0	\$0	\$0
TABOR Refund		-	-	-	-

* *Transfer impacts for FY 2020-21 and FY 2021-22, expenditure impacts for FY 2020-21, and a portion of expenditure impacts for FY 2021-22 are unconditional; all other fiscal impacts are conditional on voter approval of the 2021 referred measure in the bill.*

Summary of Legislation

The bill changes transportation-related transfers and expenditures for FY 2020-21 and FY 2021-22. It also repeals state law requiring referral of a 2020 ballot measure to authorize the issuance of Transportation Revenue Anticipation Notes (TRANs), and refers a similar 2021 ballot measure instead. These provisions are discussed below.

Unconditional provisions. Current law requires annual transfers from the General Fund to the State Highway Fund between FY 2020-21 and FY 2039-40. The bill cancels transfers scheduled for FY 2020-21 and FY 2021-22. For years in which transfers are made, under both current law and the bill, the transfer amounts depend on whether the referred TRANs measure passes or fails. If the referred measure fails, transfer amounts are \$50.0 million annually under both current law and the bill. If the referred measure passes, transfer amounts are \$92.5 million annually under current law and \$79.5 million annually under the bill.

Under current law, the state makes annual lease payments on state buildings on which lease-purchase agreements were executed pursuant to Senate Bill 17-267. Lease payments are made as follows:

- first, \$9 million annually from the General Fund;
- next, up to \$50 million annually from the State Highway Fund or another source under the control of the Transportation Commission; and
- last, the remaining amount from the General Fund, estimated at \$53.5 million in FY 2020-21 and \$91.0 million in FY 2021-22 and subsequent years.

For FY 2020-21 and FY 2021-22 only, the bill increases the State Highway Fund obligation by \$12 million per year, correspondingly decreasing the General Fund obligation by \$12 million per year.

The bill also repeals the requirement that the Department of Transportation (CDOT) promulgate rules and issue a final report in relation to the stakeholder group established to examine the impacts of new and emerging transportation technologies pursuant to Senate Bill 19-239.

Ballot measure. Under current law, a ballot measure is referred to voters at the 2020 General Election to authorize the issuance of up to \$1.837 billion in TRANs. The bill repeals statute referring the ballot measure and refers a modified ballot measure at the November 2021 statewide election instead.

Conditional provisions. If the 2021 ballot measure is approved, the bill:

- authorizes the issuance of TRANs in the amount of \$1.337 billion;
- cancels FY 2021-22 lease-purchase agreements of \$500.0 million under SB 17-267;
- increases annual transfers from the General Fund to the State Highway Fund for FY 2022-23 through FY 2039-40 from \$50.0 million to \$79.5 million; and
- sets repayment parameters for TRANs and lease payments for SB 17-267 lease-purchase agreements.

Revenue from the TRANs issuance is allocated in shares of 85 percent to the State Highway Fund and 15 percent to the Multimodal Transportation Options Fund. Proceeds are required to be spent for qualified federal aid transportation projects in CDOT's strategic transportation project investment program and designated for tier 1 funding. At least 25 percent of proceeds must be spent for projects in counties with populations of 50,000 or less as of July 2015.

Assumptions

Current law. Current law includes provisions that take effect only if the 2020 ballot measure is not approved by voters. Consistent with the May 2020 Legislative Council Staff forecast, which assumes that the 2020 referred measure will not pass, this fiscal note treats these provisions as current law. Thus, the fiscal note presents the conditional fiscal impacts of approval of the 2021 ballot measure in this bill relative to a scenario in which no ballot measure is adopted. If voters were instead to approve the 2020 referred measure in current law, the 2021 ballot measure in this bill would have no net impact on state revenue, but would delay a portion of revenue from FY 2020-21 into FY 2023-24.

Transportation Revenue Anticipation Notes. If the 2021 ballot measure is approved, the bill requires that CDOT issue up to \$1.337 billion in TRANs with a repayment cost of up to \$1.865 billion. It is assumed that CDOT will be able to issue the entire TRANs amount while remaining within the maximum repayment cost. TRANs are expected to be issued in three equal tranches of \$445.7 million between FY 2021-22 and FY 2023-24. This fiscal note assumes an annual repayment cost of \$92.8 million for 20 years when all tranches have been issued. Actual issuance and repayment terms will depend on bond market conditions for late 2021 and early 2022, and the repayment amount may be less than or greater than expected.

State Revenue

If voters approve the 2021 ballot measure, the bill is expected to decrease state revenue by a net of \$54.3 million for FY 2021-22, and to increase state revenue by \$445.7 million for each of FY 2022-23 and FY 2023-24. No impacts on state revenue are expected beyond FY 2023-24. The bill reduces revenue from lease-purchase agreements, which are exempt from TABOR as a property sale, and increases revenue from TRANs proceeds, which are exempt from TABOR as a voter-approved revenue change. Revenue impacts are summarized in Table 2.

Table 2
Conditional State Revenue Impacts Under HB 20-1376

	FY 2021-22	FY 2022-23	FY 2023-24
Lease-Purchase Agreements			
State Highway Fund	(\$500.0 million)	-	-
TRANs Proceeds			
State Highway Fund	\$378.8 million	\$378.8 million	\$378.8 million
Multimodal Transportation Options Fund	\$66.9 million	\$66.9 million	\$66.9 million
Total	(\$54.3 million)	\$445.7 million	\$445.7 million

State Transfers

Unconditional impacts. The bill cancels scheduled transfers from the General Fund to the State Highway Fund for each of FY 2020-21 and FY 2021-22. These are expected to equal \$50.0 million per year under current law, as shown in Table 1.

Conditional impacts. As under current law, transfers are \$50.0 million per year if the referred TRANs measure is not approved. If the referred TRANs measure is approved, transfers are set at \$79.5 million per year, a conditional increase of \$29.5 million per year as shown in Table 1.

State Expenditures

The bill's impacts on state expenditures are presented in Table 3 and discussed below.

Table 3
State Expenditure Impacts Under HB 20-1376

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Transportation Projects*				
State Highway Fund	-	(\$121.2 million)	\$378.8 million	\$378.8 million
Multimodal Fund	-	\$66.9 million	\$66.9 million	\$66.9 million
Lease Payments				
General Fund	(\$12.0 million)	(\$36.2 million)	(\$24.2 million)	(\$24.2 million)
State Highway Fund	\$12.0 million	(\$1.3 million)	(\$13.3 million)	(\$13.3 million)
TRANs Payments				
State Highway Fund	-	\$30.9 million	\$61.9 million	\$92.8 million
<i>General Fund Total</i>	<i>(\$12.0 million)</i>	<i>(\$36.2 million)</i>	<i>(\$24.2 million)</i>	<i>(\$24.2 million)</i>
<i>State Highway Fund Total</i>	<i>\$12.0 million</i>	<i>(\$91.6 million)</i>	<i>\$427.4 million</i>	<i>\$427.4 million</i>
<i>Multimodal Fund Total</i>	<i>-</i>	<i>\$66.9 million</i>	<i>\$66.9 million</i>	<i>\$66.9 million</i>
Grand Total	\$0	(\$60.9 million)	\$470.0 million	\$470.0 million

* Expenditures show funding expected to be made available for transportation projects if the 2021 ballot measure is approved. Actual amounts expended, and the timing thereof, are determined by the Transportation Commission.

Unconditional impacts. The bill unconditionally decreases General Fund expenditures for lease payments by \$12.0 million in each of FY 2020-21 and FY 2021-22, and correspondingly increases State Highway Fund expenditures for lease payments by the same amount. The bill also decreases CDOT workload to conduct rulemaking and issue a final report pursuant to SB 19-239. As workload increases for these requirements were assessed as minimal, workload decreases associated with the repeal of these requirements are likewise assessed as minimal.

Conditional impacts. Conditional on approval of the ballot measure, the bill changes the amounts available to be spent for transportation projects from the State Highway Fund and the Multimodal Transportation Options Fund. The timing and amounts of actual expenditures for transportation projects will be determined by the Transportation Commission.

TRANs repayment obligations are paid from the State Highway Fund or another source under the control of the Transportation Commission. Repayment obligations are estimated to total \$92.8 million annually beginning in FY 2023-24, with smaller amounts in FY 2021-22 and FY 2022-23 as each tranche of TRANs is issued.

Expenditures for lease payments under SB 17-267 are expected to reach \$150.0 million for FY 2021-22 and subsequent years under current law. Eliminating the FY 2021-22 tranche of lease-purchase agreements will reduce the annual lease payment obligation to \$112.5 million. The bill reduces the General Fund obligation from \$100.0 million to \$75.8 million, a decrease of

\$24.2 million, and reduces the State Highway Fund obligation from \$50.0 million to \$36.7 million, a decrease of \$13.3 million, beginning in FY 2022-23. For FY 2021-22, these changes to the lease payment obligation compound with the unconditional \$12.0 million change to the lease payment obligation discussed previously, resulting in a General Fund obligation decrease of \$36.2 million and a State Highway Fund obligation decrease of \$1.3 million if the ballot measure is adopted.

Effective Date

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

State and Local Government Contacts

Transportation Treasury