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Fiscal Note

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| Drafting Number: | LLS 22-0910 | Date: | March 28, 2022 |
| Prime Sponsors: | Sen. Winter; Hinrichsen Rep. Gray; Bacon | Bill Status: | Senate Trans. & Energy |
| | | Fiscal Analyst: | Will Clark 303-866-4720 Will.Clark@state.co.us |

Bill Topic: PROGRAMS TO REDUCE OZONE THROUGH INCREASED TRANSIT

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

The bill creates a grant program in the Colorado Energy Office to provide funding to transit associations to provide free transit services during ozone season. It also creates a transit services pilot project in the Department of Transportation. The bill creates one-time transfers from the General Fund in FY 2021-22, and increases state expenditures through FY 2025-26 and local expenditures through FY 2023-24.

Appropriation Summary: No appropriation is required as the State Highway Fund is continuously appropriated to the Department of Transportation and the Ozone Season Transit Grant Program Fund is continuously appropriated to the Colorado Energy Office.

Fiscal Note Status: The fiscal note reflects the introduced bill. This analysis is preliminary and will be updated following further review and any additional information received.

**Table 1
State Fiscal Impacts Under SB 22-180**

| | | Current Year FY 2021-22 | Budget Year FY 2022-23 | Out Year FY 2023-24 |
|---------------------------------|---------------------------|----------------------------|---------------------------|------------------------|
| Revenue | | - | - | - |
| Expenditures¹ | Cash Funds | - | \$21.5 million | \$21.5 million |
| | Total Expenditures | - | \$21.5 million | \$21.5 million |
| Transfers | General Fund | (\$58 million) | - | - |
| | Cash Funds | \$58 million | - | - |
| | Net Transfer | \$0 | - | - |
| Other Budget Impacts | | - | - | - |

¹ Funding transferred in FY 2021-22 will be spent over a period of four years starting in FY 2022-23, with \$14 million per year spent on the Ozone Season Transit Grant program through FY 2023-24, and \$7.5 per year spent on the new transit services pilot project through FY 2025-26. See State Expenditures section for more detail.

Summary of Legislation

The bill creates the Ozone Season Transit Grant Program in the Colorado Energy Office (CEO), funded at \$28.0 million, and a transit services pilot project in the Department of Transportation (CDOT), funded at \$30.0 million.

Ozone Season Transit Grant Program. The Ozone Season Transit Grant Program is created in the CEO to provide grants for free transit services during ozone season, defined in the bill as the period from June 1 through August 31 of each year. The Ozone Season Transit Grant Program Fund is created to fund the program, and continuously appropriated to the CEO. The CEO may provide grants of up to \$3.0 million to transit associations and \$11.0 million to the Regional Transportation District (RTD) each year.

Grant funding may be used by transit associations for direct and indirect costs of establishing their own grant programs to provide funding to transit agencies. Transit agencies must use grant funding to provide new or expanded free transit services during ozone season. Grant funding to the RTD may be used to replace fare box revenue, pay for other program expenses, and to cover up to 80 percent of costs of providing at least 30 days of free transit on all RTD services. The State Auditor is required to audit the RTD's use of program funds during the next RTD performance audit.

Transit associations and the RTD must submit a report to the CEO by December 1 of each year that they receive grant funding, with information about expanded transit services provided as a result of the grant funding. The CEO must submit a report with information about the program's implementation to the General Assembly by December 31 of each year of the program, and the program is repealed on July 1, 2024.

Transit services pilot program. The bill creates a pilot project in the Transit and Rail Division of CDOT to increase ridership on state-run transit, reduce vehicle travel, and reduce ground level ozone. CDOT must report results from the pilot project to the General Assembly on December 1, 2023, and by December 1 of each year thereafter through 2025, including information about the services that are provided and estimates of increased public transit ridership as a result of the pilot project.

State Transfers

In FY 2021-22, the bill makes one-time transfers of \$58.0 million from the General Fund, split between two state cash funds, as shown in Table 2 and discussed below.

Table 2
Transfers Under SB 22-180

| | FY 2021-22 current year |
|---|--|
| General Fund | (\$58,000,000) |
| Ozone Season Transit Grant Program Fund | \$28,000,000 |
| State Highway Fund | \$30,000,000 |
| Net Transfer | \$0 |

Three days after the effective date of the bill, \$28.0 million is transferred to the Ozone Season Transit Grant Program Fund for use by the CEO, and \$30.0 million is transferred to the State Highway Fund for use by the Division of Transit and Rail in CDOT. It is assumed that this transfer will occur during the current FY 2021-22.

State Expenditures

The bill increases state cash fund expenditures by \$58.0 million over a four-year period starting in FY 2022-23, as shown in Table 3 below. Of this amount, the Colorado Energy Office will use up to \$28.0 million to provide grants, including up to \$3.0 million to transit associations and up to \$11.0 million to the RTD, paid from the newly created Ozone Season Transit Grant Program Fund, through FY 2023-24. Additionally, the Division of Transit and Rail in CDOT will use up to \$30.0 million to establish a pilot project to expand transit, paid from the State Highway Fund, through FY 2025-26. Administrative costs for each grant program have not been estimated and will be provided in a subsequent fiscal note. Funds in the Ozone Season Transit Grant Program Fund and the State Highway Fund are continuously appropriated to the Colorado Energy Office and CDOT, respectively, and thus no additional appropriation is required,

Table 3
Expenditures Under SB 22-180

| | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|--|-----------------------|-----------------------|--------------------|----------------------|
| <i>Colorado Energy Office</i> Ozone Season Transit Grants | \$14 million | \$14 million | - | - |
| <i>Dept. of Transportation</i> Transit Services Pilot Project | \$7.5 million | \$7.5 million | \$7.5 million | \$7.5 million |
| Total Cost | \$21.5 million | \$21.5 million | 7.5 million | \$7.5 million |

Local Government and Statutory Public Entity

For FY 2022-23 through FY 2023-24, revenue will increase for the RTD and local transit associations and agencies to provide free transit services during ozone season.

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
 State Auditor

Regional Transportation District
 Transportation

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.