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Revised Fiscal Note

(replaces fiscal note dated April 21, 2022)

Drafting Number: LLS 22-0910 Date: May 2, 2022
Prime Sponsors: Sen. Winter; Hinrichsen; Rep. Gray; Bacon Bill Status: House Appropriations
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Bill Topic: PROGRAMS TO REDUCE OZONE THROUGH INCREASED TRANSIT

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, 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, and transfers additional funding to the Revitalizing Main Streets Program. 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 2024-25.

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 reengrossed bill, as amended by the House Energy and Environment Committee.

Table 1 State Fiscal Impacts Under SB 22-180

Table with 4 columns: Category, Current Year FY 2021-22, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (General Fund, Cash Funds, Net Transfer), and 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, \$7.5 per year spent on the new transit services pilot project through FY 2025-26, and \$3.3 million per year spent on the Revitalizing Main Streets Program through FY 2024-25. 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, a transit services pilot project in the Department of Transportation (CDOT), funded at \$30.0 million, and increases funding for the Revitalizing Main Streets Program by \$10.0 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.

Revitalizing Main Streets Program. The bill transfers \$10.0 million from the General Fund to the State Highway Fund for use by the Transportation Development Division in CDOT as additional funding for the Revitalizing Main Streets Program. The program provides grants to local communities for innovative strategies to reuse public spaces and help businesses reopen safely, while improving multimodal safety and accessibility along urban arterials.

State Transfers

In FY 2021-22, the bill makes one-time transfers of \$68.0 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**

Fund	FY 2021-22 current year
General Fund	(\$68,000,000)
Ozone Season Transit Grant Program Fund	\$28,000,000
State Highway Fund	\$40,000,000
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 \$40.0 million is transferred to the State Highway Fund for use by CDOT. Of the amount transferred to the State Highway Fund, \$30.0 million is for use by the Division of Transit and Rail and \$10.0 million is for use by the Transportation Development Division. It is assumed that this transfer will occur during the current FY 2021-22.

State Expenditures

The bill increases state cash fund expenditures to the CEO and CDOT by \$68.0 million over a four-year period starting in FY 2022-23, as shown in Table 3 and described below.

**Table 3
Expenditures Under SB 22-180**

Cost Components	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Colorado Energy Office				
Ozone Season Transit Grants	\$13,972,382	\$13,972,382	-	-
Grant Administration	\$27,618	\$27,618	-	-
Centrally Appropriated Costs ¹	\$5,484	\$5,484	-	-
FTE – Personal Services	0.3 FTE	0.3 FTE	-	-
CEO Subtotal	\$14,005,484	\$14,005,484	-	-
Department of Transportation				
Pilot Project Services	\$7,125,000	\$7,125,000	\$7,125,000	\$7,125,000
Grant Administration	\$375,000	\$375,000	\$375,000	\$375,000
Revitalizing Main Streets Program	\$3,333,334	\$3,333,333	\$3,333,333	-
CDOT Subtotal	\$10,833,334	\$10,833,333	\$10,833,333	\$7,500,000
Total Cost	\$24,838,818	\$24,838,817	\$10,833,333	\$7,500,000
Total FTE	0.3 FTE	0.3 FTE	-	-

¹ Centrally appropriated costs are not included in the bill's appropriation.

Colorado Energy Office. The CEO will use up to \$28.0 million to provide transit 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, in FY 2022-23 and FY 2023-24. The CEO requires 0.3 FTE

to administer the program. Staff duties include helping to create the grant program, specifying parameters for applicants, coordinating and communicating with transit agencies, allocating funds, ensuring compliance, negotiating grant contracts, processing grant payments and ensuring final reporting requirements are met. The fiscal note assumes a start date of July 1, and that money from the Ozone Season Transit Grant Program Fund will be used to pay for administrative costs.

Department of Transportation. From FY 2022-23 through FY 2025-26, expenditures in CDOT will increase by \$40.0 million to fund a pilot program and to provide additional funding to the Revitalizing Main Streets Program.

- **Pilot program.** 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. The fiscal note assumes 5 percent of pilot project funding will be used for program administration. Pilot project service costs will include finalizing the pilot project service plan, procuring fleet vehicles, and providing enhanced service and additional trips on I-70 and I-25 transit routes.
- **Revitalizing Main Streets Program.** The Transportation Development Division in CDOT will use \$10.0 million to expand funding for the Revitalizing Main Streets Program. The fiscal note assumes this funding will be spent evenly over a three year period, however, actual funding distribution is at the discretion of CDOT and may differ from this estimate.

Grant Program Appropriations. 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.

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. Workload will increase for these agencies to identify required match funding and, if the bill generates an increase in passengers, to ensure adequate transit staffing and equipment. For FY 2022-23 through FY 2024-25, revenue and expenditures will also increase for local governments to the extent that they apply for and receive additional grant funding from the Revitalizing Main Streets Program as a result of the bill.

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