HB 24-1281

Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-0409	**Date:**	March 6, 2024
Prime Sponsors:	Rep. Martinez; Catlin	**Bill Status:**	House Business & Labor
		Fiscal Analyst:	Josh Abram | 303-866-3561 josh.abram@coleg.gov

Bill Topic: **FRONTIER COMMUNITIES REGIONAL TOURISM PROJECTS**

Summary of Fiscal Impact:

☐ State Revenue ☐ State Transfer ☒ Local Government
☒ State Expenditure ☐ TABOR Refund ☐ Statutory Public Entity

The bill authorizes the Office of Economic Development and International Trade to approve regional tourism projects in two frontier communities. It increases state and local expenditures and local revenue beginning FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $98,703 to the Office of Economic Development and International Trade.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1281

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	General Fund	$98,703	$115,041
	Centrally Appropriated	$18,534	$23,168
	Total Expenditures	**$117,237**	**$138,209**
	Total FTE	**0.8 FTE**	**1.0 FTE**
Transfers		-	-
Other Budget Impacts	General Fund Reserve	$14,805	$17,256

Summary of Legislation

Under the "Colorado Regional Tourism Act," a local government may apply to Colorado Economic Development Commission in the Office of Economic Development and International Trade (OEDIT) for approval of regional tourism projects funded with sales tax increment financing. Under current law, the commission does not have authority to approve any more regional tourism projects.

Beginning September 1, 2024, this bill allows the commission to approve up to two new projects, both of which must be located in a frontier community. A frontier community is a municipality with less than 1,500 residents located in a frontier county, as designated by the State Office of Rural Health. The bill also specifies that the term "regional tourism project" includes agritourism.

Background

The State Office of Rural Health has identified the following counties as a frontier county: Baca, Bent, Cheyenne, Costilla, Custer, Dolores, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Las Animas, Lincoln, Mineral, Moffat, Rio Blanco, Saguache, San Juan, San Miguel, Sedgwick, Washington and Yuma

State Expenditures

The bill increases state expenditures in OEDIT by about $117,000 in FY 2024-25, and by about $138,000 in FY 2025-26, paid from the General Fund. These expenses are anticipated to reduce to 0.5 FTE, or by about half, beginning with FY 2026-27. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1281

	FY 2024-25	FY 2025-26
Office of Economic Development and International Trade		
Personal Services	$91,009	$113,761
Operating Expenses	$1,024	$1,280
Capital Outlay Costs	$6,670	-
Centrally Appropriated Costs[1]	$18,534	$23,168
Total Cost	**$117,237**	**$138,209**
Total FTE	**0.8 FTE**	**1.0 FTE**

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

Staff. OEDIT currently employs 1.0 FTE to manage accounting and reporting requirements for the existing regional projects under the Colorado Regional Tourism Act. Authorizing additional projects is expected to increase the administrative management needs for the program by one additional FTE at the Program Manager III level. Personal service costs are prorated in FY 2024-25 for a presumed September start date, and include standard operating expenses and capital outlay.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other state agencies. The bill may also increase workload in the Office of State Planning and Budgeting to provide third-party economic consulting, and in the Department of Revenue to track the sales tax increment revenue collected within each designated tourism zone compared to the base year revenue, and then allocate that additional revenue to each specific project. These efforts do not require new appropriations.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

Up to two additional local governments will be authorized to conduct a project under the Colorado Regional Tourism Act. Applicants may be charged a fee by OEDIT and the Department of Revenue to calculate the base sales tax amount for applying the tax increment financing (TIF) mechanism. Once established, the local government will use TIF financing to implement the project, supplying the necessary revenue to pay the local government's expenditures and administrative costs of running the project.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of $98,703 to the Office of Economic Development and International Trade, and 0.8 FTE.

State and Local Government Contacts

Counties	Law	Economic Development
Revenue		

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 the General Assembly website.