



Legislative Council Staff
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Revised Fiscal Note

(replaces fiscal note dated May 1, 2024)

Drafting Number: LLS 24-0242 Date: May 6, 2024
Prime Sponsors: Sen. Priola; Winter F. Bill Status: House Third Reading
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Bill Topic: METHODS TO INCREASE THE USE OF TRANSIT

Summary of Fiscal Impact: [X] State Revenue [X] State Transfer [X] Local Government
[X] State Expenditure [ ] TABOR Refund [ ] Statutory Public Entity

The bill expands free transit grants, and creates a statewide transit pass exploratory committee. It creates state transfers, increases state expenditures, and may increase local revenue and expenditures beginning in FY 2024-25.

Appropriation Summary: No appropriation is required, as the affected cash funds are continuously appropriated to the Department of Transportation and the Colorado Energy Office.

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

Table 1
State Fiscal Impacts Under SB 24-032

Table with 4 columns: Category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (Ozone Season Fund, Multimodal Transpo. Opts. Fund, Zero Fare Transit Fund, Net Transfer), and Other Budget Impacts.

## **Summary of Legislation**

The bill extends an income tax credit for alternative transportation options, creates a new grant program for youth transit in Colorado Energy Office (CEO), extends the Ozone Season Transit Grant Program, and creates a committee in the Department of Transportation (CDOT) to study the creation of a statewide transit program.

**Zero Fare Transit Grant Programs.** The bill expands grants for transit agencies by creating a new program for fare-free year-round transit services for youth riders and extending the existing program for ozone season transit grants, which is scheduled to repeal on July 1, 2024. The bill creates the Zero Fare Transit Fund, which is continuously appropriated to the CEO, and transfers the balance of the Ozone Season Transit Grant Program Fund to it on June 30, 2024.

The CEO must establish policies governing the grant program, provide grants to the Regional Transportation District (RTD) and to transit agencies through the Colorado Association of Transit Agencies (CASTA), and report to the General Assembly annually on the program. The State Auditor must include the Regional Transportation District's (RTD) use of grant money as part of its next performance audit. The bill transfers \$10 million to the Zero Fare Transit Fund from the Multimodal Transportation Options Fund on July 1, 2024. Any of this money that remains on June 30, 2026, transfers back to the Multimodal Transportation Options Fund.

**Transit pass exploratory committee.** The bill creates a statewide transit pass exploratory committee within CDOT to produce a proposal for implementing a statewide transit pass. The committee must be created by October 1, 2024, and produce a proposal by July 1, 2026, with an implementation goal of January 1, 2028. The committee members are appointed by the executive director of CDOT and must include representatives of a diverse group of transit agencies throughout the state and other stakeholders.

**Visitor benefit tax.** The bill increases the amount of visitor benefit tax on overnight accommodations that a transit authority may collect. Under current law, visitor benefit taxes are limited to 2 percent of the price of accommodations and may generate no more than one third of an authority's revenue. The bill eliminates the 2 percent limit and permits these taxes to generate up to one half of an authority's revenue.

**Burnham yard rail property.** The bill modifies the use of existing resources for the [development of this property](#).

## **Assumptions**

Based on the most recent data on commuting behavior, commuting benefits, employment, and transit pass prices from the Bureau of Labor Statistics, the Bureau of Transportation Statistics and the Regional Transportation District (RTD), and the March 2024 Legislative Council Staff forecast, the fiscal note assumes that approximately 1.0 percent of employees, or 33,000 workers, received carpooling or public transit benefits from their employer in 2023. This number is adjusted for forecasted employment growth as well as an anticipated increase in carpooling and public transit usage, reflecting post-pandemic patterns, for tax years 2024 through 2028. This fiscal note assumes that all employers offering these benefits will utilize the new alternative

transportation tax credit, and that the number of employees receiving carpooling and public transit benefits from their employers will increase 5 percent in each tax year from 2024 through 2028 as more employers become aware of the new tax credit.

The fiscal note assumes that employers will spend up to \$365 per employee per year on average in 2024 and 2025 for qualifying alternative transportation benefits. This amount is based on the estimated price of an RTD EcoPass. This amount is adjusted for forecasted inflation through tax year 2028.

**State Revenue**

The bill potentially increases state revenue to the Zero Fare Transit Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

**State Transfers**

In the current FY 2023-24, the bill transfers the balance of the Ozone Season Transit Grant Program Fund to the new Zero Fare Transit Fund. This is estimated to be up to \$3.4 million.

In FY 2024-25, the bill transfers \$10 million from the Multimodal Transportation Options Fund to the Zero Fare Transit Fund.

**State Expenditures**

The bill increases state expenditures by \$9.6 million in FY 2024-25, and \$100,000 in FY 2025-26 and ongoing as shown in Table 2 below. Costs in the CEO are paid from the Zero Fare Transit Fund, and costs in CDOT are paid from the State Highway Fund and various other cash funds available for the department’s construction, maintenance, and operations budget. These costs are described in more detail below.

**Table 2  
 Expenditures Under SB 24-032**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Colorado Energy Office</b>		
Personal Services	\$29,470	\$19,646
Operating Expenses	\$384	\$256
Grant Program	\$9,500,000	-
Centrally Appropriated Costs <sup>1</sup>	\$6,517	\$4,345
FTE – Personal Services	0.3 FTE	0.2 FTE
<b>CEO Subtotal</b>	<b>\$9,536,371</b>	<b>\$24,247</b>

**Table 2  
 Expenditures Under SB 24-032 (Cont.)**

	FY 2024-25	FY 2025-26
<b>Department of Transportation</b>		
Personal Services	\$43,758	\$54,697
Operating Expenses	\$1,024	\$1,280
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs <sup>1</sup>	\$14,410	\$18,013
FTE – Personal Services	0.8 FTE	1.0 FTE
<b>CDOT Subtotal</b>	<b>\$65,862</b>	<b>\$73,990</b>
<b>Total</b>	<b>\$9,602,233</b>	<b>\$98,237</b>
<b>Total FTE</b>	<b>1.1 FTE</b>	<b>1.2 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Colorado Energy Office.** The increases expenditures by \$9.6 million in FY 2024-25 and FY 2025-26 only to administer grants for the two programs. This requires the continuation of 0.3 FTE of existing staff, with the remainder available for grants. If grant funding is available in future years, expenditures will increase, including administrative costs.

**Department of Transportation.** CDOT requires 1.0 FTE in FY 2024-25 and FY 2025-26 to administer stakeholder outreach, meetings, and research associated with the exploratory committee. Costs are paid from continuously appropriated fund sources in CDOT.

**Office of the State Auditor.** Auditing the Youth Fare Free Transit Grant Program in RTD increases workload in the Office of the State Auditor. Since the RTD audit takes place during RTD's next performance audit, and since state law requires RTD to cover the costs of its audits, no change in appropriations is required.

**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.

**Local Government**

The bill conditionally increases revenue to regional transit authorities that increase their visitor benefit taxes as permitted under the bill. Tax revenue impacts depend on transit authority decision-making, and any increase in tax rates would require local voter approval under TABOR.

The bill may increase workload for transit associations, transit agencies, and RTD to apply for, implement, and report on grants. Transit agencies and RTD selected to receive grant funds will have increased revenue and additional costs to operate the free fare programs. In addition, in any year in which a grant award is less than the cost of implementing a free-fare program, the difference in cost will, on net, increase operating costs for the agency or RTD and reduce funding available for other services. Because program participation and local free fare program design depend on decisions by local entities, and grant award amounts will be determined by CDOT, these impacts are not estimated in the fiscal note. For informational purposes, RTD estimates that foregone fare collections during ozone season are about \$7 million per month, and that providing free fares to youth reduces fare collections by up to \$5 million per year.

### **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  
Revenue

Personnel  
State Auditor

RTD  
Transportation

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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](http://leg.colorado.gov/fiscalnotes).