SB10-200

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number: LLS 10-1091
Prime Sponsor(s): Sen. Schwartz
Date: April 30, 2010
Bill Status: Senate Finance
Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING AMENDMENTS TO THE "COLORADO RECOVERY AND REINVESTMENT FINANCE ACT OF 2009" THAT ARE NECESSARY TO CONFORM TO AMENDMENTS MADE TO THE FEDERAL "AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009" BY THE FEDERAL "HIRING INCENTIVES TO RESTORE EMPLOYMENT ACT".

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures	See State Expenditures Section	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill amends language in the "Colorado Recovery and Reinvestment Finance Act of 2009" (HB09-1345) to reflect the recent changes to a type of bonding instrument in the federal "American Recovery and Reinvestment Act of 2009" (ARRA). The bill does not authorize new borrowing by public entities in Colorado, but it makes changes to enable the use of the federal bonding instruments.

Background

The "American Recovery and Reinvestment Act of 2009" established several subsidized bond types that governmental entities can use to fund capital projects. The two main categories of these bonds are as follows:

- ***direct subsidy* –** bonds are issued at the current daily interest rate and the government will subsidize up a portion of the interest paid by the issuer (state, counties, or municipalities) to the purchaser; and
- ***qualified tax credit obligations* –** the bond purchaser receives a tax credit rather than receiving interest payments.

The recently passed federal "Hiring Incentives to Restore Employment Act" changes the existing qualified tax credit obligations to be direct subsidies. The two qualified tax credit obligations that are impacted are the Qualified School Construction Bonds (QSCBs) and the Qualified Energy Conservation Bonds (QECBs). For these programs, bonds will now be direct subsidy bonds that are issued at the current daily interest rate. The issuer is reimbursed by the federal government for 100 percent (QSCBs) and 70 percent (QECBs) of interest payments made to the purchaser.

State Expenditures

This bill does not change the amount of funding available for construction projects. However, by allowing the state to use low-interest federally subsidized bonding tools, it extends the state's bonding capacity and permits more, or higher cost, projects to be completed with the same amount of funding.

Local Government Impact

Local governments are also able to use the federally subsidized bonding tools and can extend their bonding capacity.

Departments Contacted

Treasurer Governor's Office Education