

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 11-0349
Prime Sponsor(s): Rep. Hullinghorst
 Sen. Heath

Date: February 3, 2011
Bill Status: House Local Government
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE AUTHORITY OF A LOCAL IMPROVEMENT DISTRICT.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue*		
Cash Fund		
Districtwide Sale Tax Fund	\$ 8,400	
State Expenditures*		
Cash Fund		
Districtwide Sales Tax Fund	\$ 8,440	
FTE Position Change		
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* *Administrative and computer programming costs of the Department of Revenue will be reimbursed by a Local Improvement District that imposes a sales tax.*

Summary of Legislation

Under current law, county governments may form a local improvement district (LID) to construct and fund public improvements within the district, including streets, lighting, drainage facilities, and renewable energy equipment.

The bill provides new authority for LIDs to:

- furnish services, such as a transportation service, and to acquire associated vehicles, parking facilities, or other equipment;
- include non-contiguous areas within the boundaries of any LID, including sales tax collecting LIDs;
- assist in the production of events that benefit the LID; and
- consider and approve or disapprove the inclusion of new territory in a sales tax collecting LID upon petition of property owners.

Background

Currently, there are 57 active local improvement districts in the state. The Department of Revenue collects sales taxes for a small number of these LIDs. As examples, the Niwot Business LID (located entirely in unincorporated Boulder County) and the South East Jefferson County LID (located in unincorporated Jefferson County as well as parts of Lakewood and Littleton) collect sales taxes through the Department of Revenue. LIDs with jurisdictional boundaries that do not completely correspond with an existing taxing entity require street address-level analysis and programming to enable the department's Colorado Integrated Tax Architecture (CITA) system to collect taxes.

State Expenditures

State expenditures under the bill are conditional, based upon a county government: (1) using its authority under the bill to create or alter the boundaries of a sales tax-collecting LID, and (2) triggering a second or subsequent LID jurisdictional boundary coding project in the Department of Revenue within a given fiscal year. Based on current law and current budget appropriations, the department is able to absorb one LID boundary project in each fiscal year.

Costs of \$8,440 are anticipated for each modification of a jurisdictional boundary in the Department of Revenue CITA system. The department must create instructions for its computer system that generate sales tax payment coupons, track payments, and create reports. While presently undergoing transition from vendor-based to system support from the Office of Information Technology (OIT), 60 hours of programming functions will be undertaken by OIT at a cost of \$4,440; the legacy vendor will then complete testing and validation for a contractual sum of \$4,000.

The fiscal note assumes that the jurisdictional boundary of one sales tax collecting LID will be modified in FY 2011-12. For the second and each additional modification thereafter of a jurisdictional boundary in the CITA system, the department will incur an additional \$8,440 in costs, to be reimbursed through the Districtwide Sales Tax Fund.

Local Government Impact

Local government will have costs whenever an affected county takes specific action to create or modify the operations of an LID. Counties that collect sales taxes for these new or modified LIDs may have costs associated with updating collection databases or software. The bill's petition process for inclusion of new territory in an LID creates new duties for boards of county commissioners to publish notices and hold hearings, and may also have associated costs.

The bill's authorization of LIDs with noncontiguous geography enhances revenue potential for LIDs. New sales tax revenue in noncontiguous LIDs will fund operations of that LID.

State Appropriations

Since fiscal impact is conditional upon modification of certain LID boundaries by a county government, no appropriation is necessary at this time. Because LIDs may collect sales taxes and change boundaries under existing law, this bill requires an appropriation only if it causes two or more LIDs to change a tax boundary in the CITA system in a given fiscal year.

Departments Contacted

Local Affairs

Revenue

Transportation