



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

**Drafting Number:** LLS 12-0744  
**Prime Sponsor(s):** Sen. Harvey

**Date:** February 13, 2012  
**Bill Status:** Senate Local Government  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE ELIMINATION OF THE LIMIT ON THE NUMBER OF REGIONAL TOURISM PROJECTS THAT THE COLORADO ECONOMIC DEVELOPMENT COMMISSION MAY APPROVE.

<b>Fiscal Impact Summary</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b> General Fund	Potential General Fund reduction. See State Revenue section.	
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

Under current law, a total of 6 regional tourism projects may be approved by the Economic Development Commission (EDC) over a period of 3 consecutive years. The bill eliminates these limits on the number of projects that can be approved.

Under the bill, the EDC must take action to approve or disapprove pending applications before the EDC may review applications submitted under new requirements.

**Background**

In 2009, the Regional Tourism Act (Senate Bill 09-173) authorized the EDC to review and approve state sales tax increment financing for up to 2 regional tourism projects. Applicants are local governments that will use incremental growth in state sales tax collections within the project area to finance infrastructure and other improvements for tourism-related development that meets certain criteria and would not reasonably be anticipated to occur in the absence of financing under the Regional Tourism Act. In 2011, the enactment of House Bill 11-1311 authorized the EDC to approve 4 additional projects. The Regional Tourism Act limits the total amount of state sales tax that may be allocated to local financing entities to \$50 million per tax year.

The EDC has received 6 regional tourism applications to date, but has not acted to approve or disapprove any project. These 6 applicants (and the applicant's estimated amount of total financing subject to the increment) are:

- City of Aurora, convention center and hotel (\$153 million)
- Douglas County, sports and prehistoric park (\$86.5 million)
- Town of Estes Park, historic lodge redevelopment (\$19.2 million)
- City of Glendale, riverfront development (\$124 million)
- Montrose County, various tourism projects (\$169 million)
- City of Pueblo, riverwalk enhancements (\$35.7 million)

According to submitted application materials, when fully operational, the largest of the proposed regional tourism projects in Colorado may be eligible for over \$5 million per year in state sales tax increment. However, according to a recent consultant report to the EDC, the actual increment that projects would be eligible to receive may be substantially less than the amounts calculated in application materials.

### **State Revenue**

While the bill does not modify the \$50 million annual limit on state sales tax revenue diverted to regional tourism financing entities, the amount of the available \$50 million limit that will be used is very likely to increase, reducing state General Fund revenue.

Assuming all 6 projects approved under current law are economically comparable to the largest projects currently proposed, and also assuming that sales tax generated in regional tourism zones meet the highest projections, the 6 projects would annually divert between \$30 million and \$35 million from the General Fund if and when all 6 projects were fully operational at the same time. Annually, there is \$15 million to \$20 million of state sales tax increment that would not likely be used under current law, and possibly more than \$20 million in unused capacity given recent economic analysis, development timing, and differing economic scales of actual project proposals.

This bill provides capacity within the regional tourism project statute for applications to be approved until the full \$50 million annual state sales tax diversion limit is reached throughout the term of financing for such projects, usually 30 years.

### **State Expenditures**

The EDC and the Office of Economic Development and International Trade (OEDIT) are currently required to perform review and hold meetings as part of the process to approve up to 2 regional tourism projects per year in 3 successive fiscal years. By removing any limitation on the number and staging of project approvals, the EDC may experience an increase in the number of regional tourism project approvals. The bill does not require EDC to process or approve applications at an increased rate, and this fiscal note concludes that current staffing levels at OEDIT are sufficient to implement the bill.

After the third year of project approvals, the OEDIT is likely to require continuation of some or all of its current staff allocation for the regional tourism review process, as extended by the bill. The continued need for OEDIT staff will be addressed through the annual budget process at that time.

Legislative Council Staff did not receive a formal response from the EDC or OEDIT prior to this analysis. The fiscal note will be revised if warranted by the receipt of new information.

### **Local Government Impact**

Application procedures and local government responsibilities as a financing entity for a regional tourism project are unmodified by the bill. Under the bill, local government costs will remain the same to compile submittal materials, apply to the EDC, and to track revenue and make reports if approved. However, by enlarging the prospective number of regional tourism projects, an increased number of local governments may incur these costs. It is unknown how many local governments will voluntarily submit to the EDC with no specific limitation on the number of regional tourism projects.

### **Departments Contacted**

Local Affairs  
Transportation

Office of Economic Development and International Trade  
Office of State Planning and Budgeting