

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0384

Date: January 22, 2013

Prime Sponsor(s): Rep. Singer

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 2013-2014	FY 2014-2015
State Revenue Cash Funds Districtwide Sales Tax Fund	See State Revenue section.	
State Expenditures General Fund	\$30,000	See State Expenditures section.
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill allows local improvement districts (LIDs) to include noncontiguous territory in unincorporated areas of the county. LIDs are authorized to use sales tax revenue to conduct public events. Finally, the bill establishes a procedure, including published notice and public hearings, for property owners to petition the county government for inclusion in, or exclusion from, an LID.

Background

Local improvement districts are created by counties to fund infrastructure and other improvements for a specific geographic district. Currently, there are 57 active LIDs; 6 of these collect sales tax. Of these 6 LIDs, the Colorado Department of Revenue (CDOR) collects sales tax for 4 districts. Altering boundaries for these LIDs requires a change at the CDOR to ensure the proper collection of taxes:

- South East Jefferson County LID
- Lincoln Station LID (Douglas County)
- Cottonwood Square LID (Boulder County)
- Niwot LID (Boulder County)

The City and County of Broomfield collects sales tax for the two remaining LIDs within its jurisdiction, and must also properly account for any change in the district's taxing boundaries. The LIDs in Broomfield are:

- Flatirons LID (Broomfield County)
- Arista LID (Broomfield County)

State Revenue

The CDOR charges state-collected LIDs for its services to collect and distribute taxes. Any costs associated with changing LID boundaries pursuant to the bill are payable to the Districtwide Sales Tax Fund, which is used to reimburse the General Fund and other costs for collecting and distributing the tax.

State Expenditures

The bill results in one-time costs to the CDOR of \$30,000 in FY 2013-14.

To allow for the exclusion of properties within current LIDs, the Colorado Integrated Tax Architecture (CITA) must be programmed to include a new set of jurisdiction codes for each existing LID. The CDOR retains a vendor at \$200 per hour to address this type of programming. A total of 150 hours, at a cost of \$30,000, is required to program and test the system in advance of actual changes to LID boundaries.

Workload in the CDOR conditionally increases if and when an existing LID boundary changes by virtue of a property owner petition or a determination by the county to include noncontiguous territory. Costs for changes within existing LID boundaries and small additions of new territory will not require new appropriations, as existing LIDs with sales taxes collected by the CDOR are relatively small and CITA will possess new functionality to address the bill. For larger changes, the CDOR budget already accounts for the formation of new LIDs and other sales tax districts, changes which may require further updates to CITA.

Costs to add new territory are financed using the General Fund. Once changes to the tax collection system are in place, these costs are reimbursed, as discussed in the State Revenue section. The fiscal note assumes that the CDOR has adequate spending authority to finance most projects to add territory, and additional spending authority, if needed for larger projects, would be obtained through the annual budget process.

Local Government Impact

The City and County of Broomfield may incur costs to modify its tax collection system for any changes to the Flatirons or Arista LIDs. Broomfield's costs, similar to the CDOR for state-collected sales taxes, are reimbursed from a portion of collections.

Adding noncontiguous territory will incur minimal costs on county governments. The cost to publish notice of a hearing is estimated at less than \$400 per occurrence (with substantially less cost where a legal paper has smaller circulation and lower rates). The fiscal note assumes that the board of county commissioners will schedule a hearing during a regular meeting and other costs are within the existing duties of county officials. However, if the county collects revenue other than sales taxes within an affected LID, county treasurers and assessors may incur costs to modify revenue collection systems whenever a boundary changes.

Any county costs associated with an owner petition for exclusion or inclusion are covered by a deposit paid by the petitioner to commence the process.

State Appropriations

In FY 2013-14, the bill requires an appropriation to the Department of Revenue of \$30,000 General Fund.

Departments Contacted

Revenue

Local Affairs

Counties

Municipalities