HB14-1350

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number:	LLS 14-0857	**Date:**	April 9, 2014
Prime Sponsor(s):	Rep. Ferrandino Sen. Kerr	**Bill Status:**	House Finance
		Fiscal Analyst:	Larson Silbaugh (303-866-4720)

SHORT TITLE: MODIFICATIONS TO REGIONAL TOURISM ACT

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
Revenue Change General Fund	Potential Increase, see State Revenue Section	
State Expenditures	**$43,260**	**$0**
General Fund	$43,260	$0
FTE Position Change		
Appropriation Required: $43,260 - Department of Revenue (FY 2014-15)		

* *This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.*
** *These costs are not included in the bill's appropriation. See the State Expenditures section for more information.*

Summary of Legislation

This bill changes the application process for Regional Tourism Act projects (projects) and limits the amount of state sales tax increment financing that can be approved for each future project. The bill requires the Office of State Planning and Budgeting (OSPB), rather than the project applicant, to pay for the third-party analysis. The bill allows OSPB to be reimbursed by the local government applicant for this expense.

In addition, the bill limits the amount of financing that can be awarded by the Economic Development Commission in the following ways:

- requires the third-party economic analysis to consider the historical growth rate in sales tax revenue in the regional tourism zone in an attempt to limit the increment to sales taxes that are directly related to the project, rather than broader economic growth;
- changes the requirement that a significant portion of the sales tax revenue generated from the proposed project be attributable to transactions with nonresidents of the regional tourism zone to a requirement that a significant portion of the revenue be attributable to transactions with nonresidents of Colorado;
- allows the Economic Development Commission to approve funding of up to 25 percent of the sales tax increment; and
- caps the amount that is remitted back to the Regional Tourism District to the amount that is approved by the Economic Development Commission.

Background

The Regional Tourism Act is a financing mechanism that allows local governments to apply for state sales tax revenue generated from previously approved projects that use a sales tax increment to pay for improvements. The improvements are paid from bond proceeds that are repaid from the growth in sales tax revenue, or tax increment, generated from the project. Local governments apply to the Economic Development Commission. The application must include a description of the project and a third-party economic analysis containing an estimate of the additional sales tax revenue that will be generated in the regional tourism zone because of the project. The commission determines what percentage of the sales tax increment is necessary for the project to be built, and may approve up to two projects per year.

Both current law and this bill allow the commission to approve up to two projects in 2014. Previously approved projects are not affected by this bill.

State Revenue

The revenue impact of this bill cannot be quantified because it is dependent on several unknown factors, but the limits on the sales tax increment may increase general fund revenue.

Assumptions. The revenue impact of this bill depends on several factors, including the timing of projects, the amount of new sales to out-of-state tourists, the underlying economic growth rate of any regional tourism districts, and the amount that would have been awarded by the commission under current law.

This bill places several restrictions on the amount of the sales tax increment that the commission is allowed to award to each project, but this may be what the commission would have awarded under current law. If the bill reduces the amount of the sales tax increment, it will increase state General Fund revenue.

The timing of the projects is unknown. Several of the previously approved projects have not yet generated a sales tax increment, so this bill may impact projects that will be started in the next several years.

State Expenditures

The Department of Revenue will require an additional $43,260 in FY 2014-15 to administer this bill.

Table 1. Expenditures Under HB 14-1350

Cost Components	FY 2014-15	FY 2015-16
Operating Expenses	$43,260	$0
TOTAL	**$43,260**	**$0**

** Centrally appropriated costs are not included in the bill's appropriation.*

Assumptions. This bill requires the Department of Revenue to track the annual and cumulative dollar amount remitted to each district and report this amount to the commission. The state's tax administration software will have to be modified to meet the tracking requirements in this bill, which will require 210 hours of development and testing by the vendor. This programing will cost $43,260 in FY 2014-15.

The bill requires OSPB to contract directly with the third-party for an economic analysis of the projects. This means that OSPB will need spending authority in order to expend the money for the economic analysis and accept the reimbursement from the applicants.

Local Government Impact

This bill adds several requirements to the third-party economic analysis that may increase application costs for local governments.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, but it does not impact previously approved projects.

State Appropriations

For FY 2014-15, the Department of Revenue requires a General Fund appropriation of $43,260.

State and Local Government Contacts

Revenue   Municipalities   OEDIT   OSPB