SB15-272

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 15-1055	**Date:**	April 23, 2015
Prime Sponsor(s):	Sen. Baumgardner Rep. DelGrosso	**Bill Status:**	Senate Transportation
		Fiscal Analyst:	Greg Sobetski (303-866-4105)

BILL TOPIC: AUTHORIZE NEW TRANSPORTATION REVENUE ANTICIPATION NOTES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2020-2021
State Revenue			
Revenue Change Cash Funds		See State Revenue section	
State Transfers General Fund Cash Funds			See State Transfers section
State Expenditures Cash Funds		See State Expenditures section	
FTE Position Change			
Appropriation Required: None.			

* *Impacts of this legislation are conditional and depend on the bill receiving approval from voters. Transfers result in no net change to state revenue.*

Summary of Legislation

This bill allows the state to borrow money for specific transportation projects by issuing Transportation Revenue Anticipation Notes (TRANs). In addition, the bill modifies the block of statutory transfers from the General Fund to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund (CCF) pursuant to Senate Bill 09-228. Finally, the bill makes two changes to statute governing transportation contracts. Each of these are described below.

The bill is referred to voters at the November 3, 2015, election. It requires the approval of a majority of voters to become law.

Transportation Revenue Anticipation Notes. The bill allows the Colorado Department of Transportation (CDOT) to issue TRANs worth up to $3.5 billion and carrying a maximum repayment cost of $5.5 billion in principal and interest. The bill specifies a list of transportation projects that may receive TRANs proceeds; until these projects are fully funded, no other project may receive funding from this source.

Issuance of new TRANs may begin upon the completion of repayment of previous TRANs authorized in 1999, expected to occur in FY 2016-17. The TRANs authorized in the bill carry a maximum repayment term of 20 years. TRANs proceeds would be exempt from restrictions on multi-year debt and state spending in TABOR.

Senate Bill 09-228 transfers. The bill lengthens the five-year block of statutory transfers from the General Fund to the HUTF and the CCF, in the event that one or more year(s) of transfers are reduced or not made because of revenue collected in excess of the TABOR limit. For each year in which transfers are reduced or not made, an additional year of transfers is required, in which 2.0 percent of General Fund revenue must be transferred to the HUTF and 1.0 percent of General Fund revenue must be transferred to the CCF. As in current law, transfers created in the bill may be reduced or not made because of the size of the TABOR surplus. The schedule of transfers is extended until five years of full transfers have taken place.

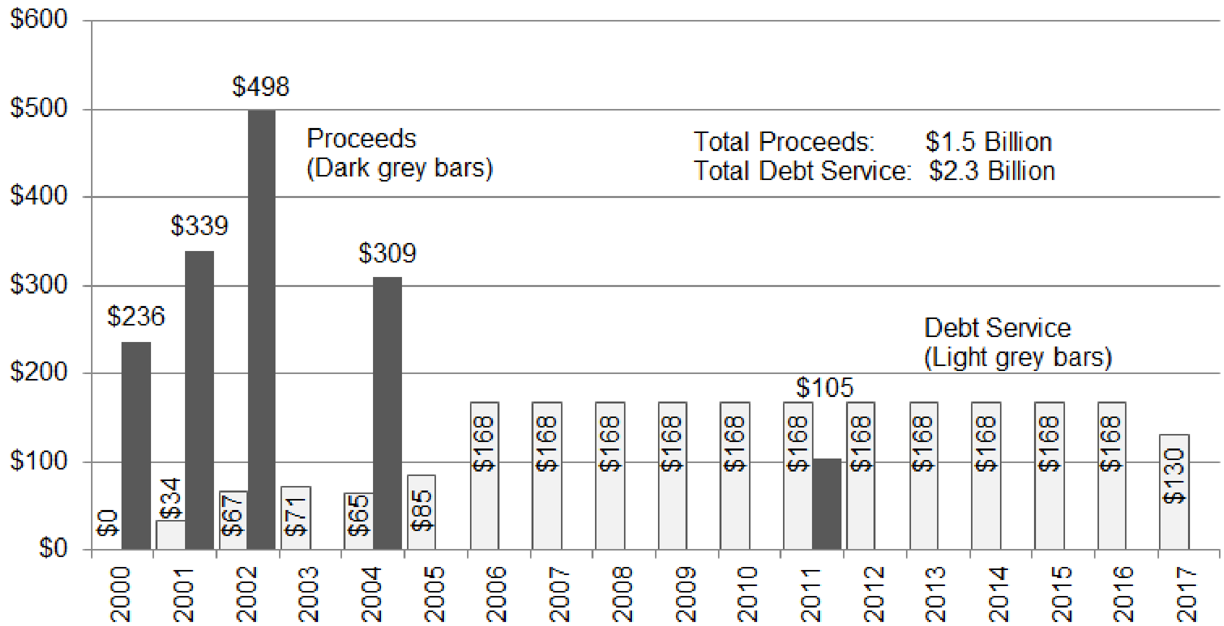
The bill also broadens the permitted uses of SB 09-228 transfers to the HUTF, allowing transferred funds to be used for general highway operations and maintenance in addition to projects in the Strategic Transportation Project Investment Program.

Transportation contracts. The bill requires that, for design-build contracts with an estimated completed cost of less than $75 million, the CDOT not penalize a bidding contractor for inexperience in design-build contracts. The CDOT must publish a copy of a chosen contractor's final winning proposal on its website, and must redact financial and proprietary information from the copy. The CDOT must communicate to a bidding contractor that the winning proposal will be made public.

Background

Transportation Revenue Anticipation Notes. In 1999, Colorado voters authorized the CDOT to borrow up to $1.7 billion by selling TRANs with a maximum repayment cost of $2.3 billion. Debt service on TRANs is paid with money from the federal government and state matching funds. TRANs proceeds were exempt from the TABOR revenue limit and could be used only for a list of 28 prioritized statewide projects. The use of TRANs allowed CDOT to accelerate construction on these projects by pre-spending payments from the federal government. As shown in Figure 1 on page 3, CDOT issued a total of $1.5 billion in installments beginning 2000 through 2011, with a total repayment cost of $2.3 billion. CDOT will finish paying annual debt service payments in FY 2016-17. TRANs proceeds were spent on a number of state highway projects, including the widening of I-25 in Denver (T-REX).

Figure 1. 1999 TRANs Proceeds and Debt Service



Source: Colorado Department of Transportation. Nominal data.

Senate Bill 09-228 transfers. SB09-228 requires a five-year block of transfers from the General Fund to the HUTF and the CCF beginning after state personal income grows 5.0 percent or more during a single calendar year. On March 25, 2015, the U.S. Bureau of Economic Analysis estimated that Colorado personal income grew 5.6 percent in 2014. Because personal income growth met the 5.0 percent trigger, transfers will begin in FY 2015-16 and continue through FY 2019-20.

However, transfers may be cut in half or not made depending on the existence and size of a state TABOR surplus for each fiscal year in which transfers are scheduled. Transfers are cut in half if the TABOR surplus during a fiscal year is greater than 1 percent and less than or equal to 3 percent of General Fund revenue. If the TABOR surplus exceeds 3 percent of General Fund revenue, the transfers are not made for that year. The March 2015 Legislative Council Staff Economic and Revenue Forecast (LCS forecast) expects transfers to be reduced in FY 2015-16, when the TABOR surplus is expected to be between 1 percent and 3 percent of General Fund revenue, and no transfers to be made for FY 2016-17, when the TABOR surplus is expected to exceed 3.0 percent of General Fund revenue. Forecasts of the TABOR surplus relative to General Fund revenue incorporate substantial error.

Transfers to the HUTF are paid to the State Highway Fund (SHF) for allocation to the CDOT. Current law requires that these funds be expended for the implementation of the Strategic Transportation Project Investment Program, a collection of high-priority transportation improvement projects selected by the Transportation Commission. No more than 90 percent of transferred funds may be spent on highways and highway-related capital improvements, while at least 10 percent of transferred funds must be spent on transit or transit-related capital improvements.

Current law does not specify the use of General Fund revenue transferred to the CCF, which may be spent for capital construction, capital renewal, and controlled maintenance at the recommendation of the Capital Development Committee and the discretion of the General Assembly.

State Revenue

If the CDOT chooses to issue new TRANs, revenue to the SHF will increase by up to $3.5 billion over a multi-year period beginning no earlier than FY 2016-17. The bill allows the executive director of the CDOT to determine whether to issue TRANs, and to create the schedule on which the TRANs are issued. Because it is unknown whether the CDOT will choose to issue TRANs, and when new TRANs will be issued, the exact revenue impact of the bill is unknown.

State transfers. Because the five-year block of SB09-228 transfers in current law will expire after FY 2019-20, new transfers from the General Fund to the HUTF and the CCF could be required beginning in FY 2020-21. The date at which the first new transfers begin depends on the existence and size of a TABOR surplus for fiscal years after the end of the block of transfers in current law.

General Fund transfers to the HUTF and the CCF will continue until five years of full transfers have taken place. A year of full transfers occurs when the state does not incur a TABOR surplus, or when the size of the TABOR surplus is less than or equal to 1.0 percent of General Fund revenue. As in current law, full transfers to the HUTF and the CCF will equal 2.0 percent and 1.0 percent of General Fund revenue, respectively. The current LCS forecast period ends in FY 2016-17.

General Fund revenue transferred to the HUTF under this bill is paid to the SHF for allocation to the CDOT.

State Expenditures

Department of Transportation. If it chooses to issue new TRANs, the CDOT will incur expenditures associated with administration of the program. These costs vary depending on the amount of TRANs issued, and the schedule for their issuance. Expenditures could increase beginning in FY 2016-17. Expenditures are assumed to be paid from the SHF, offsetting SHF expenditures for other programs.

Additionally, and to the extent that new TRANs are issued, the CDOT could incur cash fund expenditures up to $5.5 billion for debt service over the lifetime of the TRANs. Debt service payments are assumed to be made from federal government funds and state matching funds through the SHF. Because it is unknown whether the CDOT will choose to issue TRANs, when new TRANs will be issued, and what schedule will be established for debt service, these costs are unknown.

Election expenditure impact (existing appropriations). The bill includes a referred measure that will appear before voters at the November 2015 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. Table 1 below identifies the anticipated costs for a single statewide ballot measure election in 2015.

Table 1. Projected Costs of a Single Statewide Ballot Measure Election in 2015

Cost Component	Amount
County Reimbursement for Statewide Ballot Measures	$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	670,000
TOTAL	**$3,070,000**

Local Government Impact

Counties incur the costs of conducting elections, including printing and supply costs, less the amount each county is reimbursed by the state.

Effective Date

If approved by voters at the November 3, 2015, election, the bill takes effect on the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed.

State and Local Government Contacts

Personnel and Administration
State
Treasury
Revenue
Transportation