

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0941	Date: April 29, 2015
Prime Sponsor(s): Sen. Cadman; Scheffel Rep. Vigil; Lundeen	Bill Status: Senate Judiciary
	Fiscal Analyst: Alex Schatz (303-866-4375)

BILL TOPIC: VOTER APPROVAL TIF PAYMENTS AG LAND

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue General Fund	Potential decrease. See State Revenue section.	
State Expenditures	Minimal workload increase. See State Expenditures section.	
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

This fiscal note is preliminary, as responses from affected agencies have not been received as of this writing. The fiscal note will be revised, as needed, to reflect more complete or accurate information.

Summary of Legislation

This bill requires a municipality to hold an election of all voters in the municipality if it seeks, as of May 7, 2015, to adopt a new urban renewal plan or amend an urban renewal plan that would generate tax increment finance (TIF) revenue from property taxes on certain agricultural land. Specifically, the bill requires an election before the affected urban renewal authority can collect TIF revenue if the agricultural land was included in an urban renewal area as a result of the agreement of all local entities that levy property taxes on this land.

A registered elector with the ability to vote on such an urban renewal plan has standing to enforce the bill's provisions in state court.

Background

Urban renewal and TIF. Urban renewal is a tool used by municipalities to address blighted conditions with planning and public improvements, encouraging the development of housing, mixed use, office parks, industrial, or retail land use. Tax increment financing (TIF) is based on the generation of new property or sales taxes after an urban renewal project has been undertaken. Base revenues are unaffected by the TIF, but tax collections above the base are subject to allocation by the urban renewal authority.

The use of TIF authority does not require a municipality or any other public body to levy taxes, and urban renewal authorities lack the authority to levy taxes. Thus, under current law, voter approval is not required under TABOR or any other provision of state law to incorporate TIF into an urban renewal plan.

Agricultural land in urban renewal areas. Addressing concerns about the inclusion of agricultural land in areas designated as blighted, House Bill 10-1107 took effect on June 1, 2010. All urban renewal plans adopted or modified since that effective date have been restricted from including agricultural land unless certain conditions are met. One of the five conditions that makes agricultural land eligible for inclusion in an urban renewal area is the written agreement of all affected local taxing entities. Relatively few urban renewal plans use this statutory provision to include agricultural land.

State Revenue

By requiring voter approval, and to the extent that affected urban renewal plans would generate new state taxes, the disapproval of plans under the bill could reduce state income and sales taxes. However, relatively few urban renewal projects will be affected by the bill. The potential reduction in state revenue from taxes also depends on the capacity of other commercial areas, outside areas affected by the bill, to absorb economic growth that would have been caused by an affected urban renewal plan if the plan is not approved. Accordingly, the fiscal note concludes that the bill potentially reduces state General Fund revenue, but to a degree that cannot be quantified.

State Expenditures

The bill may also increase the workload of state courts, in the event of an elector's action to enforce the bill. Such a legal action could involve the alleged failure to schedule an election in a timely manner or irregularities in the conduct of the election. This type of case would be uncommon and result in a minimal increase to the workload of the Judicial Department. The bill may also increase by a minimal amount the workload of state agencies that oversee or compile records from local elections. No new appropriations are required to implement the bill.

To the extent that the bill precludes an urban renewal project that would have allocated property tax revenue from school district mill levies, the state's obligation to backfill school finance may be reduced.

Local Government Impact and School District Impact

The bill potentially decreases revenue to municipalities, to the extent that voters disapprove of proposed TIF plans involving affected agricultural land. These projects may have generated significant amounts of property tax or sales tax revenue, including TIF revenue to the urban renewal authority formed by the municipality. The number of urban renewal plans affected by the bill is expected to be a small minority of the overall number of urban renewal plan statewide.

Expenditures of affected municipalities will increase to hold an election. Depending on the scheduling of this election (during a regular election cycle, or as a special election) and the size of the municipality, this cost is anticipated to range between \$5,000 and \$50,000 per election.

The bill affects counties, school districts, and other affected local taxing entities that have consented to the inclusion of agricultural land in an urban renewal plan. These taxing entities will be affected minimally by the bill if all TIF revenue would be allocated to the urban renewal authority. However, these entities may receive some TIF allocation or other form of revenue sharing within an urban renewal area, in which case potential revenue loss could be significant if an urban renewal project is disapproved under the bill.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Local Affairs
Municipalities
Counties

Property Taxation
Judicial Department
Special Districts

State
Clerk and Recorders
Education