SB06-018

Colorado Legislative Council Staff

STATE and LOCAL CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 06-0474	**Date:**	January 23, 2006
Prime Sponsor(s):	Sen. Bacon Rep. Buescher	**Bill Status:**	Senate Finance
		Fiscal Analyst:	Josh Harwood (303-866-4796)

TITLE: CONCERNING A MODIFICATION TO THE PERIOD THAT TAX INCREMENT REVENUE MAY BE ALLOCATED TO A DOWNTOWN DEVELOPMENT AUTHORITY.

Fiscal Impact Summary	FY 2006/07	FY 2007/08
State Revenues General Fund		
State Expenditures General Fund		Potential Increase*
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Unless a referendum petition is filed, the bill will take effect August 9, 2006, assuming the General Assembly adjourns on May 10, 2006, as scheduled.		
Appropriation Summary for FY 2006/07: None required.		
Local Government Impact: If municipalities choose to extend the period of tax increment financing, local governments would collect less property taxes than they otherwise would have. Also, cities could see a reduction in sales tax revenue.		

**If the length of tax increment financing is extended, the local share of public school financing could be lower, resulting in increased state expenditures for public school finance. Any impact would be dependent on both the municipality choosing to extend the length of the financing and the school district being below their TABOR property tax revenue limit.*

Summary of Legislation

The bill allows municipalities that have utilized tax increment financing to extend the period in which taxes are divided between an urban renewal or downtown development authority and other local governments. Should a municipality choose such an option, the base year by which the increment is calculated is advanced by the same number of years as the extension.

Background

Tax increment financing (TIF) allows for the funding of public improvements through the issuance of tax exempt revenue bonds. The public improvements coincide with redevelopment efforts and the associated *increase* in property and sales taxes are split from other taxes and deposited into a fund to help pay back the bonds. County assessors are responsible for determining the value of the increment (e.g. the increase in property value and subsequent property taxes).

State Expenditures

School Finance Act. The bill authorizes municipalities to act in a manner that could affect school funding. The state's share of public school total program funding would increase, though likely only minimally, by the amount of local school operating property taxes foregone by suppressing growth in non-TIF local assessed property values. The bill is assessed as having a conditional fiscal impact and no estimate is provided because it is unclear how many municipalities, if any, would authorize such an extension. Furthermore, the increased expenditures would only occur in school districts that are not at the TABOR property tax revenue limit. For those already at their TABOR property tax revenue limit, the additional assessed value that would have been applied would only serve to lower the mill levy, not bring in additional revenue.

Local Government Impact

For local governments impacted by a municipality's decision to extend the TIF period, the local governments would receive less property tax revenue than they otherwise would have. This occurs because if the TIF period were not extended, then all local governments would collect property taxes on the assessed value increment.

State Appropriations

No appropriation is required to implement the bill. However, should the state see an increased expenditure for public school finance as a result of a municipality extending the length of a tax increment financing, an increased appropriation to the Department of Education for public school finance may be necessary.

Departments Contacted

Local Affairs Legislative Council Staff