

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 12-0277
Prime Sponsor(s): Sen. Nicholson
 Rep. Bradford

Date: February 7, 2012
Bill Status: Senate Local Government
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE AUTHORITY OF A LOCAL IMPROVEMENT DISTRICT.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
Cash Funds		
Districtwide Sales Tax Fund	\$24,366	\$24,366
State Expenditures		
General Fund*	\$24,366*	
Cash Funds		
Districtwide Sales Tax Fund		\$24,366
FTE Position Change		
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* *Administrative and computer programming costs of the Colorado Department of Revenue (CDOR) will be reimbursed by a Local Improvement District (LID) that imposes a sales tax. The department must modify its tax collection system prior to being reimbursed through collections from LIDs. Spending authority from the General Fund is provided to initiate these modifications, subject to the General Fund being reimbursed from amounts that would otherwise be deposited in the Districtwide Sales Tax Fund.*

Summary of Legislation

This bill allows local improvement districts (LIDs) to include noncontiguous territory in unincorporated areas of the county in which the LID resides. 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 local improvement districts in the state. Only 6 of Colorado's LIDs collect sales tax. Of these 6 LIDs, the Colorado Department of Revenue (CDOR) collects sales tax for 4 districts:

- 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:

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

LIDs with jurisdictional boundaries that do not completely correspond with an existing taxing entity require street address-level analysis and programming to enable the CDOR's tax collection software (GenTax) system to register taxpayers in the district, manage tax returns and payments, and create reports for each district.

State Revenue

The CDOR charges state-collected LIDs for its services to collect and distribute taxes for LIDs. Upon receipt, these charges are payable to the Districtwide Sales Tax Fund. To implement the bill, \$24,366 in charges will be collected by the CDOR for each LID boundary change.

State Expenditures

Costs of \$24,366 are anticipated for each modification of a jurisdictional boundary in the GenTax system. Through programming services provided by the Office of Information Technology (OIT), the department must create instructions for its computer system that generate sales tax payment coupons, track payments, and create reports. Programming services performed by OIT, including design, coding, and testing, will involve \$22,200 for 300 hours at \$74 per hour. For each LID project, the CDOR will also incur direct costs for a tax examiner to test modifications to the GenTax system and a senior tax professional to advise OIT on tax practices. The tax examiner will spend 105 hours on the testing phase of each LID boundary modification, with a personal services cost of \$2,166. The CDOR will absorb the cost for its senior tax professional within its existing appropriations.

State expenditures are based on the assumption that one county government will engage in the modification of an LID boundary annually. Within a given fiscal year, each additional modification of a jurisdictional boundary in the GenTax system will incur an additional \$24,366 in costs, for which CDOR would seek spending authority through the normal budget process.

Local Government Impact

The decision of a board of county commissioners to add noncontiguous territory to an existing LID, or receipt by a board of county commissioners of a property owner petition to include or exclude their land from an LID, will incur costs on county governments. County clerks and recorders will incur costs to publish notice of a property owner petition. Boards of county commissioners will incur costs to hold a public hearing following the receipt of a petition; however, county costs to consider a property owner petition are offset by revenue received from a petitioner at the time of filing. If the county collects LID revenue directly, county treasurers and assessors will incur costs to modify revenue collection systems whenever a boundary changes.

State Appropriations

In FY 2012-13, the bill requires an appropriation to the Department of Revenue of \$24,366 General Fund. Of this amount, \$22,200 is reappropriated to the Office of Information Technology for computer programming services.

Departments Contacted

Revenue Local Affairs