



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1065: TRANSIT AND HOUSING INVESTMENT ZONES

**Prime Sponsors:**

Rep. McCluskie; Woodrow

Sen. Roberts; Exum

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**Fiscal Analyst:**

David Hansen, 303-866-2633

Louis Pino, 303-866-3556

Amanda Liddle, 303-866-5834

Josh Abram, 303-866-3561

**Version:** Initial Fiscal Note

**Date:** February 19, 2026

**Fiscal note status:** The fiscal note reflects the introduced bill.

### Summary Information

**Overview.** The bill allows local governments to apply for and create transit and housing investment zones that utilize state sales tax increment financing and income tax credits to support transit and housing projects.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue
- State Transfers
- TABOR Refunds
- Local Government

**Appropriations.** For FY 2026-27, the bill requires an appropriation of \$239,849 to the Office of Economic Development and International Trade.

**Table 1**  
**State Fiscal Impacts**

Type of Impact <sup>1</sup>	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
State Revenue	-\$0.5 million	-\$5.1 million	-\$13.6 million	-\$124.2 million
State Expenditures	\$397,456	\$565,268	\$466,825	\$325,135
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	-\$0.5 million	-\$5.1 million	Not estimated	Not estimated
Change in State FTE	1.0 FTE	2.5 FTE	3.0 FTE	3.0 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A**  
**State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
General Fund	-\$0.6 million	-\$5.4 million	-\$13.7 million	-\$124.2 million
Cash Funds	\$0.1 million	\$0.3 million	\$0.1 million	\$0
<b>Total Revenue</b>	<b>-\$0.5 million</b>	<b>-\$5.1 million</b>	<b>-\$13.6 million</b>	<b>-\$124.2 million</b>

**Table 1B**  
**State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
General Fund	\$239,849	\$235,321	\$260,631	\$259,641
Cash Funds	\$133,500	\$274,800	\$140,700	\$0
Centrally Appropriated	\$24,107	\$55,147	\$65,494	\$65,494
<b>Total Expenditures</b>	<b>\$397,456</b>	<b>\$565,268</b>	<b>\$466,825</b>	<b>\$325,135</b>
<b>Total FTE</b>	<b>1.0 FTE</b>	<b>2.5 FTE</b>	<b>3.0 FTE</b>	<b>3.0 FTE</b>

**Table 1C**  
**Change in TABOR Refunds**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
Six-Tier Sales Tax Refund Mechanism	-\$0.5 million	-\$5.1 million	Not estimated	Not estimated
<b>Net Change in TABOR Refunds</b>	<b>-\$0.5 million</b>	<b>-\$5.1 million</b>	<b>Not estimated</b>	<b>Not estimated</b>

## Summary of Legislation

The bill creates the Transit Investment Area Act. Beginning January 2027, a local government, in partnership with a transit agency, may apply to the Office of Economic Development and International Trade (OEDIT) for:

- approval of a transit investment area;
- creation of a transit investment authority; and,
- designation of a financing entity to receive, use, and disburse state sales tax increment financing revenue for eligible transit projects.

The bill also creates a new state income tax credit to support the development of affordable housing in transit and housing investment zones.

## **Transit Investment Areas**

A local government may apply to create a transit investment area and use sales tax increment revenue for eligible transit projects and improvements. At a minimum, the application must include maps of the project area, description of the project with estimated costs, and other details describing how the project meets eligibility criteria. With approval from OEDIT, a local government may receive state sales tax revenue above the historical amount collected in the area, plus a baseline sales tax revenue growth rate, to fund projects and improvements.

OEDIT may charge a submission fee up to \$4,500 to contract with a third party to determine the baseline growth rate for a proposed transit investment area. OEDIT must charge an application fee to pay the cost of a third-party analysis to identify:

- the total dollar amounts available to be pledged to a proposed transit investment project;
- the anticipated sales tax increment in the investment area;
- the regional revenue each participating party is eligible to receive; and,
- an assessment of the application's satisfaction of other eligibility requirements.

The bill creates the continuously appropriated Transit Investment Zones Cash Fund, which consists of submission and application fees charged by OEDIT. Once OEDIT has processed and reviewed applications, the office makes a recommendation to the Economic Development Commission, which makes a final determination to approve or disapprove an application. The commission may only approve three projects in any calendar year, and may only approve a total of six projects. The commission must not authorize the diversion of more than \$75 million in sales tax increment revenue cumulatively among all transit investment projects in any given year.

## **Transit Investment Authority**

As part of its application, a local government may include the creation of a transit investment authority (TIA), a corporate body with a governing board, enumerated powers, and specified limitations. The TIA may act as the financing entity for the transit investment project, and receive and spend sales tax increment revenue distributed by the Department of Revenue (DOR). A financing entity may also be a county revitalization authority, a metropolitan district, a regional transportation authority, or an urban renewal authority.

A financing entity is designated by the commission when approving an application. The bill authorizes a financing entity to issue bonds or other debt instruments, and pledge sales tax increment revenue collected in the transit project area for repayment. The bill places other requirements and limits on the issuance of bonds by a financing entity.

## **Department of Revenue**

The bill allows the DOR to collect and distribute sales tax increment revenue on behalf of the financing entity. The department may retain an amount of the revenue to offset the direct costs incurred to collect and disburse money to the financing entity.

The DOR must track annual and cumulative sales tax increment revenue, and notify the commission when a project's allowable revenue has been distributed. The total amount of sales tax increment revenue for the project must not exceed the total amount specified by the commission in the approved application. DOR may create forms and adopt rules necessary to collect and disburse the revenue.

## **Reports and Audits**

The project financing entity must submit annual reports and independent audits to the commission. OEDIT and DOR must prepare annual progress reports for the finance committees of the General Assembly.

## **Affordable Housing in Transit and Housing Investment Zones Tax Credit**

This bill creates an income tax credit for taxpayers that invest in housing development located in a transit and housing zone established in the allocation plan adopted by a TIA. The credit is allocated by the Colorado Housing and Finance Authority (CHFA), and awarded in amounts up to \$8.33 million per year in 2027 through 2033. A total of \$350 million in credits may be allocated by CHFA over 12 years. Table 2 shows the allocation of the affordable housing located in a transit and housing investment zone income tax credit.

**Table 2**  
**Allocation of Affordable Housing Located in a**  
**Transit Housing Investment Zone Income Tax Credit**

Dollars in Millions

Allocation Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total
2027	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$0	\$0	\$0	\$0	\$0	\$50.0
2028	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$0	\$0	\$0	\$0	\$50.0
2029	\$0	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$0	\$0	\$0	\$50.0
2030	\$0	\$0	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$0	\$0	\$50.0
2031	\$0	\$0	\$0	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$0	\$50.0
2032	\$0	\$0	\$0	\$0	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$0	\$50.0
2033	\$0	\$0	\$0	\$0	\$0	\$0	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$8.33	\$50.0
<b>Total</b>	<b>\$8.3</b>	<b>\$16.7</b>	<b>\$25.0</b>	<b>\$33.3</b>	<b>\$41.7</b>	<b>\$50.0</b>	<b>\$50.0</b>	<b>\$41.7</b>	<b>\$33.3</b>	<b>\$25.0</b>	<b>\$16.7</b>	<b>\$8.3</b>	<b>\$350.0</b>

CHFA may allocate income tax credits to a government or quasi-governmental entity, which may then sell them. Proceeds from the sale must be invested in a qualified development within an approved transit and housing investment zone. Finally, credits are subject to recapture if certain requirements are not met and maintained in the qualified development.

The act is repealed December 31, 2063.

## **Background**

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### **Tax Increment Financing**

Tax increment financing allows for the cost of public improvements in an area to be repaid from increased taxes generated by new or expanded business activity in the area. Under tax increment financing, any taxes collected above a base amount are dedicated to repay the bonds that were issued to raise money to complete the original improvement. Besides the Regional Tourism Act, which uses state sales tax revenue, tax increment financing in Colorado is used primarily by municipalities for urban renewal projects.

### **Regional Tourism Act**

Senate Bill 09-173 established the Regional Tourism Act to help fund tourism projects to attract new visitors from out of state. The bill allowed local governments in Colorado to pursue tourism-related capital improvement projects in designated areas, using sales tax increment revenue. Five total project areas were approved by OEDIT to receive sales taxes under the Regional Tourism Act; each of the five project areas were approved between 2012 and 2015. In FY 2024-25, state sales tax diversions to financing entities of project areas under the Regional Tourism Act totaled \$17.4 million, with individual project area diversions ranging from \$0.3 million to \$10.5 million.

## State Revenue

On net, the bill decreases state revenue by \$0.5 million in FY 2026-27, \$5.1 million in FY 2027-28, and \$13.6 million in FY 2028-29. Revenue decreases will increase as the program ramps up and could total up to \$124.2 million by around FY 2033-34. The amount of revenue loss is then expected to taper off until the act's repeal in 2063.

**Table 3A**  
**State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
Submission and Application Fees	\$0.1 million	\$0.3 million	\$0.1 million	\$0
Net Sales Tax	\$0	\$0	\$0	-\$74.8 million
Income Tax	-\$0.6 million	-\$5.4 million	-\$13.7 million	-\$49.4 million
<b>Total Revenue</b>	<b>-\$0.5 million</b>	<b>-\$5.1 million</b>	<b>-\$13.6 million</b>	<b>-\$124.2 million</b>

## Fee Revenue

The bill increases fee revenue to OEDIT by an estimated \$133,500 in FY 2026-27, \$274,800 in FY 2027-28, and \$140,700 in FY 2028-29. Revenue is deposited in the Transit Investment Zones Cash Fund. This estimate assumes three submission and application fees in FY 2026-27, six in FY 2027-28, and three in FY 2028-29. The submission fee for each fiscal year was adjusted for inflation based on the LCS December 2025 forecast. The submission fee is initially \$4,500 and the application fee is estimated to be \$40,000. Actual fee revenue will depend on contract terms, the number of submissions, and the bidding process and cost. Fee revenue is subject to TABOR. Money in the fund is continuously appropriated.

## Sales Tax

The bill decreases state sales tax revenue by up to \$74.8 million once fully implemented in FY 2032-33, as shown in Table 3B. Sales tax revenue is subject to TABOR.

**Table 3B**  
**Net State Sales Tax Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2033-34
State Sales Tax Increment	\$0	\$0	\$0	Up to -\$75.0 million
Less DOR Administrative Costs	\$0	\$0	\$0	\$0.2 million
<b>Net Sales Tax Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>Up to -\$74.8 million</b>

The bill decreases state sales tax revenue by diverting incremental revenues in a transit investment area to the financing entity of the transit investment area in order to pay eligible costs for a financing term of up to 30 years, after subtracting revenue retained by DOR for administrative costs related to collection and disbursement. The bill specifies that the Economic Development Commission limit projects in order to keep the aggregate state sales tax revenue increment to be diverted under \$75 million in any given fiscal year.

Based on the timing of sales tax diversions associated with the Regional Tourism Act, the fiscal note assumes diversions via this bill will begin in FY 2029-30 and ramp up over a three-year period, with the maximum sales tax impact of \$75 million occurring in FY 2032-33, and future years. Diversions are assumed to terminate by FY 2062-63. However, this timing is uncertain and depends on project approvals and investment, which could start as early as FY 2026-27.

The fiscal note assumes that the maximum of six transit project areas will be approved and receive the maximum of \$75 million per year in sales tax diversions. However, there is uncertainty in the number of approved projects, and the amount of tax diversions will depend on the future retail sales in these project areas. If transit project areas mirror the scope of projects under the Regional Tourism Act, sales tax diversions could be significantly smaller than the \$75 million annual aggregate maximum. Table 3 below presents the estimated number of approved projects per year and projected sales tax diversions for two scenarios—one where the aggregate maximum is met and one where sales tax diversions occur at the same level as the average project area diversion realized under the Regional Tourism Act.

**Table 3C**  
**Potential Sales Tax Diversions from HB 26-1065**

<b>Fiscal Year</b>	<b>Estimated Active Projects</b>	<b>Sales Tax Diversions If Similar to those under Regional Tourism Act</b>	<b>Maximum Sales Tax Diversions</b>
FY 2026-27 to FY 2028-29	0	\$0	\$0
FY 2029-30	1	\$3.5 million	\$12.5 million
FY 2030-31	2	\$6.9 million	\$25.0 million
FY 2031-32	4	\$13.9 million	\$50.0 million
FY 2032-33 to FY 2058-59	6	\$20.8 million	\$75.0 million
FY 2059-60	5	\$17.4 million	\$62.5 million
FY 2060-61	4	\$13.9 million	\$50.0 million
FY 2061-62	2	\$6.9 million	\$25.0 million
FY 2062-63 and beyond	0	\$0	\$0

Estimated revenues used to fund administrative costs for the DOR are shown in Table 3B and detailed in the State Expenditures section. If actual costs are higher than anticipated, it will increase sales tax increment revenue to the state and decrease disbursements to transit and housing investment financing entities.

### **Sales Tax Collections Absent HB 26-1065**

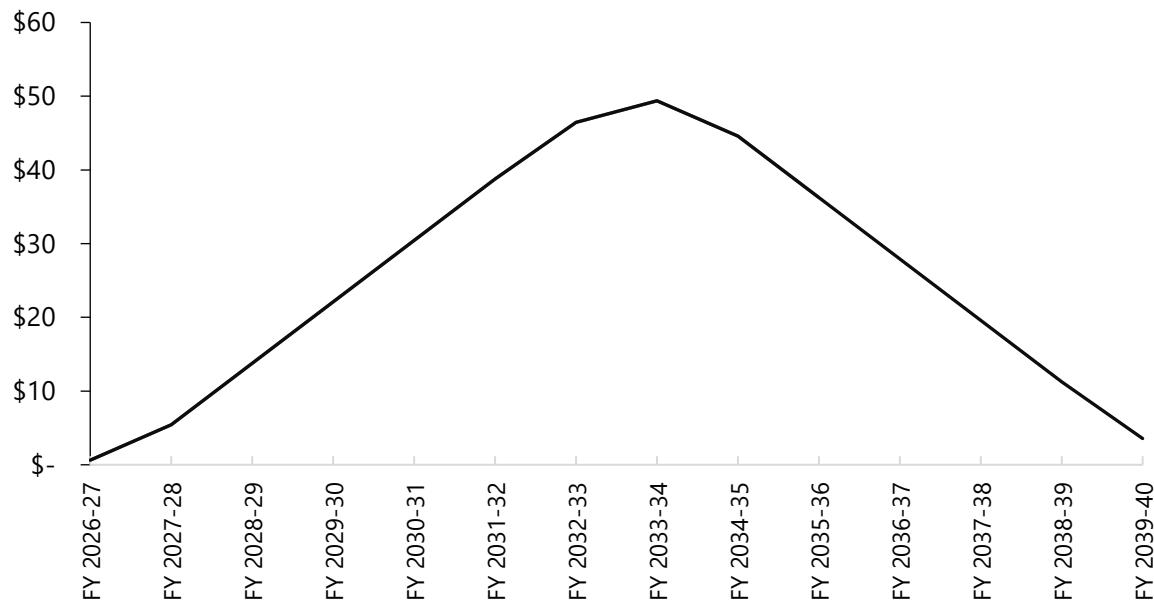
This fiscal note assumes that the bill will reduce the amount of sales tax revenue that would otherwise be credited to the General Fund. The bill requires OEDIT to contract for a baseline growth rate analysis for each transit investment area, and only diverts revenue collected over the baseline growth rate, which is deemed attributable to the transit investment projects. If sales tax collections that occur in the transit investment area correspondingly reduce sales tax collections that would otherwise occur in Colorado, then the bill reduces General Fund revenue from sales taxes. If sales tax collections that occur in the transit investment area do not correspondingly reduce other sales tax collections, then the bill's impact on revenue will be less than the total amount of the diverted tax increment.

### **Income Tax**

The bill decreases income tax revenue by an estimated \$600,000 in FY 2026-27 (half-year impact), and \$5.4 million in FY 2027-28, with larger impacts in subsequent years that then taper off over time, as shown in Table 3D.

The bill authorizes a total of \$350 million in affordable housing located in a transit and housing investment zone income tax credits that CHFA may allocate between calendar years 2027 through 2033. As shown in Figure 1 and Table 3D, it is estimated that the total revenue impact from the credits under this bill will be phased in over 14 fiscal years, beginning in FY 2026-27. The bill decreases individual and corporate income tax revenue, which is subject to TABOR.

**Figure 1**  
**Reduction in General Fund Revenue Under HB 26-1060**



**Table 3D**  
**General Fund Reductions Under HB 26-1065**

<b>Fiscal Year</b>	<b>Estimated General Fund Reduction for Housing Credits</b>
FY 2026-27	-\$0.6 million
FY 2027-28	-\$5.4 million
FY 2028-29	-\$13.7 million
FY 2029-30	-\$22.1 million
FY 2030-31	-\$30.4 million
FY 2031-32	-\$38.7 million
FY 2032-33	-\$46.5 million
FY 2033-34	-\$49.4 million
FY 2034-35	-\$44.6 million
FY 2035-36	-\$36.2 million
FY 2036-37	-\$27.9 million
FY 2037-38	-\$19.6 million
FY 2038-39	-\$11.2 million
FY 2039-40	-\$3.5 million
<b>Total</b>	<b>-\$350 million</b>

The fiscal note assumes that the state income credits will be claimed beginning in tax year 2028. Based on data for the affordable housing tax credit and also allocated by CHFA, 15 percent of qualified housing developments, on average, are completed within one year of when CHFA approves the project, while the remaining 85 percent are assumed to be completed in two years. The timing of project completion depends on a number of factors including construction and permitting timelines.

Credits may be claimed when the qualified development is placed into service, which can delay the claiming of the credit by one or more years from when the credit is allocated. While the amount of the credit allocated by CHFA is capped each year, the amount of credits claimed by taxpayers in any tax year is not capped. Therefore, the revenue impacts of the tax credit will not necessarily follow the same pattern or timing as the allocation schedule shown in Table 3D. In addition, any portion of the credit that exceeds a taxpayer's income tax liability in any given tax year may be carried forward for up to three years.

The fiscal note assumes taxpayers will claim credits equal to the full allocation amount allowed in each tax year. The amount and timing of carry-forward tax credits are dependent on a number of factors, such as the economy and individual and business tax liabilities in any given year. If the full amount of the tax credit allowed each year is not utilized as early as assumed here, reductions in General Fund revenue will be pushed into future fiscal years.

## **State Transfers**

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The bill requires interest revenue from the Transit Investment Zones Cash Fund be transferred to the state General Fund. The timing and amount transferred will depend on fund balances, interest rates, and investments.

## **State Expenditures**

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The bill increases expenditures by \$397,456 in FY 2026-27, \$565,268 in FY 2027-28, and \$466,825 in FY 2028-29 in OEDIT and the DOR. In future years, the bill increases expenditures by an estimated \$325,135 annually, based on current wage and rate structures. Costs in OEDIT are paid from the General Fund and from available fee revenue in the continuously appropriated Transit Investment Zones Cash Fund. Costs in DOR are paid using General Fund retained from state sales tax increment revenue.

**Table 4A**  
**State Expenditures**  
**All Departments**

<b>Department</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2032-33</b>
OEDIT	\$397,456	\$386,761	\$268,020	\$148,020
Department of Revenue	\$0	\$178,507	\$198,805	\$177,115
<b>Total Costs</b>	<b>\$397,456</b>	<b>\$565,268</b>	<b>\$466,825</b>	<b>\$325,135</b>

## **Office of Economic Development and International Trade**

OEDIT requires 1.0 FTE for a senior-level program manager responsible for eligibility screening, procurement and contract management, coordination with applicants and partner agencies, and ongoing compliance and reporting for the duration of the projects. Further, the bill requires one-time contractor costs for various parts of the program implementation. This includes a one-time cost of a geospatial mapping professional estimated at \$40,000, a program launch consultant estimated at \$40,000, and Salesforce application system development estimated at \$44,800. Lastly, the bill will require other ongoing costs including annual Salesforce license fees and shared services costs. These costs for the office are summarized in Table 4B.

**Table 4B**  
**State Expenditures**  
**Office of Economic Development and International Trade**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2033-34</b>
Personal Services	\$103,283	\$103,283	\$103,283	\$103,283
Operating Expenses	\$1,280	\$1,280	\$1,280	\$1,280
Capital Outlay Costs	\$7,000	\$0	\$0	\$0
Third-Party Application Analysis	\$120,000	\$240,000	\$120,000	\$0
Program launch consultant	\$40,000	\$0	\$0	\$0
Geospatial Mapping Consultant	\$40,000	\$0	\$0	\$0
Salesforce Application Development	\$44,800	\$0	\$0	\$0
Salesforce License	\$3,507	\$4,208	\$5,050	\$5,050
Shared Services	\$13,479	\$13,883	\$14,300	\$14,300
Centrally Appropriated Costs	\$24,107	\$24,107	\$24,107	\$24,107
<b>Total Costs</b>	<b>\$397,456</b>	<b>\$386,761</b>	<b>\$268,020</b>	<b>\$148,020</b>
<b>Total FTE</b>	<b>1.0 FTE</b>	<b>1.0 FTE</b>	<b>1.0 FTE</b>	<b>1.0 FTE</b>

### **Office of State Planning and Budgeting**

The bill minimally increases workload in the Office of State Planning and Budgeting (OSPB) to review findings from third-party contractors hired by OEDIT. Increased workload can be accomplished within existing appropriations.

### **Department of Revenue**

The bill increases expenditures in the DOR by \$178,507 in FY 2027-28, and by \$198,805 in FY 2028-29. Beginning in FY 2029-30, the bill increases ongoing costs in the department by \$177,115 for 2.0 FTE. These costs are displayed in Table 4C and summarized below.

**Table 4C**  
**State Expenditures**  
**Department of Revenue**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2033-34</b>
Personal Services	\$0	\$99,876	\$133,168	\$133,168
Operating Expenses	\$0	\$1,920	\$2,560	\$2,560
Capital Outlay Costs	\$0	\$14,000	\$0	\$0
GenTax Programming	\$0	\$19,535	\$10,989	\$0
ISD Programming Support	\$0	\$8,364	\$7,380	\$0
User Acceptance Testing	\$0	\$3,772	\$3,321	\$0
Centrally Appropriated Costs	\$0	\$31,040	\$41,387	\$41,387
<b>Total Costs</b>	<b>\$0</b>	<b>\$178,507</b>	<b>\$198,805</b>	<b>\$177,115</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>1.5 FTE</b>	<b>2.0 FTE</b>	<b>2.0 FTE</b>

The DOR requires 2.0 FTE beginning in FY 2027-28. Estimated costs assume work for DOR related to three approved projects each year in FY 2027-28 and FY 2028-29, and are based on the department's experience administering tax collections for the Regional Tourism Act. Costs in FY 2027-28 are prorated assuming an October 2027 start date. The DOR will also have one-time GenTax programming and support expenses. GenTax programming is billed at \$244.19 per hour. ISD support and user acceptance testing are billed at \$41 per hour.

The fiscal note assumes that the new transit and housing investment tax increment districts do not overlap with existing Regional Tourism Act tax increment districts. If the boundaries of these districts overlap, costs for the department will be greater than estimated in the fiscal note in order to handle the interaction of the two tax increment requirements.

### **Department of Local Affairs**

The bill minimally increases workload in DOLA to consult with the OEDIT in the publication of a transit and housing investment zone map. This workload does not require a appropriations.

### **Department of Transportation**

The bill requires CDOT to consult with the OEDIT to publish a transit and housing investment zone map showing areas of the state that meet specific criteria by October 30, 2026.

### **Centrally Appropriated Costs**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee

insurance and supplemental employee retirement payments, are shown in the expenditure tables above.

## **TABOR Refunds**

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The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$0.6 million in FY 2026-27, and by \$5.4 million in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

## **Local Government**

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### **Local Government Revenue**

#### **State Sales Tax Increment Revenue**

The bill authorizes transit and housing investment area financing entities for local governments to receive sales tax increment revenue from transit investment project areas. Diversions will total up to an estimated \$74.8 million each year, as shown in the State Revenue section. However, the actual amount of state sales tax increment revenue could vary from this total.

#### **Other Revenue**

In addition to the sales tax increment revenue, if the bill's provisions increase investment in approved transit investment areas, revenue will increase from local taxes including development fees, permit fees, construction sales and use taxes, general sales tax, occupational privilege taxes if applicable, and property taxes. The impact of these will depend on the scope of the projects, incentives, and local economic dynamics.

### **Local Government Expenditures**

#### **Application-Related Expenditures**

The bill increases costs for counties and municipalities that apply to the OEDIT for transit investment project approval, by at least \$133,500 in FY 2026-27, \$274,800 in FY 2027-28, and \$140,700 in FY 2028-29 based on submission and application fees. Further, as part of the application process, participating local governments will be required to develop and submit maps of the proposed project area, estimate overall costs of the project, estimate eligible costs such as design and construction, plan the project scope and phasing, plans for project financing,

and to conduct an economic analysis. Entities that submit applications to OEDIT will incur a submission fee of \$4,500 per submission, adjusted annually for inflation. Local governments will also incur an application fee to cover the cost of a third-party application review contracted through OEDIT. Local governments will also incur costs for public hearings.

### **Financing Authority**

Financing entities will incur costs under the bill for issuing and servicing debt used to fund eligible costs and investments and for managing sales tax increment revenue allocations. Additionally, financing entities are required to submit an annual report to the Economic Development Commission detailing sales tax increment revenue receipts, how revenues have been spent, projected revenues through the end of the financing term, and a summary of construction and improvements for a project. Financing entities are also required to submit independent audits of its financial status with its annual reports.

Under the bill, county revitalization authorities, urban renewal authorities, metropolitan districts, or groups of these entities along with a regional transportation authority, or a newly created transit investment authority may be designated as financing entities for transit investment projects. Transit investment authorities may be formed by one or more local governments.

### **Effective Date**

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

### **State Appropriations**

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For FY 2026-27, the bill requires a General Fund appropriation of \$239,849 to the Office of Economic Development, and 1.0 FTE.

### **State and Local Government Contacts**

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CHFA	Information Technology	Special District Association
Counties	Local Affairs	Transportation
Economic Development	Municipalities	Treasury
Governor	Revenue	