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Fiscal Note

Drafting Number: LLS 23-0819 **Date:** February 23, 2023
Prime Sponsors: Sen. Fenberg; Will **Bill Status:** Senate Finance
Rep. Lynch; McCluskie **Fiscal Analyst:** Josh Abram | 303-866-3561
josh.abram@coleg.gov

Bill Topic: **FINANCING TO PURCHASE FIREFIGHTING AIRCRAFT**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the state treasurer to finance the purchase of a Blackhawk firefighting helicopter. The bill increases state expenditures by up to \$4 million annually for up to 20 years. The bill also increase state revenue from issuance of a lease-purchase agreement.

Appropriation Summary: No appropriation is required. See State Appropriations Section.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 23-161

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue	Cash Funds	\$26.0 million	-
	Total Revenue	\$26.0 million	-
Expenditures	General Fund	up to \$4.0 million	up to \$4.0 million
	Cash Funds	\$26.0 million	-
	Total Expenditures	up to \$30.0 million	up to \$4.0 million
Transfers		-	-
Other Budget Impacts	General Fund Reserve	up to \$600,000	up to \$600,000

Summary of Legislation

The bill requires the state treasurer, in consultation with the Division of Fire Prevention and Control in the Department of Public Safety (DPS), to finance the purchase of a fire hawk helicopter, configured for wildfire and other public safety response needs. The treasurer may finance the purchase of the asset or enter a certificate of participation (COP) agreement for no more than 20 years of annual payments. Yearly payments for principal and interest under the financed purchase or COP, which is subject to annual appropriations by the General Assembly, must not exceed \$4.0 million. The financing agreement must authorize the state or the division to obtain fee title to the helicopter on or before the expiration of the terms of the financing agreement.

Background

The state enters into lease-purchase agreements using financial instruments called certificates of participation (COPs). In this type of lease-purchase agreement, the state transfers its interests in a property to a lessor in exchange for cash and then leases the property back through annual lease payments. The lessor assigns its interests to a trustee, usually a commercial bank, who holds the title to the property, collects lease payments from the state, and makes payments to the investors. The state renews the lease each year and makes annual payments authorized through the Long Bill. The interest rate paid by the state is fixed and depends on market conditions at the time COPs are priced for sale. When the lease ends, the state owns the capital asset at no or minimal additional cost.

State Revenue

In FY 2023-24, the bill increases state revenue by up to \$26.0 million, the estimated cost in 2024 to purchase the firefighting aircraft. The exact amount will depend on the conditions of the lease-payment issuance, as determined by the State Treasurer. The revenue generated will be deposited in the Colorado Firefighting Air Corps Fund for the purchase of the aircraft.

State Expenditures

In FY 2023-24, the bill will result in a one-time cash fund expenditure to use the revenue generated by the COP issue, which is anticipated to be \$26.0 million, to fund the initial purchase of the helicopter. This initial payment is assumed to be paid from the Firefighting Air Corps Fund, but could be made from the General Fund. Then, once the helicopter is purchased and the state's interest transfers to the lessor, the state will be required to make payments of principal and interest pursuant to the lease-purchase agreement beginning in FY 2023-24. The bill limits these payments to \$4.0 million annually. These annual payments are assumed to be paid from the General Fund, but may also be made from the Firefighting Air Corps Fund or another fund.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes, if lease-purchase payments are made from the General Fund.

Effective Date

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

State Appropriations

No appropriation is necessary. Depending on the timing and conditions of the finance agreement, the state must appropriate up to \$4.0 million annually for the purchase of the aircraft by the Division of Fire Prevention and Control in DPS; however, the timing and exact amount of the appropriations are as yet to be determined.

State and Local Government Contacts

Public Safety

Treasury