

Local Impacts

Summit and Eagle Counties, Colorado

Focused on Your Region

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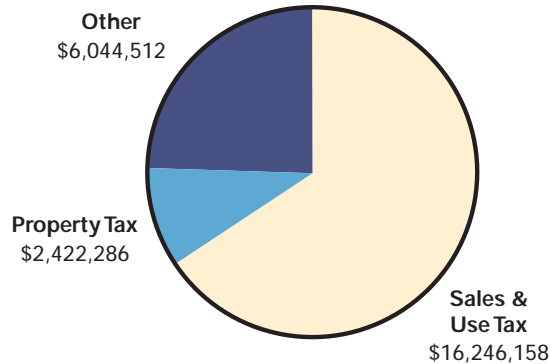
Statewide Local Impacts

From before statehood, Coloradans have held closely to the philosophy of “local control” when it comes to taxes and government services. While Colorado’s state taxes are below the national average, our local taxes tend to be higher than the national average. The fiscal constraints in our state constitution have had a profound impact on every government entity in the state but no two are alike. Colorado’s counties, cities, towns, school districts, water districts, fire protection districts and other government entities are each unique in demography, economy, tax base and level of government service.

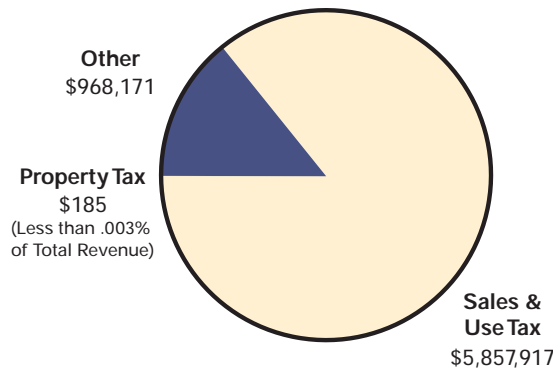
Limitations on Local Revenue
Even before TABOR, Colorado law limited yearly revenue increases for local governments to a 5.5% increase from prior year revenues. In 1993, TABOR modified the local government revenue growth limit to the lesser of the 5.5% limit or the sum of inflation and “annual local growth.” For schools, TABOR caps revenue growth at the rate of inflation plus the increase in student enrollment in each school district. Just as with the

statewide TABOR limit, any revenue beyond the local limit must be refunded to the taxpayers and any changes to the limits are subject to a vote of the people.

City of Vail
Tax Revenue in 2001



City of Frisco
Tax Revenue in 2001



Annual local growth is defined by TABOR as inflation plus the net percentage change in real property values of newly constructed property minus destroyed property (net new construction). The TABOR formula does not recognize increases in the actual market value of existing property.

In 1992, TABOR created a blanket prohibition on Real Estate Transfer Taxes (RETTs) in Colorado but did not repeal RETTs that were on the books before TABOR. Breckenridge collected \$3.2 million in RETT revenue in 2002 and uses the revenue mostly for capital improvements. To allow a local resort community like nearby Silverthorne to tax real estate transfers would first require a statewide repeal of the RETT prohibition in TABOR.

TABOR:

Different Growth Limits for Different Levels of Government:

State	Local	School District
Inflation plus % change in population	Inflation plus % change in net new construction	Inflation plus % change in enrollment

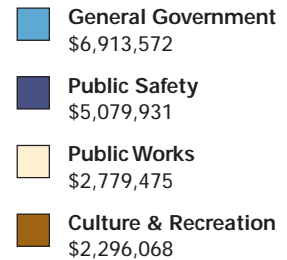
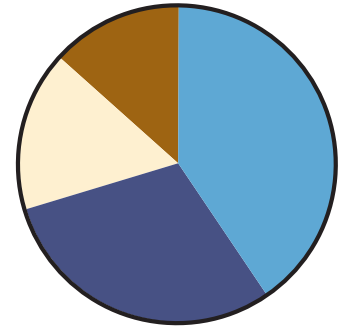
Local Impacts: Summit and Eagle Counties, Colorado

Debrucing: This term is named after the author of TABOR, Doug Bruce and refers to elections where voters are asked to allow government to keep and use all or part of the revenue collected beyond the TABOR limit. Local governments (especially school districts) have been successful in debrucing. In fact, about 70% of Colorado school districts have debruced to some extent since TABOR went into effect while state government has never successfully debruced. Many believe this is because taxpayers have more trust in effective government spending when it takes place closer to home. Debrucing does not mean a government is forever free from under the spending and revenue restrictions of TABOR; it only allows a locality to keep and spend all or part of a TABOR revenue surplus for an specified period of time – often interpreted as not exceeding four years.

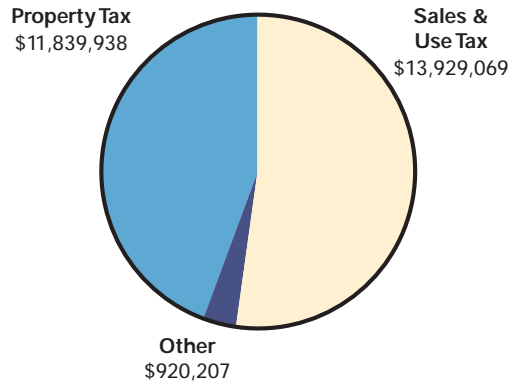
Revenue Trends

Local governments do not levy an income tax and depend primarily on property tax and sales tax. Although the sum of all local tax revenue continues to climb each year, the effect of the Gallagher Amendment combined with TABOR, have caused a steady erosion of local government's most reliable source of revenue – property tax. Many localities have responded to this trend by increasing reliance on the more volatile sales tax and by “debrucing.” In the recent election, Frisco became the final town in Summit County to add a lodging tax as voters approved Measure 2A, 436 “yes” votes to 250 “no” votes. The additional 2.35% lodging tax is expected to generate \$250,000 per year and will be used on economic development, recreation amenities, open space and to promote tourism.

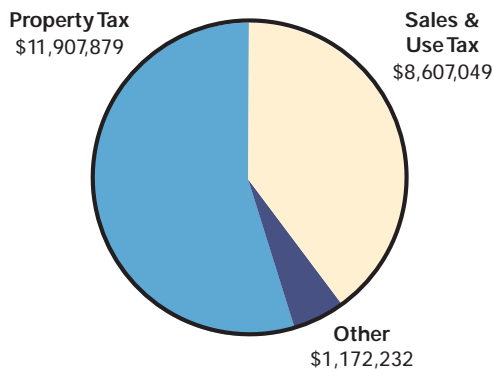
City of Vail
Expenditures in 2001



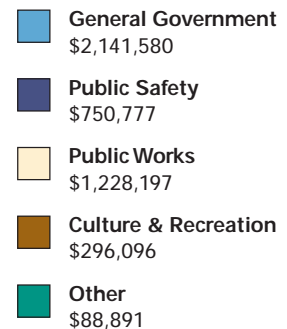
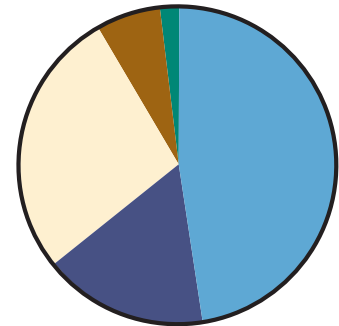
Eagle County
Tax Revenue in 2001



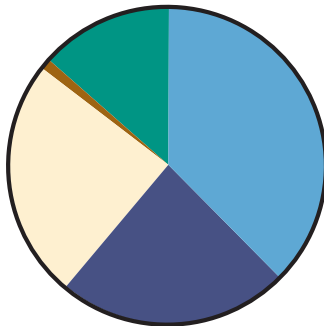
Summit County
Tax Revenue in 2001



City of Frisco
Expenditures in 2001

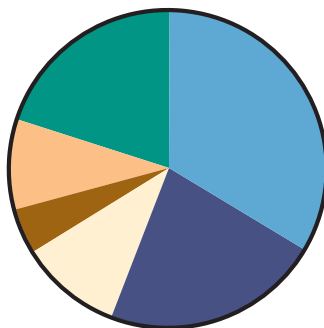


Eagle County Expenditures in 2001



- **General Government**
\$11,253,633
- **Public Safety**
\$7,054,321
- **Public Works**
\$7,281,110
- **Culture & Recreation**
\$323,170
- **Other**
\$4,071,349

Summit County Expenditures in 2001



- **General Government**
\$8,106,002
- **Public Safety**
\$5,370,484
- **Public Works**
\$2,492,479
- **Culture & Recreation**
\$1,109,951
- **Social Services**
\$2,207,111
- **Other**
\$4,858,077

Economic Brief: Eagle and Summit Counties

Colorado's resort communities face unique economic opportunities and challenges. A region once dependent on mining and agriculture now depends on tourism for job growth and income gains. Today, the ski industry employs over half of Eagle County's permanent residents. In Summit County, about 40% of total income is attributable to tourism. The ski industry alone directly accounts for 25% of total income in Summit County. The dependence on the ski industry in the resort communities causes the majority of sales tax revenue to be collected during the winter. In Eagle County, Vail collects about 70% of its sales tax revenue between October and March. A 2001 study by Colorado State University estimates that each additional inch of snow adds \$151,800 to the economy of Summit County. Put another way, each additional 1,000 skier visits result in approximately 1.4 directly related jobs in Summit County.

Compared to the 2000 season, 2001 condo rentals increased 19.8% at Vail and Beaver Creek. During the same period, Breckenridge, Keystone and Copper Mountain rentals increased 16.3%. While there is concern about a trend of fewer multiple day visits to destination resorts like Steamboat, Telluride and Aspen, day visits to Front Range resorts have increased because of discounted season passes designed to attract skiers from the Denver Metro Area. The Denver Post reports that Front Range resorts such as Vail, Copper Mountain and Breckenridge recorded a second-best

7.23 million skier visits last season thanks largely to urban day skiers. But more visits do not automatically mean more money for the area. Breckenridge and Vail have seen an increase in visitors over the past five years but sales tax revenue has remained flat: "It's not that the Front Range skiers don't spend, it's that they don't spend like vacationers." Lower revenues caused Vail to announce \$25 million in cost cutting measures to be implemented in 2004, but few personnel changes are expected.

A unique aspect of the local economy is the labor market. Part-time seasonal labor in the tourism industry is the primary driver for the labor market in the area and can make it difficult for local business to find workers. An indicator is the local minimum wage in Colorado resort communities which is typically twice the federal minimum wage. Another characteristic of resort counties in Colorado is the limited amount of privately owned land. Of Summit County's 396,000 acres, more than 307,000 are under federal management – mostly by the U.S. Forest Service. Federal land management issues impact the local economy because fewer property tax dollars are collected in relation to the county's size and public service needs.

The 1990s were a time of amazing growth for Summit and Eagle Counties. The population of Summit County grew almost 83% in the 1990s making it the 6th fastest growing county in the state. Eagle County grew even faster, by 90%, making it

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Economic Brief (continued from page 3)

the 4th fastest growing county that decade. Summit County had a population of 13,000 in 1990; that number is projected to be close to 40,000 by 2020. The boom of the 1990s had a mixed impact on the area. Construction jobs have been plentiful partly because of the large number of second homes near Colorado's ski resorts. Second homes are also partly responsible for the high cost of living – especially for housing. The cost of renting or owning a home in a Colorado resort community is typically well over 100% of the national average. The average price for a single-family home in Summit County was \$330,266 in 2000. In Breckenridge, the average price of a single-family home increased from \$182,396 in 1990 to \$802,591 in 2000.

In Eagle and Summit County there are ongoing concerns about traffic congestion on Interstate 70. A number of ski towns along the I-70 corridor supported building a high speed transit system from Denver to the mountain communities while others favor a more traditional approach of adding lanes to the interstate and expanding the Eisenhower Tunnel. Any option is expected to be long term in scope and could cost as much as \$4 - \$6 billion to complete. In the short term, state transportation funding for local projects is expected to be reduced from \$20 million to \$6 million for Region 1 which includes Summit County.

Some Colorado resort communities utilize the Real Estate Transfer Tax or RETT. Under 1992's TABOR Amendment, this type of tax is expressly prohibited in Colorado, but before TABOR passed, many ski towns already had a RETT in place and were grandfathered in. In Frisco, the 1%

tax provided \$786,568 in 2002 and was used to improve the local Nordic Center and for special projects like dredging the marina at Dillon Reservoir.

Despite an uncertain economy, Eagle County is proposing a balanced budget for 2004 with a relatively modest 2.5% across the board reduction in General Fund and does not expect any employee layoffs. Employment growth continues in Eagle County especially in the Service Sector which made up 35% of total employment in 2000; retail positions account for 19% of Eagle's employment. The service sector will be enhanced in Summit County when Centura Health builds a new medical facility in Frisco in 2005. Currently, the nearest facility is the Vail Valley Medical Center. The new \$51 million facility will consist of a 25 bed hospital, outpatient surgery center, and other medical office space and facilities. In Silverthorne, there is continued debate over whether to approve a new Safeway shopping center which would develop 94,000 square feet of additional retail space.

