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Revised Fiscal Note

(replaces fiscal note dated March 18, 2022)

Drafting Number: LLS 22-0406 Date: April 19, 2022
Prime Sponsors: Rep. Larson; McCluskie Bill Status: House Appropriations
Sen. Lundeen; Kirkmeyer Fiscal Analyst: Josh Abram | 303-866-3561
Josh.Abram@state.co.us

Bill Topic: INVESTMENT OF PUBLIC SCHOOL FUND STUDY & REPORT

- Summary of Fiscal Impact:
State Revenue
State Expenditure
State Transfer
TABOR Refund
Local Government
Statutory Public Entity

The bill staggers the terms of members of the Public School Investment Board and creates a working group in the Department of the Treasury to make recommendations to the General Assembly. The bill increases state expenditures on a one-time basis.

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

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Education Committee. The bill is recommended by Legislative Interim Committee on School Finance.

Table 1
State Fiscal Impacts Under HB 22-1146

Table with 3 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (Cash Funds), Transfers, and Other Budget Impacts.

Summary of Legislation

Public School Permanent Fund. Under current law, revenue from school trust lands are deposited in the Public School Fund, also known as the Permanent Fund. The interest and income earned on the deposits and investment of the Permanent Fund are used and credited in the following order:

- the first \$21 million is credited to the State Public School Fund;
- an appropriation is made to the State Treasurer to pay for the services of private fund managers and expense reimbursement incurred by the Public School Investment Board;
- the next \$20 million is credited to the restricted account of the Public School Capital Construction Assistance Fund for the Building Excellent Schools Today (BEST) program; and
- any remaining amount may be credited as specified by the General Assembly.

Beginning FY 2022-23, this bill requires that the appropriation to the State Treasurer for an investment consultant and expense reimbursement be calculated first. After that, up to \$21 million is credited to the State Public School Fund, any remaining funds up to \$20 million is credited for public school capital construction, and the remaining funds may be credited or appropriated by the General Assembly.

Public School Investment Board. Beginning with July 1, 2022, the terms of new board members appointed by the Treasurer may be staggered to ensure that no more than two of the three appointments expire in the same year.

Working group. The Treasurer, in consultation with the Public School Investment Board, must convene a working group to consider opportunities to improve the growth of the Permanent Fund, and its distributions for the intergenerational benefit of public schools. The bill sets the composition of the working group and major topics for consideration, including distribution of revenue from the state school trust lands, investment opportunities and policies, and provisions related to certificate of participation agreements. The Treasurer must report on working group findings to the Joint Budget Committee and the education committees of the General Assembly by February 28, 2023. The working group is repealed July 1, 2023.

Lawful investment. The bill clarifies the time frame and circumstances in which investment losses to the fund may be offset by investment gains before the General Assembly is required to appropriate money to cover losses.

State Expenditures

Convening a working group is expected to increase expenditures by up to \$100,000 in FY 2022-23 only for Treasury to hire a management and investment consultant to convene, facilitate and staff the working group, conduct stakeholder outreach and research, perform administrative tasks, and facilitate the working group toward a final report and recommendations.

Effective Date

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

State Appropriations

Funding for the Public School Investment Board in the Department of the Treasury is included in the annual appropriations act (the Long Bill) and no additional appropriations are required. Under current law, revenue from school trust lands are deposited in the Permanent Fund. A portion of the interest and income earned on the deposits and investment of the Permanent Fund are appropriated annually to the Treasury to pay for the services of private fund managers, expense reimbursements, and other necessary expenses incurred by the investment board, including the expenses identified in this fiscal note.

State and Local Government Contacts

Education

Treasury