



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

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<b>Drafting Number:</b>	LLS 22-0983	<b>Date:</b>	March 28, 2022
<b>Prime Sponsors:</b>	Rep. McCluskie; Ransom Sen. Hansen; Rankin	<b>Bill Status:</b>	House Appropriations
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**Bill Topic:** GENERAL FUND EXEMPT ACCOUNT AND EXCESS STATE REVENUES

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**Summary of Fiscal Impact:**

<input 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

**Budget package bill.** The bill addresses cases when the actual amount of revenue retained under Referendum C differs from the amount of appropriations made from the General Fund Exempt Account. It has no direct impact on the amount of state expenditures, but potentially affects how certain retained revenue is allowed to be spent.

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**Appropriation Summary:** No appropriation is required.

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**Fiscal Note Status:** The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2022-23 budget package.

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## Summary of Legislation

The bill addresses cases when the actual amount of revenue retained under Referendum C differs from the amount of appropriations that were prospectively made from the General Fund Exempt Account, in order to clarify where retained revenue is spent. Appropriations from the account are written based on a forecast of revenue to be retained under Referendum C, and adjusted in supplemental bills as forecasts are updated. However, the actual amount retained is unknown until after the end of the fiscal year.

In cases when the actual amount retained falls short of appropriations, the bill clarifies that a proportionally smaller share of money spent from the account for each line item appropriation represents revenue retained under Referendum C. This does not change the amount expended for these programs.

In cases when the amount retained exceeds appropriations, the bill clarifies that the amount retained in excess of appropriations is spent in equal parts for Medicaid and the state share of K-12 education. This does not change the amount spent for those programs, but clarifies that a portion of expenditures from the General Fund outside of the General Fund Exempt Account represent revenue retained under Referendum C.

## Background

**Referendum C.** Approved by voters in 2005, Referendum C is a permanent voter-approved revenue change under the Colorado Constitution’s TABOR Amendment. Referendum C created an excess state revenues cap (“Referendum C cap”), which equals state revenue subject to TABOR for FY 2007-08, grown by the combined rates of inflation and state population growth thereafter. Revenue retained over the preexisting TABOR limit base as a result of the voter-approved revenue change in Referendum C must be spent for certain purposes, which include:

- health care;
- education, including K-12 and higher education and related capital construction projects;
- retirement plans for firefighters and police officers; and
- transportation projects included in the Strategic Transportation Project Investment Program.

**General Fund Exempt Account.** Created in Referendum C, the General Fund Exempt Account is used to appropriate revenue retained as a result of the voter-approved revenue change.

The first \$125 million retained each year may be spent for any of the permitted purposes in Referendum C at the discretion of the General Assembly. Under current law, the amount retained in excess of \$125 million each year is divided into equal thirds to pay for Medicaid, the state share of total program funding for K-12 school finance, and higher education.

## State Expenditures

In years when the amount retained falls short of appropriations from the General Fund Exempt Account, the bill has no impact on state expenditures. It clarifies that some of the money spent from the account does not represent revenue retained under Referendum C.

In years when the amount retained exceeds appropriations from the General Fund Exempt Account, the bill identifies the excess retention as being spent for Medicaid and K-12 education. In these cases, the bill has no direct impact on state expenditures, as expenditures for these programs do not change. However, it allows the state to spend the unexpected excess in equal halves for these two programs, rather than spending the amount in equal thirds for these two programs and for higher education.

## Effective Date

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

## State and Local Government Contacts

Joint Budget Committee Staff

Personnel