



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-1029
Prime Sponsors: Rep. Titone

Date: April 19, 2022
Bill Status: House Business
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Bill Topic: COLORADO OPERATIONS RESOURCE ENGINE UPGRADE PROJECT

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

The bill authorizes financing for an information technology upgrade project. It increases state revenue in FY 2022-23, and increases state expenditures until FY 2031-32.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 22-1385

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	\$9.8 million	-
Expenditures	General Fund	-	\$1.3 million
Transfers		-	-
Other Budget Impacts	General Fund Reserve	-	\$188,465

Summary of Legislation

The bill authorizes the state to enter into one or more financed purchase or certificates of participation agreements for the Colorado Operations Resource Engine (CORE) Upgrade project. CORE is the state's enterprise financial system. The bill permits certain legislative committees to request functionality of the Office of Information Technology, and requires the office to update the legislature on the progress of the project.

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 facility at no or minimal additional cost.

State Revenue

In FY 2022-23, the bill increases state revenue by an estimated \$9,787,000 from the issuance of COPs. This estimate reflects the cost of the project; the total amount of revenue generated will depend on market conditions at the time of issuance and the total estimated expenditures, which include principal, interest, and the cost of issuance. As the bill does not specify the fund to which revenue will be deposited, the fiscal note assumes this revenue is credited to the IT Capital Account of the Capital Construction Fund, to be consistent with the spending authority in the FY 2022-23 Long Bill.

State Expenditures

The fiscal note assumes that payments on principal and interest will begin in FY 2023-24. The bill increases state expenditures from FY 2023-24 through FY 2031-32 to make these payments. For informational purposes only, the annual payment is estimated at \$1,265,434; the actual payments will be determined by the State Treasurer based on the terms of the purchase agreement and market conditions at the time of issuance.

Workload will minimally increase for the Office of Information Technology to provide updates and respond to requests from the legislature. No change in appropriations is required.

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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve beginning in FY 2023-24 by the amount shown in Table 1, which will decrease the amount of General Fund available for other purposes.

Technical Note

The CORE project is currently funded in the FY 2022-23 Long Bill through a \$10 million transfer from the General Fund to the IT Capital Account of the Capital Construction Fund. This bill creates an alternate way of financing this project. The fiscal note does not account for changes to the Long Bill that would be required to use the existing appropriation for some other purpose if the project is instead funded using COPs.

Effective Date

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

State Appropriations

For FY 2022-23, no appropriation is required because the spending authority currently exists in the FY 2022-23 Long Bill.

State and Local Government Contacts

Governor	Information Technology	Joint Budget Committee Staff
Legislative Council Staff	Personnel	Treasury