

JBC Staff Fiscal Analysis
House Appropriations Committee

Concerning the creation of an enterprise to implement a loan program in order to replace failing septic systems.

Prime Sponsors:

Representative Smith
Senator Roberts

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Fiscal Impacts

Appropriation Not Required, Amendments in Packet
New Cash Fund (with Continuous Appropriation)
Significant Appropriation Increase in Second Year

Fiscal Note Status

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 02/11/25.

No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill.

Amendments in This Packet

L.005/J.001 Bill Sponsor amendment - changes fiscal impact and appropriation

Current Appropriations Clause in Bill

The bill neither requires nor contains an appropriations clause for FY 2025-26.

Description of Amendments in This Packet

L.005 and J.001

Bill Sponsor amendment **L.005** (attached) removes the Septic-System Replacement Loan Program Fund's continuous spending authority and makes the Fund subject to annual appropriation.

Staff amendment **J.001** (attached) appropriates a total of \$159,733 cash funds from the Septic-System Replacement Loan Program Fund to the Department of Local Affairs for FY 2025-26. The appropriation reflects 0.8 FTE.

It is the General Assembly's policy not to appropriate centrally appropriated costs for new FTE in the first year. However, because this is a newly created enterprise and cash fund, it will be unable to absorb centrally appropriated costs within existing appropriations. Staff amendment **J.001** therefore includes \$16,320 cash funds for centrally appropriated costs.

If the Committee adopts **L.005**, it should also adopt **J.001**.

Points to Consider

Legislative Appropriation Authority

Continuous spending authority, also known as **continuous appropriation**, allows state agencies to spend money for statutorily specified purposes up to the total amount available in a specified fund source without seeking further legislative approval through the budget process.

The term *appropriation* is broadly understood as expressing or conveying legal spending authority. However, the term *appropriation* also inherently expresses fundamental legislative fiscal authority by communicating a *limit* on or maximum amount of spending from a specified fund source for a defined period such as a fiscal year. While continuous spending authority also expresses or conveys legal spending authority it does so by eliminating legislative fiscal authority and oversight.

An annual appropriation provides a limit on spending authority, while a continuous appropriation provides unlimited spending authority. This method of funding moves these expenditures off-budget, and thus expenditures are not reported or accounted for through the budget process.

Is it necessary for the Department of Local Affairs to **not** seek annual authority from the General Assembly to spend money from Septic-System Replacement Loan Program Fund?

Bill Sponsor amendment **L.005** makes the Septic-System Replacement Loan Program Fund subject to annual appropriation; **J.001** provides a corresponding appropriation from the Fund.

Future Fiscal Impact

Cash fund revenue and expenditures are projected to increase from \$159,733 in FY 2025-26 to \$319,181 in FY 2026-27. This revenue is not subject to TABOR.