

MEMORANDUM



JOINT BUDGET COMMITTEE

TO JBC Members
FROM JBC Staff
DATE March 18, 2019
SUBJECT Comeback Packet 7

Included in this packet are staff comeback memos for the following items:

Legislature (John Ziegler): Legislative Bill Placeholder

Statewide (John Ziegler): TABOR Reserve

MEMORANDUM



JOINT BUDGET COMMITTEE

TO The Joint Budget Committee
FROM John Ziegler, JBC Staff (303-866-4956)
DATE March 19, 2019
SUBJECT Place Holder for the Legislative Appropriation Bill

The Legislative Appropriation Bill provides the majority of the appropriation for the Legislative department. Each year, the Legislative Appropriation Bill is sponsored by leadership and carried separately from the Long Bill. Therefore, the Joint Budget Committee must include a place holder for the Legislative Appropriation Bill each year when balancing the budget.

As a result, staff recommends the JBC include a placeholder for the Legislative Appropriation Bill. The Legislative Appropriation Bill currently consists of \$49,992,990 General Fund as passed for introduction by the Executive Committee. Therefore, staff recommends a place holder of \$49,992,990 General Fund for the bill. Staff also requests permission to adjust the balancing based on any further actions that occur during the legislative process of the Legislative Appropriation Bill.

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members
FROM John Ziegler, JBC Staff
DATE March 19, 2019
SUBJECT Recommendations on TABOR Reserve

The following are the JBC staff recommendations for funds to be designated as the TABOR reserve.

RECOMMENDATIONS REGARDING THE TABOR RESERVE

FY 2018-19 TABOR Reserve Discussion: A TABOR reserve of \$430.8 million is required for FY 2018-19 according to the Office of State Planning and Budgeting (OSPB) March 2019 Revenue Forecast. The current Long Bill (HB 18-1322) headnote designation for the FY 2018-19 TABOR reserve includes a total of \$433.3 million, including \$273.0 million (63.0 percent) in liquid assets and \$160.3 million (37.0 percent) in equity assets. The projections in the Legislative Council Staff (LCS) March 2019 forecast would require a \$430.8 million TABOR reserve as well. Given that the existing headnote designation for FY 2018-19 exceeds the amount required under both revenue forecasts, **staff recommends no change to the FY 2018-19 TABOR reserve designation.**

FY 2019-20 TABOR Reserve Discussion: A TABOR reserve of \$448.5 million is required for FY 2019-20 according to the OSPB March 2019 Revenue Forecast. The LCS March 2019 Forecast would require a TABOR reserve of \$446.4 million. Staff recommends the allocation of FY 2019-20 TABOR reserve as follows:

- \$70.0 million of the balance in the Major Medical Insurance Fund,
- \$102.0 million of the balance in the Controlled Maintenance Trust Fund (CMTF),
- \$5.0 million of the balance in the Unclaimed Property Fund Tourism Promotion Trust Fund,
- \$33.0 million of the balance in the Severance Tax Perpetual Base Fund,
- \$33.0 million of the balance in the Colorado Water Conservation Board Construction Fund,
- \$34.0 million of the balance in the Wildlife Cash Fund, and,
- \$172.5 million of State properties to constitute the TABOR reserve.

Staff recommends designating a total of \$449.7 million for FY 2019-20, including 61.6 percent liquid cash funds and 38.4 percent based on equity in State properties for the TABOR reserve. The staff recommendation continues the current practice of using a portion of State properties as part of the TABOR reserve. Staff believes it is prudent to maintain a high percentage of cash as the TABOR reserve, especially given the State's experience with wildfires and floods.

There are currently funds available in the CMTF for the General Assembly to designate \$61.1 million from the CMTF as a part of the FY 2019-20 TABOR reserve. Section 24-75-302.5 (2)(a), C.R.S. permits the principal in the CMTF to constitute all or a portion of the TABOR reserve. The Governor has issued executive orders thus far in FY 2018-19 drawing down \$32.9 million from the CMTF. Additionally, staff is aware of another \$7.1 million executive order that is currently waiting for the Governor's signature. ***Staff recommends replenishing and increasing the CMTF with a transfer of \$48.0 million additional General Fund to the CMTF to bring the balance to \$102.0 million.***

Currently, the following six state properties (value totaling \$172,643,825) are designated as part of the TABOR reserve:

- Parking Garage, 1350 Lincoln Street, Denver (value \$11,986,350)
- Legislative Services Building, 200 E. 14th Ave, Denver (value \$17,357,350)
- Centennial Building, 1313 Sherman St., Denver (value \$37,308,975)
- State Services Building, 1525 Sherman St., Denver (value \$44,879,625)
- Human Services Building, 1575 Sherman St., Denver (value \$32,180,900)
- Capital Annex Building, 1375 Sherman St., Denver (value \$28,930,625)

Staff recommends the Committee designate a combination of these State properties with a value of up to \$172.6 million as the State property portion of the TABOR reserve. This, combined with the \$48.0 million increase as recommended to the CMTF, retains an additional \$1,282,632 in flexibility within State properties to cover the potential of forecast error based on the OSPB March 2019 revenue forecast which requires the higher amount of the two forecasts for the TABOR reserve. Any additional flexibility would either need to be attained through the further designation of General Fund or additional state buildings.

Attachment 1 includes the calculation of the staff recommendation based on the OSPB March 2019 forecast. Attachment 2 includes the calculation of the staff recommendation based on the LCS March 2019 forecast.

JBC Staff Recommendation for TABOR Reserve Designation - FY 2018-19 and FY 2019-20

OSPB Forecast Fund/Equity Designated to TABOR	FY 2018-19			FY 2019-20 Staff Recommendation		
	Cite	Dollar Amt	%	Cite	Dollar Amt	%
Major Medical (Section 8-4-202 (1) (a), C.R.S.)	(a)	74,000,000	17.1%	(a)	70,000,000	15.6%
Controlled Maintenance Trust Fund (Section 24-75-302.5 (2)(a), C.R.S.)	(b)	93,996,000	21.7%	(b)	61,138,807	22.7%
<i>Decrease for Additional Pending Executive Orders</i>					(7,100,000)	
<i>Increase to Controlled Maintenance</i>					48,000,000	
Unclaimed Property Fund (Section 38-13-116.7 (1). C.R.S.)	(c)	5,000,000	1.2%	(c)	5,000,000	1.1%
Perpetual Base Account of the Severance Tax Fund (Section 39-29-109(2)(a)(II)	(d)	33,000,000	7.6%	(d)	33,000,000	7.3%
CWCB Construction Fund (Section 37-60-112(1)(a)	(e)	33,000,000	7.6%	(e)	33,000,000	7.3%
DOW CF (Liquid Assets) (Section 33-1-112 (1) (a), C.R.S.)	(f)	34,000,000	7.8%	(f)	34,000,000	7.6%
State Buildings (Equity Assets)	(g)	160,272,000	37.0%	(g)	160,272,000	38.4%
<i>Increase to State Buildings</i>					12,371,825	
Total Available for 3% Reserve		433,268,000	100.0%		449,682,632	100.0%
Required TABOR Reserve Based on OSPB March 2019 Forecast		430,800,000			448,500,000	
Above/(Below) Required TABOR Reserve		2,468,000			1,182,632	

State Buildings Currently Included in Long Bill Draft:	
Parking Garage, 1350 Lincoln Street, Denver	11,986,350
Legislative Services Building, 200 E. 14th Ave, Denver	17,357,350
Centennial Building, 1313 Sherman St, Denver	37,308,975
State Services Building, 1525 Sherman St, Denver	44,879,625
Human Services Building, 1575 Sherman St., Denver	32,180,900
Capitol Annex Building, 1375 Sherman St., Denver	<u>28,930,625</u>
Total	172,643,825
<i>Potential Additional Buildings:</i>	
Total Buildings with Additional	<u>172,643,825</u>
Total Buildings - FY 2018-19	160,272,000
<i>Excess in Level of Buildings Designated</i>	<u>12,371,825</u>
Total Buildings - FY 2019-20 Staff Recommendation	172,643,825
<i>Excess in Level of Buildings Designated</i>	<u>0</u>

JBC Staff Recommendation for TABOR Reserve Designation - FY 2018-19 and FY 2019-20

LCS Forecast Fund/Equity Designated to TABOR	FY 2017-18			FY 2018-19 Staff Recommendation		
	Cite	Dollar Amt	%	Cite	Dollar Amt	%
Major Medical (Section 8-4-202 (1) (a), C.R.S.)	(a)	74,000,000	17.1%	(a)	70,000,000	15.6%
Controlled Maintenance Trust Fund (Section 24-75-302.5 (2)(a), C.R.S.)	(b)	93,996,000	21.7%	(b)	61,138,807	22.7%
<i>Decrease for Additional Pending Executive Orders</i>					<i>(7,100,000)</i>	
<i>Increase to Controlled Maintenance</i>					<i>48,000,000</i>	
Unclaimed Property Fund (Section 38-13-116.7 (1). C.R.S.)	(c)	5,000,000	1.2%	(c)	5,000,000	1.1%
Perpetual Base Account of the Severance Tax Fund (Section 39-29-109(2)(a)(II)	(d)	33,000,000	7.6%	(d)	33,000,000	7.3%
CWCB Construction Fund (Section 37-60-112(1)(a)	(e)	33,000,000	7.6%	(e)	33,000,000	7.3%
DOW CF (Liquid Assets) (Section 33-1-112 (1) (a), C.R.S.)	(f)	34,000,000	7.8%	(f)	34,000,000	7.6%
State Buildings (Equity Assets)	(g)	160,272,000	37.0%	(g)	160,272,000	38.4%
<i>Increase to State Buildings</i>			0.0%		<i>12,371,825</i>	
Total Available for 3% Reserve		433,268,000	100.0%		449,682,632	100.0%
Required TABOR Reserve Based on LCS March 2019 Forecast		430,800,000			446,400,000	
Above/(Below) Required TABOR Reserve		2,468,000			3,282,632	

State Buildings Currently Included in Long Bill Draft:	
Parking Garage, 1350 Lincoln Street, Denver	11,986,350
Legislative Services Building, 200 E. 14th Ave, Denver	17,357,350
Centennial Building, 1313 Sherman St, Denver	37,308,975
State Services Building, 1525 Sherman St, Denver	44,879,625
Human Services Building, 1575 Sherman St., Denver	32,180,900
Capitol Annex Building, 1375 Sherman St., Denver	<u>28,930,625</u>
Total	172,643,825
<i>Potential Additional Buildings:</i>	
Total Buildings with Additional	<u>172,643,825</u>
Total Buildings - FY 2018-19	160,272,000
<i>Excess in Level of Buildings Designated</i>	<u>12,371,825</u>
Total Buildings - FY 2019-20 Staff Recommendation	172,643,825
<i>Excess in Level of Buildings Designated</i>	<u>0</u>