

**JBC STAFF FISCAL ANALYSIS  
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING THE PUBLIC SCHOOL FUND, AND, IN CONNECTION THEREWITH, CREATING A PUBLIC SCHOOL FUND INVESTMENT BOARD TO DIRECT THE STATE TREASURER ON THE INVESTMENT OF THE FUND AND CHANGING THE DISTRIBUTION OF THE INTEREST OR INCOME EARNED ON THE INVESTMENT OF THE MONEYS IN THE FUND.

Prime Sponsors: Sens. Johnston and Sonnenberg  
Reps. Rankin and Young

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Date Prepared: May 6, 2016

**Fiscal Impact of Bill as Amended to Date**

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/08/16.

	<b>No Change:</b> Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
<b>XXX</b>	<b>Update:</b> Fiscal impact has changed due to <i>new information or technical issues</i>
	<b>Update:</b> Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	<b>Non-Concurrence:</b> JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

The Senate Finance Committee Report (04/12/16) includes amendments to the bill, however, Legislative Council Staff and JBC Staff agree that the committee amendments do not change the fiscal impact of the bill.

The Legislative Council Staff Revised Fiscal Note (dated 04/08/16) identifies potential expenditures of \$7,500 in FY 2016-17 to reimburse travel and other necessary expenses of the Public School Fund Investment Board created in the bill and assumes that such reimbursement would be from the Public School (Permanent) Fund. The bill authorizes the use of interest earned on the Permanent Fund for such reimbursements beginning in FY 2017-18 but is silent regarding any potential reimbursement in FY 2016-17. Thus, if the General Assembly intends to support reimbursements for the Board in FY 2016-17, it would require an appropriation from a different fund source. However, Legislative Council Staff and JBC Staff agree that an appropriation is not necessary in FY 2016-17 if the General Assembly intends for the Board to operate without reimbursement for the first year.

**Amendments in This Packet for Consideration by Appropriations Committee**

<b>Amendment</b>	<b>Description</b>
L.011	Bill Sponsor amendment - does not change fiscal impact

**Current Appropriations Clause in Bill**

The bill neither requires nor contains an appropriation clause for FY 2016-17.

**Description of Amendments in This Packet**

**L.011** Bill Sponsor amendment L.011 (attached) makes the following changes to the bill:

- Clarifies that payments to support private investment fund managers authorized by the bill and to reimburse travel and other expenses of members of the Public School Fund Investment Board (Board) will be paid by the State Treasurer and are subject to annual appropriation. The reengrossed bill does not specify whether these amounts are subject to appropriation or who would make the payments.
- Clarifies that the General Assembly will take the Board's recommendations into consideration when specifying the use of interest and income earned on the Public School Fund. The amendment eliminates language stating that the General Assembly's specification of the use of funds is "subject to" the recommendations of the Board and clarifies that the General Assembly will take the Board's recommendations into consideration.

Legislative Council Staff and JBC Staff agree that amendment L.011 still does not require an appropriation in FY 2016-17, and it clarifies the need for appropriations to the State Treasurer in FY 2017-18 and subsequent years.

**Points to Consider***Technical Issue*

Under current law (see Section 22-41-102 (3) (e), C.R.S.), any amount of interest and income earned on the Permanent Fund that is not specifically credited to another fund remains in the Permanent Fund and becomes part of the principal of the fund. This bill eliminates that requirement for FY 2017-18 and subsequent years and is silent regarding the disposition of any interest and income earnings that are not specifically credited to another fund or appropriated by the General Assembly. As a result, it is not clear what the State Treasurer should do with any interest and income earned above the amounts specified by the General Assembly in FY 2017-18 and subsequent years. Does the General Assembly intend to specify the intended treatment of such funds in this bill or await the recommendations of the Board (due by March 31, 2017) before making those decisions?

*TABOR/Excess State Revenue Impact*

As noted in the Legislative Council Staff Revised Fiscal Note dated April 8, 2016, the bill is projected to raise interest revenues earned on the Public School (Permanent) Fund by up to \$20.0 million in FY 2017-18 and up to \$50.0 million in FY 2018-19. Interest earned on the Permanent Fund is considered exempt from revenue limitations under TABOR. As a result, the increase in revenues would not affect the State's revenue limit.