



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

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<b>Drafting Number:</b>	LLS 18-0987	<b>Date:</b>	April 30, 2018
<b>Prime Sponsors:</b>	Sen. Lundberg; Lambert Rep. Hamner; Young	<b>Bill Status:</b>	Senate Appropriations
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**Bill Topic:** INCREASE GENERAL FUND RESERVE

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<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input type="checkbox"/> State Transfer	<input type="checkbox"/> TABOR Refund <input type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity
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This bill increases the statutory General Fund reserve requirement to an unspecified percentage of appropriations for FY 2018-19 and subsequent years. It will reduce the amount of money available for discretionary General Fund appropriations on an ongoing basis.

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

**Fiscal Note Status:** This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee.

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### Summary of Legislation

Under current law, the state is required to retain a General Fund balance equal to 6.5 percent of appropriations at the end of each fiscal year. This bill increases the reserve requirement to an unspecified percentage of appropriations for FY 2018-19 and all subsequent fiscal years.

For the purposes of calculating the statutory reserve requirement, appropriations for payments in accordance with lease-purchase agreements, moneys deposited in the Capital Construction Fund (CCF) and Controlled Maintenance Trust Fund (CMTF), and expenditures made due to a state fiscal emergency are excluded under current law. This bill repeals exclusions for lease-purchase agreements, the CCF, and the CMTF, such that appropriations for these purposes increase the statutory reserve obligation. Appropriations made for fiscal emergencies remain exempt.

### State Expenditures

This bill does not directly decrease state expenditures, but reduces the amount of money available for appropriations at the discretion of the General Assembly during the 2019 legislative session and subsequent sessions. The current law reserve requirement for FY 2018-19 cannot be computed until actual FY 2018-19 appropriations are finalized in 2019. However, Joint Budget Committee Staff estimates suggest that General Fund appropriations will total approximately

\$11.2 billion, requiring a reserve of between \$725 million and \$730 million. Any increase in the statutory reserve requirement would increase this amount and reduce the amount available for General Fund expenditures correspondingly. The provision in the bill removing the exemption for lease-purchase agreement appropriations is expected to increase the reserve requirement by about \$4 million. Therefore, each 0.5 percentage point increase in the reserve requirement is expected to increase the required reserve by approximately \$60 million.

The amount of the reserve requirement for FY 2019-20 and subsequent years cannot be estimated because a budget has not been enacted for these years.

### **Technical Note**

The introduced version of this bill does not specify a percentage for the statutory reserve. Based on discussion in the Joint Budget Committee, this fiscal note assumes that a percentage will be specified when the bill is heard in a future committee.

### **Effective Date**

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

### **State and Local Government Contacts**

Joint Budget Committee Staff

Legislative Council Staff