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FISCAL NOTE

Drafting Number:	LLS 19-1012	Date:	March 28, 2019
Prime Sponsors:	Rep. Becker; McCluskie Sen. Court; Priola	Bill Status:	House Finance
		Fiscal Analyst:	Greg Sobetski 303-866-4105 Greg.Sobetski@state.co.us

Bill Topic: ALLOCATE APPROVED REVENUE FOR EDUCATION & TRANSPORTATION

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure - <i>conditional</i>	<input checked="" type="checkbox"/> Local Government - <i>conditional</i>
<input checked="" type="checkbox"/> State Transfer - <i>conditional</i>	<input type="checkbox"/> Statutory Public Entity

Conditional on voter approval of HB 19-1257, which is referred to voters as Proposition CC, this bill allocates retained revenue in equal shares for higher education, public schools, and state and local transportation projects. It indeterminately increases state expenditures and local government revenue and expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

**Table 1
State Fiscal Impacts Under HB 19-1258**

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	General Fund	\$43.2 million	-
	State Highway Fund	up to \$13.0 million	-
	Highway Users Tax Fund	\$8.6 million	-
	Total	up to \$64.8 million	-
Transfers	General Fund	(\$21.6 million)	-
	Highway Users Tax Fund	\$21.6 million	-
	Total	\$0	-
TABOR Refund	General Fund	-	-

Summary of Legislation

This bill takes effect only if HB 19-1257 is adopted by the General Assembly and approved by voters at the November 2019 statewide election as Proposition CC. If approved, Proposition CC requires that revenue collected in excess of the state TABOR limit (Referendum C cap) be retained and spent for public schools, higher education, and transportation projects. This bill requires that excess revenue be set aside in the General Fund exempt account and that, in the succeeding year:

- the General Assembly appropriate one-third of the retained amount for higher education;
- the General Assembly appropriate one-third of the retained amount for public schools, to be distributed on a per pupil basis and used only for nonrecurring expenses for the purpose of improving classrooms; and
- the state treasurer transfer one-third of the retained amount to the Highway Users Tax Fund (HUTF).

The bill specifies that revenue appropriated to school districts may not be used as part of a district reserve. Revenue transferred to the HUTF is allocated as follows:

- 60 percent to the State Highway Fund (SHF) for use for the state's strategic transportation project investment program;
- 22 percent to counties for county transportation projects, distributed according to a current law formula; and
- 18 percent to municipalities for municipal transportation projects, distributed according to a current law formula.

The bill applies to revenue retained for the current FY 2018-19 and subsequent years. For revenue retained in FY 2018-19 only, revenue may be appropriated or transferred in FY 2019-20 or FY 2020-21. For revenue retained in FY 2019-20 and subsequent years, revenue must be appropriated or transferred in the immediate succeeding year. The Office of the State Controller in the Department of Personnel and Administration is required to report annually on the amount of retained revenue, and the Office of the State Auditor in the Legislative Branch is required to audit these reports.

Assumptions

This fiscal note assumes that the bill directs allocations of \$64.8 million, consistent with the March 2019 Legislative Council Staff (LCS) forecast, which estimates that the state will collect \$64.8 million in excess of the state TABOR limit in the current FY 2018-19 under current law. The bill requires that any amount retained for FY 2018-19 be set aside in the General Fund exempt account and allocated in either FY 2019-20 or FY 2020-21. This fiscal note assumes that allocations will be made in FY 2019-20.

Under the March 2019 LCS forecast, the state is not expected to collect a TABOR surplus in either FY 2019-20 or FY 2020-21. A forecast of state revenue subject to TABOR is not available for years beyond FY 2020-21. If Proposition CC is approved by voters and the state collects revenue in excess of the Referendum C cap in any of these years, this bill will direct allocations of revenue in the immediate succeeding fiscal year.

State Transfers

In FY 2019-20, the bill conditionally transfers \$21.6 million from the General Fund to the HUTF. This money will be allocated to the SHF, counties, and municipalities as shown in Table 2.

Table 2
Allocations of FY 2019-20 HUTF Transfers Under HB 19-1258*

	FY 2019-20 Allocation
State Highway Fund	\$13.0 million
Counties	\$4.8 million
Municipalities	\$3.9 million
Total	\$21.6 million

**Totals may not sum due to rounding.*

The bill similarly transfers one-third of all future revenue retained under Proposition CC. Revenue is not expected to be retained in FY 2019-20 or FY 2020-21 under the March 2019 LCS forecast, and a forecast of state revenue subject to TABOR is not available beyond FY 2021-22. For these reasons, the bill is assessed as indeterminately increasing future transfers to the HUTF for state and local transportation projects.

State Expenditures

The bill conditionally increases state expenditures by up to \$64.8 million in FY 2019-20 for P-12 education, higher education, and transportation projects. Based on the March 2019 LCS forecast, the bill is not expected to increase state expenditures in FY 2020-21 or FY 2021-22. The bill increases future year state expenditures by an indeterminate amount on an ongoing basis.

Higher education and public schools. The bill conditionally increases FY 2019-20 General Fund expenditures by \$43.2 million. Of this amount, \$21.6 million will be appropriated for higher education purposes, and \$21.6 million will be appropriated for per pupil distributions to school districts. The bill does not specify uses for these funds, which will be determined by the General Assembly and local school districts.

Local transportation projects. The bill conditionally increases FY 2019-20 HUTF expenditures for local government distributions by \$8.6 million. These amounts will be allocated to county and municipal governments as shown in Table 2.

Department of Transportation. Revenue conditionally transferred to the SHF, as shown in Table 2, is available for state transportation projects included in the strategic transportation project investment program. Allocation of revenue to this fund may increase FY 2019-20 or subsequent year SHF expenditures for transportation projects by up to \$13.0 million. The amounts and timing of transportation project expenditures are directed by the Transportation Commission.

Reporting. The bill requires that revenue retained under Proposition CC be reported by the Office of the State Controller in the Department of Personnel, and audited by the Office of the State Auditor in the Legislative Branch. Similar reporting requirements already exist for revenue retained under Referendum C, and additional reporting required under the bill can be accomplished within existing appropriations.

Future years. Revenue is not expected to be retained in FY 2019-20 or FY 2020-21 under the March 2019 LCS forecast, and a forecast of state revenue subject to TABOR is not available beyond FY 2021-22. For these reasons, the bill is assessed as indeterminately increasing future state expenditures for higher education, public schools, and state and local transportation projects.

Local Government

The bill increases local government revenue to school districts and for transportation projects by \$30.2 million in FY 2019-20. Based on the March 2019 LCS forecast, the bill is not expected to increase local government revenue in FY 2020-21 or FY 2021-22. The bill increases future year local government revenue by an indeterminate amount on an ongoing basis.

Counties and municipalities. State FY 2019-20 county and municipal revenue for local transportation projects will increase by the HUTF distribution amounts shown in Table 2. These distributions are subject to the same transportation project use requirements as for other HUTF distributions under current law.

School districts. The bill increases state per pupil appropriations to school districts by \$21.6 million in state FY 2019-20. These appropriations are required to be spent for nonrecurring expenses for the purpose of improving classrooms, with specific spending decisions to be made by school boards. Appropriations under the bill may not be added to a district reserve.

Local government TABOR refunds. This bill may increase revenue to local governments required to issue TABOR refunds. To the extent that state allocations have not been exempted from TABOR by voters in affected local jurisdictions, the amount required to be refunded will increase.

Effective Date

The bill takes effect only if HB 19-1257 is adopted by the General Assembly and approved by voters at the November 2019 statewide election as Proposition CC. If Proposition CC is approved by voters, this bill takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Counties
Higher Education
Legislative Council Staff Economics Section
Municipalities
Revenue
State
Transportation

Education
Information Technology
Local Affairs
Personnel
School Districts
State Auditor