

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Craig Harper, JBC Staff (303-866-3481)
DATE April 29, 2024
SUBJECT Updated General Fund Overview

This memo updates the General Fund Overview based on: (1) the actions of the JBC and the conference committees on the Long Bill Package bills; and (2) updated estimates of the amount of General Fund made available by the ARPA swap legislation; and (3) the impact of the Health Insurance Affordability Enterprise/TABOR revenue issue discussed on April 26, 2024.

As shown in Table 1 on the following page, under the March 2024 OSPB Revenue Forecast (as updated based on the new information discussed above), the Committee's actions to date would leave the General Fund \$30.0 million below the 15.0 percent reserve requirement for FY 2024-25. Staff has highlighted the following changes to the previous General Fund Overview in green (in order from the top of Table 1 to the bottom).

- An increase of \$15.8 million to FY 2024-25 appropriations in the Long Bill (line 6) based on the actions of the Conference Committee.
- A decrease of \$30.4 million, or \$35.0 million including the associated reserve requirement, to the placeholder for shared housing priorities (line 11).
- An increase of \$12.8 million to the placeholder for General Fund made available by the ARPA swap bill for FY 2024-25 (line 15). That change includes: (1) an increase of \$10.0 million associated Finish What You Started in Higher Education that staff had previously reflected separately from the swap; and (2) an increase of \$2.8 million driven by changing estimates of the amount available as a result of the swap.
- A \$33.9 million increase in the TABOR refund obligation for FY 2023-24 (line 24), which will actually be refunded in FY 2024-25, associated with the misclassification of a transfer to the Health Insurance Affordability Enterprise (see Eric Kurtz's memo dated April 25, 2024).
- A net increase of \$13.7 million in anticipated fee revenue subject to TABOR for FY 2024-25 (line 28) based on revised revenue estimates approved during the conference committee process.
- An increase of \$2.0 million transferred to the Capital Construction Fund in FY 2024-25 for the History Colorado/Department of Revenue relocation bill (line 35).
- A decrease to the year-end General Fund balance/reserve (line 42) in FY 2023-24 and FY 2024-25 based on the changes outlined above. The amount above the reserve requirement (line 45) in FY 2023-24 has decreased by \$34.9 million from \$135.1 million to \$101.2 million.

As shown in line 45, barring additional changes to either General Fund obligations (appropriations, transfers, etc.) or the reserve requirement, *current* projections show the General Fund ending FY 2024-25 \$30.0 million below the 15.0 percent reserve requirement. The Health Insurance Affordability Enterprise issue is driving this change and deficit relative to the previous estimates. Staff has also highlighted the placeholder assumptions for the impact of proposed legislation to reclassify certain revenues as collections for a local government in yellow (line 28) because that bill is still outstanding but is assumed as part of the Committee's balancing.

Table 1: General Fund Overview as of April 29, 2024
Based on the OSPB March 2024 Forecast
(\$ millions)

	FY 2023-24	FY 2024-25	FY 2025-26	
General Fund Available				
1	Beginning Reserve	\$2,427.4	\$2,320.6	\$2,332.6
2	Gross General Fund Revenue	17,866.0	18,090.3	19,139.2
3	Transfers In (existing law reflected in forecast)	61.6	66.7	62.6
4	Transfers in - JBC Bills (Private COF and State Employee Reserve Fund in FY 2023-24/ Severance, CMTF, and COVID Heroes in FY 2024-25)	32.6	104.7	n/a
5	Total General Fund Available	\$20,387.7	\$20,582.4	\$21,534.4
LESS: General Fund Obligations				
6	Appropriations (Long Bill and Leg. Approp. FY Bill 2024-25, proj. FY 2025-26)	\$15,189.4	\$16,273.8	\$16,922.0
7	JBC Long Bill Package bills (appropriations)	-11.4	-46.6	-7.5
8	JBC Bill - third party study of DOC (appropriations)	0.0	0.4	0.0
9	JBC placeholders for non-JBC bills	0.0	23.8	40.1
10	Placeholder for legislature priorities ¹	0.0	21.7	0.0
11	Placeholder for shared housing priorities ¹	0.0	12.0	0.0
12	Placeholder for shared workforce and education priorities ¹	0.0	16.2	
13	Placeholder for other shared priorities ¹	0.0	10.5	
14	Placeholder for rural hospitals ¹	0.0	2.6	0.0
15	JBC placeholder for ARPA swap bill (reducing GF appropriation)	0.0	-210.6	0.0
16	LESS: Appropriations for rebates and expenditures	-226.1	-237.3	-248.1
17	LESS: Appropriations from Healthy School Meals Account	-156.0	-116.2	-107.4
18	Subtotal: Appropriations subject to statutory reserve requirement	14,795.9	15,750.3	16,601.2
19	<i>Annual Percent Change</i>	<i>11.0%</i>	<i>6.5%</i>	<i>5.4%</i>
20	Rebates and Expenditures (reflected in forecast)	231.8	175.9	171.4
21	Appropriations from Healthy School Meals Account	156.0	116.2	107.4
22	TABOR Refund [Article X, Section 20 (7)(d)]			
23	Current year revenue above Referendum C Cap (refunded following fiscal year)	2,028.1	1,293.8	1,767.1
24	Increased TABOR obligation for Health Insurance Affordability Enterprise	33.9	0.0	0.0
25	TABOR Impact of Long Bill Dental Provider Rate Increase	0.0	8.6	8.6
26	TABOR Impact of CSI Mill Levy Equalization (HB24-1394)	0.0	-0.7	-0.7
27	TABOR impact - Employment Support Fund (HB24-1409)	-49.5	-24.5	-24.5
28	JBC Bill Placeholder - Tobacco tax rebate and gaming reclassification	-31.1	-31.5	-31.9
29	Estimated Fee Revenue Increase (OSPB Estimate as of 4/11/24)	0.0	13.7	13.7
30	Impact of Local Affairs DPT exemption fee	0.0	0.4	0.0
31	<i>Transfers Out and Other Diversions</i>			
32	Transportation (existing law reflected in forecast)	5.0	117.5	117.5
33	Capital/IT projects	351.4	251.7	272.3
34	Transfers out to other funds (Long Bill Package)	0.0	12.3	n/a
35	Transfer to Capital Construction Fund for Revenue/History Colorado bill	0.0	2.0	0.0
36	Transfer to 250/150 Commission Cash Fund	0.0	0.3	0.0
37	Other Transfers and Diversions (existing law reflected in forecast)	545.6	563.9	421.3
38	Subtotal: Other Obligations	3,271.2	2,499.5	2,822.2
39	Total General Fund Obligations	\$18,067.0	\$18,249.8	\$19,423.4
Reserve Requirements				
42	Fiscal Year-end General Fund Ending Balance/Reserve	\$2,320.6	\$2,332.6	\$2,111.0
43	Statutorily Required Reserve Percent	15.0%	15.0%	15.0%
44	Required Reserve Amount	\$2,219.4	\$2,362.6	\$2,490.2
45	Year-end Reserve Above/(Below) Requirement	101.2	-30.0	-379.1

¹ These placeholders account for the 15.0 reserve requirement and show the amount available for appropriation.

SUSTAINABILITY OUTLOOK

In addition to updating the overview, staff also wants to flag potential sustainability challenges as members begin to plan for the FY 2025-26 budget process. In short, the FY 2024-25 budget is using approximately \$457.8 million in *one-time funding* to support General Fund expenditures and/or expenditures that would otherwise be General Fund (see Table 2). That amount includes:

- \$210.6 million General Fund made available because of the ARPA swap bill;
- \$137.4 million in transfers from other funds to the General Fund in FY 2023-24 and FY 2024-25;
- \$84.9 million in existing fund balance in the Controlled Maintenance Trust Fund being used for controlled maintenance in FY 2024-25 in addition to a transfer of \$32.0 million to the General Fund included in the transfers amount above (for this analysis, staff assumes that the FY 2024-25 level of controlled maintenance funding should be ongoing); and
- \$25.0 million for the additional first-year impact of the Employment Support Fund in the Department of Labor and Employment.

	FY 2023-24	FY 2024-25	Total
Transfers to General Fund			
Severance Tax	\$0.0	\$69.3	\$69.3
Controlled Maintenance Trust Fund (CMTF)	0.0	32.0	32.0
State Employee Reserve Fund	31.2	0	31.2
COVID Heroes	0.0	3.4	3.4
Private COF Transfer	1.5	0	1.5
Subtotal - Transfers to the General Fund	\$32.6	\$104.7	\$137.4
ARPA Swap Bill (HB24-1466)	0.0	210.6	210.6
CMTF Balance Used for Controlled Maintenance	0.0	84.9	84.9
ESF Restructure (one-time impact in first year)	25.0	0	25.0
Total	\$57.6	\$400.2	\$457.8

While the budget uses that amount of one-time *money* for FY 2024-25, there does not appear to be a similar amount of one-time *spending*. JBC Staff has estimated that there is approximately \$50 million in identified one-time spending in the Long Bill. At this time, staff is uncertain how much spending in other legislation will be one-time in nature. However, assuming that the vast majority of the \$457.8 million in one-time money is going to ongoing uses, backfilling that amount of one-time money with ongoing revenues in FY 2025-26 and beyond will be challenging.

While the FY 2025-26 column in Table 1 (on page 2) is at best a rough estimate based on annualizations of known decisions, staff notes that it does show the State approximately \$380 million short of being able to sustain the projected spending and sustain a 15.0 percent reserve in that year barring other changes to either reduce spending or increase revenues.