



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

**Drafting Number:** LLS 22-0406  
**Prime Sponsors:**

**Date:** January 25, 2022  
**Bill Status:** Bill Draft  
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**Bill Topic:** INVESTMENT OF PUBLIC SCHOOL FUND STUDY & REPORT

**Summary of Fiscal Impact:**

- |   |   |
|---|---|
| <input type="checkbox"/> State Revenue                | <input type="checkbox"/> TABOR Refund     |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer               | <input type="checkbox"/> School District  |

The bill adjusts the distribution of interest and income in the Public School Permanent Fund beginning FY 2022-23, changes the composition of the Public School Investment Board, and creates a working group to make recommendations to the interim school finance committee. The bill increases state workload on a one-time basis.

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

**Fiscal Note Status:** The fiscal note reflects the draft requested by the Legislative Interim Committee on School Finance

## Summary of Legislation

**Public School Permanent Fund.** Under current law, revenue from school trust lands are deposited in the Public School Fund, also known as the Permanent Fund. The interest and income earned on the deposits and investment of the Permanent Fund are used and credited in the following order:

- the first \$21 million is credited to the State Public School Fund;
- an appropriation is made to the State Treasurer to pay for the services of private fund managers and expense reimbursement incurred by the Public School Investment Board;
- the next \$20 million is credited to the restricted account of the Public School Capital Construction Assistance Fund for the Building Excellent Schools Today (BEST) program; and
- any remaining amount may be credited as specified by the General Assembly.

Beginning FY 2022-23, this bill requires that the appropriation to the State Treasurer for an investment consultant and expense reimbursement be calculated first. After that, up to \$21 million is credited to the State Public School Fund, any remaining funds up to \$20 million is credited for public school capital construction, and the remaining funds may be credited or appropriated by the General Assembly.

**Public School Investment Board.** The bill permits the board to enter into contracts with both professional fund managers and investment consultants to invest money in the Public School Fund. Beginning July 1, 2022, the terms of board members appointed by the Treasurer must be staggered to ensure that no more than 2 of the 3 appointments expire in the same year.

**Working group.** The Treasurer, in consultation with the public school investment board, must convene a working group to consider opportunities to improve the long-term sustainability of the fund and the stability of distributions for the intergenerational benefit of public schools. The bill sets the composition of the working group and major topics for consideration, including distribution of revenue from the state school trust lands, investment opportunities and policies, and provisions related to certificate of participation agreements. The Treasurer must report on working group findings to the Legislative Interim Committee on School Finance by December 1, 2022. The working group is repealed July 1, 2023.

**Lawful investment.** The bill clarifies the time frame and circumstances in which investment losses to the fund may be offset by investment gains before the General Assembly is required to appropriate money to cover losses.

## State Expenditures

The bill is not anticipated to change available funding for school finance in FY 2022-23 or FY 2023-24. In FY 2022-23 only, the State Treasurer will have increased workload to convene the working group and report to the General Assembly.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State and Local Government Contacts

Education                  Natural Resources                  Treasurer