

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members
 FROM Carolyn Kampman, JBC Staff Director
 DATE May 17, 2020
 SUBJECT Referendum C Recommendation for FY 2020-21 Long Bill

In November 2005 voters approved Referendum C, which authorizes the State to retain and spend certain state revenues that exceed the limitation on state fiscal year spending in the Taxpayer's Bill of Rights (TABOR). The excess revenues the State is allowed to retain and spend are credited to the General Fund Exempt Account within the General Fund. The General Assembly may only appropriate money in the Account for purposes that are specified in statute, including: health care; education; retirement plans for firefighters and police officers; and strategic transportation projects. For further details, see the "Background Information" section at the end of this memorandum.

The actual amount of excess revenues that is credited to the Account is not known until after the books for a fiscal year are finalized. Thus, initial Long Bill appropriations from the Account are based on projections from the revenue forecast selected by the Committee. These appropriations are adjusted twice: once in the middle of the fiscal year, and a second time after the close of the fiscal year. **This memorandum includes recommendations for adjusting appropriations from the General Fund Exempt Account for FY 2018-19 now that the books are closed, and for FY 2019-20 and FY 2020-21 based on projections in the May 2020 forecast from the Office of State Planning and Budgeting.**

RECOMMENDED ADJUSTMENTS TO APPROPRIATIONS FROM THE GENERAL FUND EXEMPT ACCOUNT: FY 2018-19			
DEPARTMENT	GENERAL FUND	GFE ACCOUNT	SUM
Health Care Policy and Financing - Medical Services Premiums			
Existing Appropriations	\$1,313,952,242	\$885,333,333	\$2,199,285,575
Recommended Adjustment	(12,972)	12,972	0
Adjusted Appropriation	1,313,939,270	885,346,305	2,199,285,575
Education - State Share of Districts' Total Program Funding			
Existing Appropriations	3,036,590,106	885,333,333	3,921,923,439
Recommended Adjustment	(12,972)	12,972	0
Adjusted Appropriation	3,036,577,134	885,346,305	3,921,923,439
Higher Education - Multiple line item appropriations			
Existing Appropriations	144,808,480	825,233,333	970,041,813
Recommended Adjustment	(12,972)	12,972	0
Adjusted Appropriation	144,795,508	825,246,305	970,041,813
Local Affairs - Volunteer Firefighter Retirement Plans; Volunteer Firefighter Death and Disability Insurance			
Existing Appropriations	0	4,300,000	4,300,000
Transportation Projects			
Existing Appropriations	0	500,000	500,000
Total Adjusted Appropriations from GFE Account		\$2,600,738,915	
Total Adjustments	(\$38,916)	\$38,916	\$0

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RECOMMENDED ADJUSTMENTS TO APPROPRIATIONS FROM THE GENERAL FUND EXEMPT ACCOUNT: FY 2019-20			
DEPARTMENT	GENERAL FUND	GFE ACCOUNT	SUM
Health Care Policy and Financing - Medical Services Premiums			
Existing Appropriations	1,270,681,594	\$897,710,833	\$2,168,392,427
Recommended Adjustment	374,387,500	(374,387,500)	0
Adjusted Appropriation	1,645,069,094	523,323,333	2,168,392,427
Education - State Share of Districts' Total Program Funding			
Existing Appropriations	3,268,712,281	897,710,833	4,166,423,114
Recommended Adjustment	374,387,500	(374,387,500)	0
Adjusted Appropriation	3,643,099,781	523,323,333	4,166,423,114
Higher Education - Multiple line item appropriations			
Existing Appropriations	239,739,220	837,633,333	1,077,372,553
Recommended Adjustment	374,387,500	(374,387,500)	0
Adjusted Appropriation	614,126,720	463,245,833	1,077,372,553
Local Affairs - Volunteer Firefighter Retirement Plans; Volunteer Firefighter Death and Disability Insurance			
Existing Appropriations	30,000	4,345,000	4,375,000
Transportation Projects			
Existing Appropriations	0	500,000	500,000
Total Adjusted Appropriations from GFE Account		\$1,514,737,499	
Total Adjustments	\$1,123,162,500	(\$1,123,162,500)	\$0

RECOMMENDED ADJUSTMENTS TO APPROPRIATIONS FROM THE GENERAL FUND EXEMPT ACCOUNT: FY 2020-21			
DEPARTMENT	GENERAL FUND	GFE ACCOUNT	SUM
Health Care Policy and Financing - Medical Services Premiums			
Existing Appropriations	1,549,495,043	\$897,710,833	\$2,447,205,876
Recommended Adjustment	813,219,439	(813,219,439)	0
Adjusted Appropriation	2,362,714,482	84,491,394	2,447,205,876
Education - State Share of Districts' Total Program Funding			
Existing Appropriations	3,572,899,250	\$897,710,833	4,470,610,083
Recommended Adjustment	813,219,439	(813,219,439)	0
Adjusted Appropriation	4,386,118,689	84,491,394	4,470,610,083
Higher Education - Multiple line item appropriations			
Existing Appropriations	235,985,133	837,633,333	1,073,618,466
Recommended Adjustment	813,219,439	(813,219,439)	0
Adjusted Appropriation	1,049,204,572	24,413,894	1,073,618,466
Local Affairs - Volunteer Firefighter Retirement Plans; Volunteer Firefighter Death and Disability Insurance			
Existing Appropriations	30,000	4,345,000	4,375,000
Transportation Projects			
Existing Appropriations	0	500,000	500,000
Total Adjusted Appropriations from GFE Account		\$198,241,683	
Total Adjustments	\$2,439,658,316	(\$2,439,658,316)	\$0

BACKGROUND INFORMATION

There are two statutory provisions that relate to Referendum C, which was approved by voters in November 2005.

First, Section 24-77-103.6 (1) and (2), C.R.S., authorizes the State to “retain and spend all state revenues that are in excess of the limitation on state fiscal year spending, but less than the excess state revenues cap for the given fiscal year”. The General Fund Exempt Account, created within the General Fund, consists of an amount of General Fund revenue equal to the amount of revenues in excess of the limitation on state fiscal year spending that the state retains for a given fiscal year. Money in the Account “shall be appropriated or transferred by the general assembly for the following purposes:

- (a) To fund health care;
- (b) To fund education, including any capital construction projects related thereto;
- (c) To fund retirement plans for firefighters and police officers, so long as the general assembly determines that such funding is necessary; and
- (d) To pay for strategic transportation projects included in the department of transportation's strategic transportation project investment program.”

Within this first provision, "education" is defined to include public elementary and high school education; and higher education.

Second, Section 24-77-104.5, C.R.S., provides further direction about how money in the Account shall be appropriated or transferred. Paragraph (a) of this provision indicates that available money in the Account shall be used as follows:

- If the voters approve Referendum D (a referred measure concerning transportation projects), the General Assembly may appropriate money from the Account to the Critical Needs Fund to make payments on principal and interest on critical needs notes issued.
- If the voters do not approve Referendum D, money in the Account shall be used in a manner consistent with section 24-77-103.6 (2).
- The amount appropriated or transferred pursuant to this provision shall be:
 - (1) \$55.0 million in FY 2005-06;
 - (2) \$95.0 million in FY 2006-07; and
 - (3) \$125.0 million in each subsequent state fiscal year.

Paragraph (b) of this provision states that if there is any money in the Account after the appropriations or transfers required by paragraph (a), then all moneys remaining in the account shall be split equally for the following three purposes:

- health care;
- preschool through twelfth grade education; and
- for the benefit of students attending community colleges and other institutions of higher education.

Voters did not approve Referendum D. Based on these two provisions, the money in the Account has been allocated annually as follows:

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- The first \$125.0 million is allocated for transportation (\$500,000 has been the amount typically used) and for firefighter benefits (this appropriation fluctuates, but it's typically around \$4.3 million). The remainder is split evenly between health care and K12 education.
- Any amount in excess of \$125.0 million is split equally between health care, K12 education, and higher education.
- As a result, the allocation for higher education is typically about \$60.0 million lower than the allocations for health care and for K12 education.