Attached to this memorandum are recommendations on the funds to be designated as the TABOR reserve.

**RECOMMENDATIONS REGARDING THE TABOR RESERVE**

Attachment 1, entitled "JBC Staff Recommendation for TABOR Reserve Designation - FY 2017-18 and FY 2018-19", reflects the staff recommendation on funds to be designated as the TABOR reserve.

**FY 2016-17 TABOR Reserve Discussion:** A TABOR reserve of $393.7 million is required for FY 2016-17 according to the Legislative Council Staff (LCS) March 2017 Revenue Forecast. The current Long Bill (HB 16-1405) headnote designation for the FY 2016-17 TABOR reserve includes a total of $398.6 million. The components of the headnote are $256.3 million (64.3 percent) in liquid assets and $142.3 million (35.7 percent) in equity assets. As a result of projections contained in the LCS March 2017 Revenue Forecast, no adjustment is required to the fiscal year 2016-17 TABOR reserve designation in the headnotes of HB 16-1405. The projections in the OSPB March 2017 forecast would require a $393.7 million TABOR reserve, therefore, no adjustment to FY 2016-17 under the OSPB forecast either. Therefore, **staff recommends no change to the FY 2016-17 TABOR reserve designation.**

**FY 2017-18 TABOR Reserve Discussion:** A TABOR reserve of $416.5 million is required for FY 2017-18 according to both the LCS March 2017 Revenue Forecast and the OSPB March 2017 Forecast. Attachment 1 reflects the staff recommendation for the allocation of FY 2017-18 TABOR reserve as follows:

- $83.0 million of the balance in the Major Medical cash fund,
- $68.5 million of the balance in the Controlled Maintenance Trust Fund,
- $5.0 million of the balance in the unclaimed Property Fund,
- $33.0 million of the balance in the Perpetual Base Account of the Severance Tax Fund,
- $33.0 million of the balance in the Perpetual Base Account of the Severance Tax Fund,
- $34.0 million of the balance in the Division of Wildlife Cash Fund, and,
- $160.3 million of state properties to constitute the TABOR reserve.

The staff recommendation for FY 2017-18 results in a designation comprised of 61.5 percent liquid cash funds and 38.5 percent based on equity in state properties for the TABOR reserve. The staff recommendation continues the current practice of using a portion of state properties as part of the TABOR reserve. Staff believes it is prudent to maintain a high percentage of cash as the TABOR reserve, especially given the State’s past experience with wildfires and floods.
There are currently funds available in the CMTF for the General Assembly to designate $48.5 million from the CMTF as a part of the FY 2016-17 TABOR reserve. Section 24-75-302.5 (2) (a), C.R.S. permits the principal in the CMTF to constitute all or a portion of the TABOR reserve. The Governor has issued executive orders thus far in FY 2016-17 drawing down $19.8 million from the CMTF. Therefore, staff recommends replenishing the CMTF with a transfer of $20.0 million additional General Fund to the CMTF to bring the balance back to $68.5 million.

Currently, the following six state properties (value totaling $172,643,825) are designated as part of the TABOR reserve:

- Parking Garage, 1350 Lincoln Street, Denver (value $11,986,350)
- Legislative Services Building, 200 E. 14th Ave, Denver (value $17,357,350)
- Centennial Building, 1313 Sherman St., Denver (value $37,308,975)
- State Services Building, 1525 Sherman St., Denver (value $44,879,625)
- Human Services Building, 1575 Sherman St., Denver (value $32,180,900)
- Capital Annex Building, 1375 Sherman St., Denver (value $28,930,625)

Staff recommends the Committee designate a combination of these state properties with a value of up to $160.3 million as the state property portion of the TABOR reserve. This retains an additional $12,371,825 in flexibility within state properties to cover the potential of forecast error.
<table>
<thead>
<tr>
<th>Fund/Equity Designated to TABOR</th>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cite</td>
<td>Dollar Amt</td>
</tr>
<tr>
<td>Major Medical (Section 8-4-202 (1) (a), C.R.S.)</td>
<td>(a) 83,000,000</td>
<td>20.8%</td>
</tr>
<tr>
<td>Controlled Maintenance Trust Fund (Section 24-75-302.5 (2)(a), C.R.S.)</td>
<td>(b) 68,328,000</td>
<td>17.1%</td>
</tr>
<tr>
<td>Increase to Controlled Maintenance</td>
<td>(c) 5,000,000</td>
<td>1.3%</td>
</tr>
<tr>
<td>Unclaimed Property Fund (Section 38-13-116.7 (1), C.R.S.)</td>
<td>(d) 33,000,000</td>
<td>8.3%</td>
</tr>
<tr>
<td>Perpetual Base Account of the Severance Tax Fund (Section 39-29-109(2)(a)(II)</td>
<td>(e) 33,000,000</td>
<td>8.3%</td>
</tr>
<tr>
<td>CWCB Construction Fund (Section 37-60-112(1)(a)</td>
<td>(f) 34,000,000</td>
<td>8.5%</td>
</tr>
<tr>
<td>DOW CF (Liquid Assets) (Section 33-1-112 (1) (a), C.R.S.)</td>
<td>(g) 142,272,000</td>
<td>35.7%</td>
</tr>
<tr>
<td>State Buildings (Equity Assets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase to State Buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Available for 3% Reserve</td>
<td>398,600,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>Required TABOR Reserve Based on LCS March 2017 Forecast</td>
<td>393,700,000</td>
<td></td>
</tr>
<tr>
<td>Above/(Below) Required TABOR Reserve</td>
<td>4,900,000</td>
<td></td>
</tr>
</tbody>
</table>

**State Buildings Currently Included in Long Bill Draft:**
- Parking Garage, 1350 Lincoln Street, Denver: 11,986,350
- Legislative Services Building, 200 E. 14th Ave, Denver: 17,357,350
- Centennial Building, 1313 Sherman St, Denver: 37,308,975
- State Services Building, 1525 Sherman St, Denver: 44,879,625
- Human Services Building, 1575 Sherman St., Denver: 32,180,900
- Capitol Annex Building, 1375 Sherman St., Denver: 28,930,625
- Total: 172,643,825

**Potential Additional Buildings:**
- Total Buildings with Additional: 172,643,825
- Total Buildings - FY 2016-17: 142,272,000
- Excess in Level of Buildings Designated: 30,371,825
- Total Buildings - FY 2017-18 Staff Recommendation: 160,272,000
- Excess in Level of Buildings Designated: 12,371,825

Prepared by JBC Staff
Attachment 1
21-Mar-2017