

**STATE
FISCAL IMPACT**

Drafting Number: LLS 09-1038

Date: April 6, 2009

Prime Sponsor(s): Sen. White
Rep. Marostica

Bill Status: Senate Appropriations

Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING CHANGES IN THE LAWS GOVERNING PINNACOL ASSURANCE TO ALLOW THE STATE TO MAKE USE OF CERTAIN FUNDS AUTHORIZED BY STATUTE TO BE COLLECTED BY PINNACOL ASSURANCE, AND, IN CONNECTION THEREWITH, AUGMENTING STATE REVENUES BY REQUIRING THE TRANSMITTAL OF CERTAIN SURPLUS FUNDS OF PINNACOL ASSURANCE TO THE STATE TREASURY, CLARIFYING THE LAWS GOVERNING PINNACOL ASSURANCE'S FUNDS, AND MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue General Fund	\$500 million	
State Expenditures General Fund Reappropriated Funds	\$300.5 million \$288.4 million	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2009-2010: The bill includes appropriation adjustments to the FY 2009-10 Long Bill.		
Local Government Impact: None.		

Summary of Legislation

Budget Package Bill. This bill is recommended by the Joint Budget Committee as part of the budget package. It requires the board of Pinnacol Assurance (Pinnacol) to transmit \$500 million from Pinnacol's surplus funds to the General Fund between July 1, 2009, and September 1, 2009. The bill removes statutory language stating Pinnacol's revenues, moneys, and assets belong solely to Pinnacol and are not available to the state. An appropriation of \$589 million to the Department of Higher Education is included in the bill.

Background

Pinnacol is a political subdivision of the state that provides workers' compensation insurance to over half of Colorado employers and is prohibited by law in most cases from refusing to insure any Colorado employer. It pays a surcharge on the premiums it collects, which totals about \$500 million annually, but does not pay premium taxes, state or federal income taxes. In 2004, when a reasonable surplus was reached in the Pinnacol fund, the state treasurer transferred investment authority to the Pinnacol board. As of December 31, 2008, Pinnacol reported a surplus of \$698 million but is only required by the insurance commissioner to have a minimum surplus of \$113.2 million. It has paid dividends to policyholders in each of the last four years.

State Revenue

The bill requires Pinnacol to transmit \$500 million to the state treasurer to credit to the General Fund which will be new state revenue. Thus, there will be more General Fund available for appropriations for FY 2009-10 and to shore up the state's statutory reserve (\$199.5 million for FY 2009-10).

State Expenditures

Of the funds transmitted from Pinnacol, the bill makes the following appropriations adjustments to the FY 2009-10 Long Bill to the Department of Higher Education:

- \$300.5 million General Fund is appropriated to offset the \$300 million General Fund reduction to the Department of Higher Education for the College Opportunity Fund Program; and
- \$288.4 million Reappropriated Funds are then appropriated to the respective schools and/or governing boards.

Departments Contacted

Legislature — Joint Budget Committee Staff