


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated January 26, 2009)

Drafting Number: LLS 09-0320
Prime Sponsor(s): Sen. Bacon
 Rep. Solano

Date: February 24, 2009
Bill Status: Senate Appropriations
Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING THE STATE BOARD OF LAND COMMISSIONERS.

Fiscal Impact Summary	FY 2009-10	FY 2010-11	FY 2011-12
State Revenue			
Cash Funds			
Public School Fund (Permanent Fund)	\$263,250	\$723,775	\$1,358,500
Public School Capital Construction Assistance Fund	141,750	389,725	731,500
State Transfers or Diversions			
Diversion from the Public School Fund (Permanent Fund) to the State Board of Land Commissioners Investment and Development Cash Fund	(2,000,000)	(3,000,000)	(4,000,000)
State Expenditures			
Cash Funds			
State Board of Land Commissioners Investment and Development Fund	2,000,000	3,000,000	4,000,000
FTE Position Change			
Effective Date: Upon signature of the governor or upon becoming law without his signature.			
Appropriation Summary for FY 2009-10: Funds are continuously appropriated so none required.			
Local Government Impact: None.			

The fiscal note is revised to reflect amendments adopted by the Senate Committee on Local, Government and Energy and the Senate Committee on Finance.

Summary of Legislation

This bill increases from \$1.0 million to \$5.0 million, over 3 years, the annual limit of payments generated from state school lands that can be credited to the State Board of Land Commissioners Investment and Development Fund and removes the repeal of the fund. SB09-022 authorizes the board to take actions necessary for a portion of state or school lands to be incorporated, annexed, or otherwise included within a local government entity for land use planning and land entitlement purposes. The board is exempted from certain requirements pertaining to professional service contracts when making expenditures from the fund.

Background

SB05-196 created the State Board of Land Commissioners Investment and Development Fund to provide for the enhancement of the revenue and value of the state's trust lands with annual diversions of \$1.0 million of state school lands income. The school trust portfolio includes 2.7 million acres of land and 3.9 million acres of mineral rights. According to their 2009 annual report, since 2005, the board has authorized 21 projects and \$3.1 million in expenditures from the fund. Eleven completed projects have produced an average income of \$1.6 million per year and a one-time increase of \$6.0 million. Projects accomplished to date include:

- ▶ installation of irrigation to make agriculture land more profitable;
- ▶ building remodeling to make office buildings more marketable; and
- ▶ audits of mineral leases to ensure that the state is being fairly compensated for use.

Estimated revenue from all school land leases is projected at \$65.0 million for FY 2008-09.

Diversion of Revenue From state School Lands

The bill gives the board authority to divert up to an additional \$2.0 million in FY 2009-10, \$3.0 million in FY 2010-11, and \$4.0 million in FY 2011-12, of payments from state school lands that would have been credited to the Public School Fund to the State Board of Land Commissioners Investment and Development Cash Fund.

State Revenue

State cash funds revenue is expected to increase by \$405,000 in FY 2009-10, \$1,113,500 in FY 2010-11, and \$2,090,000 in FY 2011-12 from increased return on investments less decreases in investment earnings. These details are shown in Table 1 and described below.

Table 1. Detail of Revenue Impact under SB09-022.				
Fiscal Year	Diversion Increase	Interest Earned	Investment Income	Balance
FY 2009-10	2,000,000	(95,000)	500,000	405,000
FY 2010-11	3,000,000	(136,500)	1,250,000	1,113,500
FY 2011-12	4,000,000	(160,000)	2,250,000	2,090,000

Return on Investment. Based on past project performance, total cash fund revenue to both the Public School Fund and the Public School Capital Construction Assistance Fund are expected to increase by at least \$500,000 in FY 2009-10, \$1,250,000 in FY 2010-11, and \$2,250,000 in FY 2011-12. The Public School fund receives 65 percent of this income and the Public School Capital Construction Assistance Fund receives 35 percent. Future performance is dependent on the final decisions of the board and the success of the property developments to generate additional revenue and increase property values.

Investment earnings. The interest rate for the Public School Fund is estimated to be 4.75 percent for FY 2009-10, 4.55 percent for FY 2010-11 and 4.0 percent for FY 2011-12. By increasing the diversion of moneys from the Public School Fund, interest is earned on a smaller balance.

State Expenditures

Land development costs. The bill has a state cash funds impact of up to \$2.0 million in FY 2009-10, \$3.0 million in FY 2010-11, and \$4.0 million in FY 2011-12 from the State Board of Land Commissioners Investment and Development Fund for state trust land development. All projects are analyzed individually and recommended to the board on a risk adjusted basis.

Departments Contacted

Natural Resources

Treasury

Education