

**STATE CONDITIONAL  
FISCAL IMPACT**

**Drafting Number:** LLS 10-1102  
**Prime Sponsor(s):** Rep. DelGrosso  
 Sen. Lundberg

**Date:** May 5, 2010  
**Bill Status:** House SVMA  
**Fiscal Analyst:** Kate Watkins (303-866-6289)

**TITLE:** SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO ARTICLE X OF THE CONSTITUTION OF THE STATE OF COLORADO, CONCERNING THE CREATION OF A STATE SAVINGS AND TRUST FUND, AND, IN CONNECTION THEREWITH, REQUIRING AN ANNUAL DEPOSIT OF STATE GENERAL FUND MONEYS INTO THE SAVINGS AND TRUST FUND IN AN AMOUNT EQUAL TO THE AMOUNT OF THE STATE GENERAL FUND RESERVE FOR THE PRIOR FISCAL YEAR UNTIL THE BALANCE OF THE FUND REACHES A SPECIFIED LEVEL AND ALLOWING THE GENERAL ASSEMBLY TO APPROPRIATE MONEYS FROM THE SAVINGS AND TRUST FUND FOR THE PURPOSE OF BUDGET STABILIZATION DURING ECONOMIC DOWNTURNS IF THE GENERAL ASSEMBLY HAS ALSO AUTHORIZED THE EXPENDITURE OF THE ENTIRE STATE GENERAL FUND RESERVE.

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Transfers or Diversions</b> Transfer from the General Fund to the State Savings and Trust Cash Fund	(\$132.6 million)	(\$277.6 million)	(\$282.2 million)
<b>State Expenditures</b> General Fund	See State Expenditures Section		
<b>FTE Position Change</b>			
<b>Effective Date:</b> July 1, 2010, if passed by the voters in the November 2010 election.			
<b>Appropriation Summary for FY 2010-2011:</b> None required.			
<b>Local Government Impact:</b> None.			

**Summary of Legislation**

This concurrent resolution submits to the voters in the November 2010 election an amendment to the state constitution that would create the State Savings and Trust Fund, a state rainy day fund. Starting FY 2010-11, in fiscal years when there are sufficient funds to maintain the General Fund Reserve, revenue from the General Fund would be deposited into the fund in an amount equal to the lesser of:

- the amount required by law to have been in the prior fiscal year's General Fund reserve; or
- the amount needed to bring the fund balance to 10 percent of General Fund appropriations for the current fiscal year.

The General Assembly may only appropriate money from the fund when both houses have authorized the expenditure of the entire General Fund Reserve through the enactment of a bill. In this instance, money appropriated from the fund may be used for budget stabilization purposes during economic downturns through the enactment of a bill.

All investment earnings are required to be credited to the fund and the fund may not be used to meet General Fund Reserve requirements.

## **Background**

*The General Fund Reserve.* In some literature, the General Fund Reserve is not considered a budget stabilization fund or "rainy day fund" due to its size and the requirement that it be refilled each year. Funding the reserve every year is a statutory requirement. Over the course of the state's history, the required size of the General Fund Reserve has been as high as 6 percent of General Fund appropriations, and as low as zero (as was the case during the economic downturn and budget shortfall in FY 2001-02). The reserve requirement under current law for FY 2009-10 is 2 percent of General Fund appropriations and 4 percent in FY 2010-11. Contingent upon Colorado personal income growth, starting FY 2012-13 the required reserve balance will grow by half of a percentage point each fiscal year up to 6.5 percent of General Fund appropriations.

## **State Transfers or Diversions**

If passed by the voters, this concurrent resolution would transfer from the General Fund to the State Savings and Trust Fund \$132.6 million in FY 2010-11, \$277.6 million in FY 2011-12, and \$282.2 million in FY 2012-13. These amounts are equal to estimates of the required General Fund reserve balance of 2 percent in FY 2009-10 and 4 percent in FY 2010-11 and FY 2011-12. This fiscal note assumes the Joint Budget Committee estimates of General Fund Reserve requirements using the March 2010 Legislative Council Staff forecast and the Long Bill as passed by both houses in the 2010 legislative session. Based on current law, the State Savings and Trust Fund could reach its ceiling amount of ten percent of General Fund appropriations as early as FY 2012-13.

## **State Expenditures**

If passed by the voters this concurrent resolution would reduce the amount of General Funds available for spending by the amounts transferred to the State Savings and Trust Fund.

*Department of Personnel and Administration.* The Department of Personnel and Administration will incur a cost for accounting, reporting, and monitoring the new fund. This cost amounts to the expenses required to employ 1.0 FTE for every 25 cash funds. These incremental increases in cost do not justify an increase in appropriations for FY 2010-11, but may be addressed through the annual budgeting process.

**Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the November 2010 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. Table 1 below identifies the anticipated costs for the 2010 Blue Book.

<b>Table 1. Cost to Produce and Distribute the 2010 Blue Book to All Registered Voter Households</b>	
Printing	\$400,000
Postage	\$450,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$700,000
<b>Total Cost (14 issues)</b>	<b>\$1,570,000</b>
<b>Average Cost per Issue</b>	<b>\$112,143</b>

**Departments Contacted**

Treasury  
Legislative Council Staff  
Governor's Office

State  
Controller's Office