

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 10-1080
Prime Sponsor(s): Rep. Sonnenberg

Date: May 3, 2010
Bill Status: House Education
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TITLE: SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO SECTION 3 OF ARTICLE XXVII OF THE CONSTITUTION OF THE STATE OF COLORADO, CONCERNING THE TRANSFER OF ALL AVAILABLE NET PROCEEDS OF EVERY STATE-SUPERVISED LOTTERY GAME OPERATED UNDER THE AUTHORITY OF SECTION 2 OF ARTICLE XVIII OF SAID CONSTITUTION TO THE STATE EDUCATION FUND CREATED IN SECTION 17 (4) OF ARTICLE IX OF SAID CONSTITUTION IF THE GENERAL ASSEMBLY DECLARES A STATE FISCAL EMERGENCY.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue Cash Funds Department of Natural Resources	potential decrease	
State Transfers Transfer from the Great Outdoors Colorado Trust Fund to the State Education Fund	potential increase	
State Expenditures Cash Funds Department of Natural Resources	potential decrease	
FTE Position Change		
Effective Date: Upon voter approval at the 2010 general election.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This concurrent resolution submits a measure to the voters at the 2010 general election to amend the constitution to permit the transfer of the available net proceeds from every state-supervised lottery game to the State Education Fund.

Beginning with the third quarter of FY 2010-11, the General Assembly may transfer the available proceeds following a declaration of a state fiscal emergency, if approved by a two-thirds majority vote in each house of the legislature and by the Governor.

Background

Colorado State Lottery. Article XXVII of the Constitution dedicates state lottery proceeds to projects that preserve, protect, and enhance the state's wildlife, parks, rivers, trails, and open spaces. One half of these moneys funds Great Outdoors Colorado (GOCO). After covering administrative costs, GOCO allocates the proceeds in grants to local governments and other entities. Since 1994, GOCO has awarded almost \$550 million for more than 2,700 projects statewide. Lottery proceeds also partially fund the Conservation Trust Fund (CTF), administered by the Department of Local Affairs, and partially fund the Division of Parks and Outdoor Recreation and the Division of Wildlife, in the Department of Natural Resources.

State Education Fund. Section 17 of Article IX of the Constitution (Amendment 23) requires the state to increase the base per-pupil funding, and funding for categorical programs by at least inflation plus 1 percent each year through this fiscal year, and by at least the amount of inflation beginning in FY 2011-12. It establishes the State Education Fund, which receives an amount equal to 1/3 of 1 percent of taxable income to assist with the funding requirements of Amendment 23, and with funding other education programs.

State Transfers

If approved by voters, the resolution permits the General Assembly to declare a fiscal emergency and then pass legislation that transfers the net proceeds of all state-supervised lottery games from the Great Outdoors Colorado Trust Fund to the State Education Fund.

State Revenue and Expenditures

Increasing the amount of available money in the Sate Education Fund could increase available money for K12 schools; however, increased revenue in the State Education Fund could also be used to fund a larger percentage of School Finance, requiring less money from the General Fund and therefore freeing portions of General Fund for other state expenses.

Colorado State Parks and the Colorado Division of Wildlife receive lottery proceeds on an annual basis from GOCO. State Parks also receive proceeds directly from the Colorado Lottery, distributed to the division on a quarterly basis. Currently, the Division of Wildlife has approximately \$14.5 million committed from GOCO and anticipates an additional \$8.7 million by the end of this fiscal year. State parks receives approximately \$14.0 annually in GOCO funding and \$12.0 million annually from direct lottery proceeds. Contingent on action by the General Assembly, lottery proceeds transferred to the State Education Fund will result in a number of programs in these divisions being scaled back or eliminated entirely.

Local Government Impact

Conservation Trust Fund (CTF). Under the constitution, 40 percent of proceeds from lottery games is transferred to the CTF to be formulaically distributed to counties, municipalities, and eligible special districts. If the General Assembly is given authority to divert the net proceeds of lottery games, some or all of this funding will not be available for the local governments. Over the past 5 years, CTF distributions averaged \$47.2 million, with portions of this funding used to make debt service payments from the lease purchase of facilities and equipment, as well as to pay maintenance salaries. Local governments also use CTF to match funds for projects approved for GOCO Competitive Grants (see below).

GOCO Competitive Grants. The constitution requires GOCO to allocate some of its proceeds to competitive grants to local governments or other entities to acquire, develop, or manage open lands and parks. Typically, GOCO provides 48 percent of a project's funding to these entities. Rather than carry a sufficient cash balance to provide funding assistance at the completion of a project, GOCO awards grants ahead of receipt of proceeds. GOCO currently has approximately 300 projects to which it has made grant awards of approximately \$122 million, but for which no funding has been paid. If the General Assembly diverts any or all of these proceeds, funding for these projects will be interrupted, or canceled altogether.

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 2 below identifies the anticipated costs for the 2010 Blue Book.

Table 2. Cost to Produce and Distribute the 2010 Blue Book to All Registered Voter Households	
Printing	\$400,000
Postage	\$450,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$700,000
Total Cost (14 issues)	\$1,570,000
Average Cost per Issue	\$112,143

Departments Contacted

Education
Natural Resources

Governor's Office
Treasury

Local Affairs