


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0363

Date: February 2, 2011

Prime Sponsor(s): Sen. King S.

Bill Status: Senate SVMA

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TITLE: CONCERNING THE COLORADO ECONOMIC STABILITY FUND, AND, IN CONNECTION THEREWITH, CREATING THE FUND AND SPECIFYING THE CONDITIONS UNDER WHICH MONEYS MUST BE TRANSFERRED TO AND MAY BE EXPENDED FROM THE FUND.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue			
State Transfers or Diversions Transfer from the General Fund to the Colorado Economic Stability Fund	(\$62.2 million)	(\$1.6 million)	(\$116.4 million)
State Expenditures	See State Expenditures section.		
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: None required.			
Local Government Impact: None.			

Summary of Legislation

This bill creates the Colorado Economic Stability Fund in the State Treasury. In any year when General Fund revenue increases over the prior year, ten percent of the increase must be deposited into the fund. The fund cannot exceed 15 percent of General Fund revenue in any given fiscal year. The fund's interest earnings must remain in the fund in fiscal years when money is not drawn from the fund.

The General Assembly may only appropriate or transfer money from the fund if:

- General Fund revenue declined ten percent or more in the prior fiscal year *and* the General Assembly declares a state fiscal emergency by adopting a joint resolution approved by two-thirds majority vote and the Governor; or
- the General Assembly declares that extraordinary circumstances other than a state fiscal emergency necessitate use of the funds by adopting a joint resolution approved by two-thirds majority vote and the Governor.

The fund may only be used to fund existing state-funded programs that provide "vital services" as determined by a majority vote of the Joint Budget Committee. The General Assembly may appropriate or transfer no more than half of the money in the fund unless a separate joint resolution authorizing a larger amount is approved by two-thirds majority vote of the legislature and the Governor. Money from the fund may be used for TABOR refunds only if the balance of the fund remains at 15 percent of General Fund revenue for the fiscal year.

State Transfers or Diversions

Based on the December 2010 Legislative Council Staff forecast, this bill requires General Fund transfers to the Colorado Economic Stability Fund of \$62.2 million in FY 2010-11, \$1.6 million in FY 2011-12, and \$49.5 million in FY 2012-13. Table 1 shows these transfers, the estimated fund balance, and the fund balance as a percent of General Fund revenue for FY 2010-11 through FY 2012-13.

Table 1. Transfers to the Colorado Economic Stability Fund, Fund Balance, and Balance as a Percent of General Fund Revenue Under SB11-027*			
Fiscal Year	Required General Fund Transfer	Economic Stability Fund Balance**	Fund Balance as a % of General Fund Revenue
FY 2010-11	\$62.2 million	\$62.2 million	0.9%
FY 2011-12	\$1.6 million	\$65.3 million	0.9%
FY 2012-13	\$49.5 million	\$116.4 million	1.5%

* Estimates based on the December 2010 Legislative Council Staff forecast.

** Fund balance includes transfers and interest earnings.

State Expenditures

Transferring money from the General Fund to the Colorado Economic Stability Fund will result in a reduction in expenditures for programs that would have otherwise received these funds from the General Fund.

Department of Personnel and Administration. The Department of Personnel and Administration will incur costs for accounting, reporting, and monitoring the new fund. The department requires an additional 1.0 FTE for every 25 cash funds administered by the Office of the Controller. The incremental increase in costs associated with this bill will be addressed through the annual budgeting process.

Departments Contacted

Treasury Personnel and Administration