



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

Drafting Number: LLS 12-0528 **Date:** February 8, 2012
Prime Sponsor(s): Rep. Beezley; DelGrosso **Bill Status:** House Finance
 Sen. Brophy **Fiscal Analyst:** Louis Pino (303-866-3556)

TITLE: CONCERNING A LIMIT ON TOTAL STATE GENERAL FUND APPROPRIATIONS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Transfers or Diversions Transfer from the General Fund to the:		
Newly created State Reserve Fund	(\$17.3 million)	
Highway Users Tax Fund	(8.65 million)	
Capital Construction Fund	(8.65 million)	
State Expenditures		
General Fund*	(\$34.6 million)	
Highway Users Tax Fund**	8.65 million	
Capital Construction Fund	8.65 million	
FTE Position Change		
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: See the Local Government Impact section.		

* See the State Expenditure section for the impact on General Fund expenditures
 ** This money is then distributed to the State Highway Fund, counties, and municipalities.

Summary of Legislation

Under current law, General Fund appropriations are limited to an amount equal to 5 percent of Colorado personal income. Beginning in FY 2012-13, this bill limits General Fund appropriations growth to 6 percent over the prior year's appropriations.

The bill also requires that year-end surplus revenue above the new 6 percent appropriations limit, net of statutory or constitutionally required reserves, TABOR refunds, and other required transfers, such as Senate Bill 09-228, be distributed as follows:

- 50% to the newly created State Reserve Fund;
- 25% to the Highway Users Tax Fund (HUTF); and
- 25% to the Capital Construction Fund (CCF).

During economic downturns, the General Assembly may appropriate or transfer moneys from the State Reserve Fund for any purpose by the enactment of a bill approved by 2/3 majority vote of all the members elected to each house.

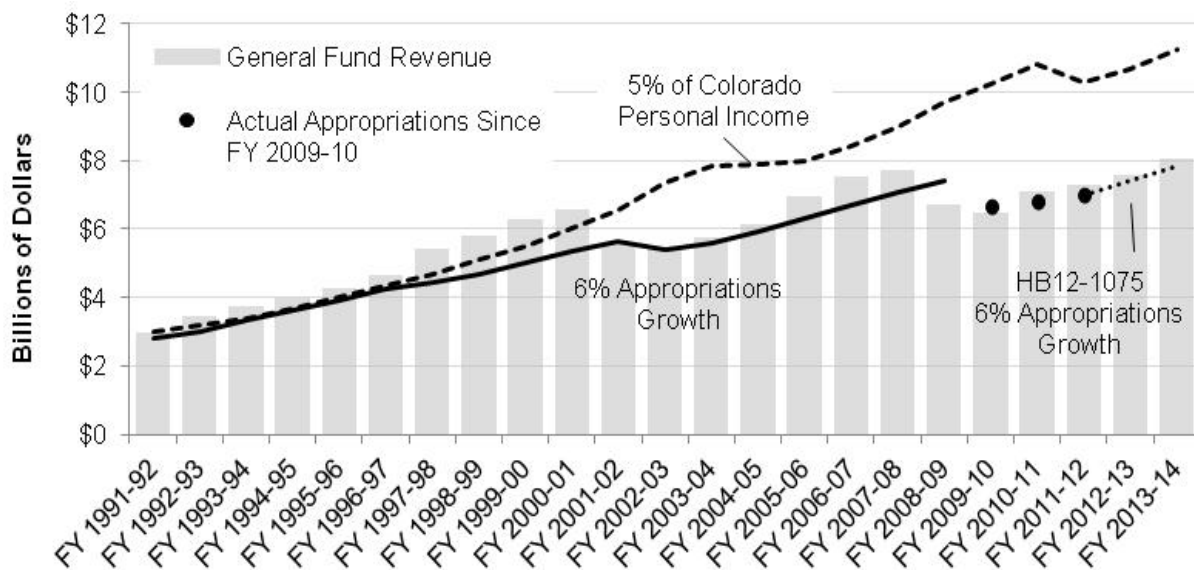
The moneys transferred to the Highway Users Tax Fund will be allocated as follows:

- 60% to the State Highway Fund;
- 22% to counties; and
- 18% to municipalities

Background

Senate Bill 09-228. From FY 1991-92 to FY 2008-09, General Fund appropriations were limited to the lesser of a 6 percent increase from the prior year's appropriations level or 5 percent of Colorado personal income. This limit is commonly referred to as the Arveschoug-Bird limit, named after the sponsors of the bill that imposed the limit. Historically, the 6 percent appropriations growth limit has been the smaller amount. During the 2009 legislative session, Senate Bill 09-228 repealed the 6 percent limit on General Fund appropriations, thereby limiting appropriations to 5 percent of Colorado personal income starting in FY 2009-10. For illustrative purposes, Figure 1 shows the appropriations limit under current law and House Bill 12-1075 relative to General Fund revenue.

**Figure 1
Appropriation Limits Under Current Law and House Bill 12-1075**



Note: From FY 1991-92 through FY 2008-09, the appropriations limit was equal to the lesser of the 6 percent appropriations growth or 5 percent of personal income. The 6 percent appropriations growth limit was repealed by SB09-228 starting in FY 2009-10. Projections for FY 2010-11 through FY 2013-14 are from the December 2011 Legislative Council Staff Forecast.

Starting in FY 2009-10, Senate Bill 09-228 also repealed certain transportation and capital construction funding mechanisms, including the House Bill 02-1310 transfers to the HUTF and CCF. House Bill 02-1310 transfers consisted of "surplus" General Fund moneys that exceeded the Arveschoug-Bird appropriations limit and was not required to meet the statutory General Fund reserve requirement or be distributed as a TABOR refund to taxpayers. House Bill 02-1310 transfers were distributed two-thirds to the HUTF and one-third to the CCF.

Senate Bill 09-228 established a new transfer mechanism for the HUTF and the CCF, where, starting in FY 2012-13, annual Colorado personal income growth of 5 percent triggers a five-year block of General Fund transfers in an amount equal to:

- 2 percent of General Fund revenue each year for five years to the HUTF; and
- 0.5 percent of General Fund revenue in the first two years and 1 percent of General Fund appropriations in the following 3 years to the CCF.

Senate Bill 09-228 also requires that the statutory General Fund reserve increase over time up to an amount equal to 6.5 percent of General Fund appropriations subject to the 5 percent personal income growth trigger. The Senate Bill 09-228 HUTF and CCF transfers and the required increase in the reserve do not change under House Bill 12-1075.

State Transfers

HB 12-1075 requires transfers of year-end surplus revenue, as shown in Table 1.

Table 1: House Bill 12-1075 Transfers

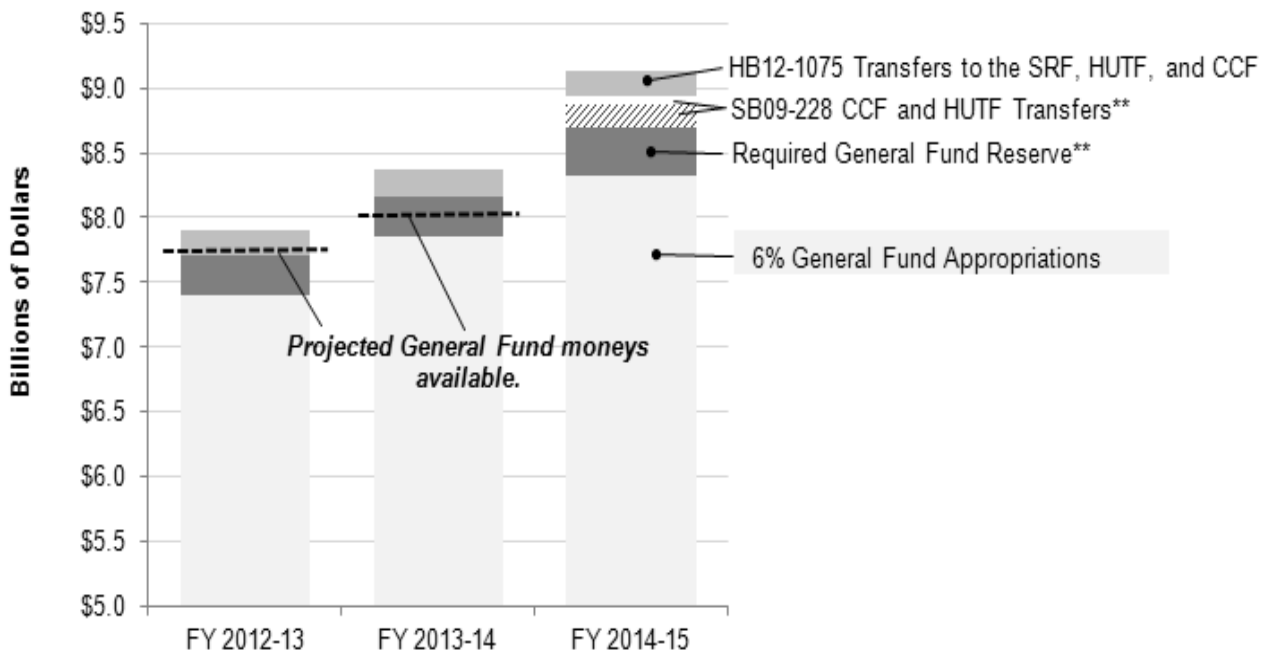
Fund	Millions of Dollars	
	FY 2012-13	FY 2013-14
State Reserve Fund	\$17.3	\$0.0
Highway Users Tax Fund	\$8.7	\$0.0
Capital Construction Fund	\$8.7	\$0.0
Total	\$34.6	\$0.0

The figures in Table 1 are based on the December 2011 Legislative Council Staff Forecast. That forecast indicates that General Fund moneys will be sufficient for House Bill 12-1075 transfers for FY 2012-13, but inadequate for FY 2013-14, the last year of the forecast period. A revenue forecast is not available for FY 2014-15. However, the December 2011 forecast assumes that Colorado personal income will grow by at least 5 percent in 2014, which will trigger Senate Bill 09-228 transfers and the increase to the required General Fund Reserve in FY 2014-15.

Figure 2 illustrates the amount of General Fund revenue needed for there to be any surplus funds for House Bill 12-1075 transfers. Should revenue exceed the TABOR limit, the TABOR refund supercedes all other spending priorities. Because a TABOR surplus is not expected over the next several years, TABOR refunds are not shown in Figure 2.

The light grey bars in Figure 2 shows General Fund appropriations growing by 6 percent each year. The dotted lines in the figure shows projected General Fund revenue available relative to the amount required for the House Bill 12-1075 transfers to occur. The figure also illustrates the priority of certain expenditures and transfers needed for there to be any surplus funds for the newly created State Reserve Fund or other House Bill 12-1075 transfers.

Figure 2
Priority of Certain General Fund Expenditures,
Transfers, and the General Fund Reserve Under House Bill 12-1075*



Note: Should revenue exceed the TABOR limit, the TABOR refund supercedes all other spending priorities.

* Projections based on the December 2011 Legislative Council Staff forecast.

** The December 2011 forecast assumes that Colorado personal income will grow by at least 5% in 2014, which will trigger the SB09-228 CCF and HUTF transfers and require that the General Fund reserve to increase to 4.5% in FY 2014-15. SRF = State Reserve Fund. CCF = Capital Construction Fund. HUTF = Highway Users Tax Fund.

State Expenditures

The bill reduces the amount available for appropriation from the General Fund by an estimated \$34.6 million in FY 2012-13 and makes at least \$17.3 million available for expenditure for capital construction and transportation purposes. An additional \$17.3 million would be available for expenditure from the newly created State Reserve Fund under certain circumstances.

General Fund. By establishing a 6 percent appropriations growth limit, this bill may reduce the amount of General Fund expenditures in years when General Fund revenue is sufficient to grow appropriations by more than 6 percent. Historically, 6 percent appropriations growth has been a lesser amount than 5 percent of Colorado personal income. This fiscal note assumes that this will continue to be the case into the future.

Local Government Impact

This bill will increase the HUTF distributions to cities and counties during years when General Fund revenue is sufficient to produce transfers under House Bill 12-1075. The bill requires that the moneys transferred to the HUTF will be allocated as follows:

- 60% to the State Highway Fund;
- 22% to counties; and
- 18% to municipalities.

Table 2 shows estimated distributions to counties and municipalities based on the December 2011 Legislative Council Staff forecast. In FY 2013-14, revenue is not sufficient to allow General Fund appropriations to increase by 6 percent and fully fund the required General Fund statutory reserve.

Table 2. House Bill 12-1075 HUTF Transfer Allocations

	Millions of Dollars		
	Distribution	FY 2012-13	FY 2013-14
State Highway	60%	\$5.19	\$0.0
Counties	22%	\$1.90	\$0.0
Municipalities	18%	\$1.56	\$0.0
Total		\$8.65	\$0.0

Departments Contacted

Transportation
Revenue

Personnel and Administration
Legislative Council Staff

Treasury