

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

**Drafting Number:** LLS 12-0713  
**Prime Sponsor(s):** Rep. Gerou  
 Sen. Lambert

**Date:** February 15, 2012  
**Bill Status:** House Appropriations  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE RECEIPT OF CERTAIN MONEYS BY THE DEPARTMENT OF LAW.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>	See State Revenue section.	
<b>State Transfers or Diversions</b> General Fund reversion directed to the Legal Services Cash Fund	Legal Services Cash Fund retains General Fund reversions of up to \$350,000 per year. See State Transfers or Diversions section.	
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

Under current law, any moneys received by the Attorney General (Department of Law) that are not considered custodial moneys are subject to annual appropriation by the General Assembly. This bill, *as recommended by the Joint Budget Committee*, authorizes the department to solicit, accept, and expend, without appropriation by the General Assembly, gifts, grants, and donations consistent with the purposes of the department. Annually, the department must include in its budget request to the Joint Budget Committee a report of its receipts and expenditures of gifts, grants, and donations. The department's authority to manage gifts, grants, and donations in this manner is effective July 1, 2012, and is repealed July 1, 2015.

The bill also creates the Legal Services Cash Fund. The fund is established to receive payments from client state agencies for legal services, and from this fund the General Assembly makes an annual appropriation for the direct and indirect costs for the department to provide legal representation to client agencies and to support litigation involving the department. Under current law, payments for legal services that exceed these direct and indirect costs revert to the General Fund at the end of the fiscal year; the bill provides that any unexpended moneys remain in the Legal Services Cash Fund at the end of the fiscal year.

**Background**

The Department of Law provides legal services to state agencies using billing rates and appropriations estimated during the budget process in each fiscal year. Based on the difference between estimated costs to provide services and actual costs, the Legal Services to State Agencies (LSSA) program often generates revenue in excess of billings. In recent budget years, excess revenue has ranged from 1.2 percent (\$267,000) to 2.8 percent (\$533,000) of total LSSA receipts.

Since FY 1994-95, the department has included a Long Bill appropriation of LSSA excess revenue from the previous year, which provides spending authority for the department to cover unanticipated legal costs and information technology costs. Unused funds from the LSSA excess revenue appropriation revert to the General Fund at the end of the fiscal year. This reversion has ranged from \$0 to \$352,452 in recent fiscal years, as shown in the table below.

<b>Table 1. Recent History of Excess LSSA Revenues Credited to the General Fund</b>						
<b>Fiscal Year of LSSA Revenue</b>	<b>Excess Revenue Relative to Costs to Provide LSSA Services</b>	<b>Excess Revenue as a Percentage of Total LSSA Revenue</b>	<b>Fiscal Year of LSSA Excess Carried Forward in Spending Authority to Dept. of Law</b>	<b>Department of Law Spending From LSSA Excess Revenue</b>	<b>Fiscal Year with General Fund Reversion on June 30</b>	<b>Excess LSSA Revenue Reverted to General Fund</b>
2005-06	\$532,673	2.8%	2006-07	\$180,221	2006-07	\$352,452
2006-07	362,515	1.8%	2007-08	216,577	2007-08	145,938
2007-08	267,456	1.2%	2008-09	267,456	2008-09	0
2008-09	496,833	2.0%	2009-10	145,258	2009-10	351,576
2009-10	367,964	1.5%	2010-11	262,256	2010-11	105,709

**State Revenue**

Under the bill, authority to receive and expend gifts, grants, and donations provides an effective mechanism for the department to solicit new state revenue. The potential increase in revenue cannot, however, be estimated for this analysis.

**State Transfers or Diversions**

The Legal Services Cash Fund does not revert unexpended LSSA revenue to the General Fund. Based on recent history, the amount of legal services revenue that will be retained in the Legal Services Cash Fund rather than reverting to the General Fund will range from \$0 to \$350,000 per fiscal year, with an average General Fund revenue reduction of \$191,000 per year. These retained funds will be available for annual appropriations to the department in future fiscal years.

**State Expenditures**

The department is authorized to expend on its various functions any revenue generated through gifts, grants, and donations. This increase in expenditures cannot be estimated for this analysis, but is expected to be commensurate with the increase in state revenue. Some portion of spending may be deferred for one or two fiscal years under the bill, based on the continuous appropriation of gifts, grants, and donations.

Moneys retained in the Legal Services Cash Fund will be available for the department to defray the cost of providing legal services. As a result, the hourly rate paid by client agencies may be reduced, resulting in cost savings in the legal services budgets of various state agencies.

The bill requirement to submit an annual report concerning gifts, grants, and donations does not increase the workload of the department, as this report is part of its current practices.

**Departments Contacted**

Law	Joint Budget Committee Staff	Office of State Planning & Budgeting
Treasury	Personnel and Administration	