

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

<b>Drafting Number:</b> LLS 12-0094	<b>Date:</b> March 9, 2012
<b>Prime Sponsor(s):</b> Sen. Schwartz Rep. Sonnenberg	<b>Bill Status:</b> Senate Finance
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**TITLE:** CONCERNING THE STATE TREASURER'S AUTHORITY TO MANAGE STATE PUBLIC FINANCING.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>		
Cash Funds		
State Public Financing Cash Fund	Increase.	Increase.
<b>State Expenditures</b>	At least <u>(\$14,200)</u>	At least <u>(\$14,200)</u>
General Fund	(42,961)	(42,961)
Cash Funds		
State Public Financing Cash Fund	28,761	28,761
<b>FTE Position Change</b>	(0.1 FTE)	(0.1 FTE)
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2012-2013:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

Recommended by the Capital Development Committee (CDC), this bill centralizes management of certain state public finance transactions in the State Treasurer's Office. The bill requires the State Treasurer to act as the issuing manager for most state agencies for approved issuances or incurrences of financial obligations such as bonds, notes, or warranties, when the principal amount is at least \$1 million and repaid in whole or part from state revenues. Specifically, the State Treasurer is directed to:

- beginning July 1, 2012, determine the financing structure and term, decide the market timing, and select or hire a financing team for issuances or incurrences of financial obligations;
- act as signatory for all forms required by the Internal Revenue Service to be filed in connection with state public finance transactions;
- develop and issue rules for a state public financing policy; and
- create and maintain an inventory of all state-owned real property used as leased or collateral property.

The bill directs that the lesser of \$100,000 or 2 percent of the principal of a financial transaction be paid to the State Treasurer's Office in order to reimburse the office for verifiable costs incurred in performing or overseeing its primary issuance and post-issuance compliance responsibilities. This amount is credited to the newly created State Public Financing Cash Fund.

Some entities are permitted to enter into financial obligations without the involvement of the State Treasurer's Office, including higher education institutions, the High-Performance Transportation Enterprise, and the State-wide Bridge Enterprise.

### **State Revenue**

**The bill will increase revenue to the State Public Financing Cash Fund.** The amount of revenue will depend on the number and principal amount of financial obligations issued on or after July 1, 2012, and managed by the State Treasurer's Office.

### **State Expenditures**

**The bill will result in a net decrease in state expenditures of at least \$14,200 and 0.1 FTE in FY 2012-13 and future years, as shown in Table 1.** These costs reflect a decrease in FTE for the Department of Personnel and Administration (DPA) and an increase in FTE and legal services costs for the State Treasurer's Office. **The bill will also increase expenditures from the State Public Financing Cash Fund and may affect the cost of future financial transactions.** These costs are not included in Table 1, but are described in more detail below.

<b>Table 1. Net DPA and Treasury Expenditures Under SB 12-150</b>		
<b>Cost Components</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Personal Services	(\$17,133)	(\$17,133)
FTE	(0.1)	(0.1)
Operating Expenses and Capital Outlay	(95)	(95)
Legal Services	3,028	3,028
<b>TOTAL</b>	<b>(\$14,200)</b>	<b>(\$14,200)</b>

**Change in FTE.** There is currently 1.0 FTE appropriated to the Office of the State Controller, within the DPA, for issuance and post-issuance compliance review. The bill does not change the Office of the State Controller's responsibilities associated with the review of new financial transactions. However, the office will no longer be responsible for post-issuance compliance. This fiscal note assumes that it will not be necessary to fund the portion of this position associated with post-issuance compliance (0.5 FTE) once these responsibilities are shifted to the State Treasurer's Office. The State Treasurer's Office requires 0.4 FTE to comply with the requirements of the bill; this results in a net reduction of 0.1 FTE.

***Funding.*** The newly created FTE within the State Treasurer's Office will be funded through moneys deposited to the State Public Financing Cash Fund. Federal regulations limit the use of the proceeds realized from certain financial transactions. Therefore, this fiscal note assumes that the additional FTE identified for the State Treasurer's Office will be used for verifiable costs incurred in performing or overseeing the state's primary issuance and post-issuance compliance responsibilities. This fiscal note assumes that if there are additional costs associated with existing financial obligations or other tracking or reporting requirements that are not payable from the cash fund pursuant to federal law, the State Treasurer's Office will absorb the additional workload within existing appropriations or request additional funding through the annual budget process.

***Legal services.*** An estimated 40 hours of legal services will be needed in FY 2012-13 and future years to review documents associated with state public finance transactions. Legal services are paid at a rate of \$75.71 an hour.

***Cost of new financial obligations.*** The State Treasurer's Office will likely pay outside experts such as bond counsel and underwriters to complete activities related to issuance of new financial transactions from the State Public Financing Cash Fund. It is possible that the total cost of some financial transactions will increase as a result of passage of this bill, which would lead to higher repayment costs. However, this fiscal note assumes that centralizing management of state public financing can also lead to certain efficiencies and cost savings through pooling resources, avoiding errors associated with a lack of financial expertise, and identifying opportunities for savings through refinancing.

***State public financing policy.*** The State Treasurer's Office estimates that it will take about 200 hours to complete the development of the policy. Other agencies are directed to participate in the development of the policy, including the Office of the State Controller and the Governor's Office of State Planning and Budgeting. This fiscal note assumes that additional workload associated with reviewing and developing a new state public financing policy can be absorbed within the existing resources of these offices.

## **State Appropriations**

The DPA requires a reduction of \$42,961 and 0.5 FTE for FY 2012-13. No appropriation to the State Treasurer's Office is required because the State Public Financing Cash Fund is continuously appropriated.

## **Departments Contacted**

All Departments