

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

**Drafting Number:** LLS 12-0814  
**Prime Sponsor(s):** Rep. Gardner B.

**Date:** March 5, 2012  
**Bill Status:** House Judiciary  
**Fiscal Analyst:** Ryan Brendle (303-866-4105)

**TITLE:** CONCERNING STATUTORY RATES OF INTEREST.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>	See State Revenue and Expenditures Section	
<b>State Expenditures</b>		
<b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012 as scheduled and no referendum petition is filed. The new statutory rate becomes effective January 1, 2013		
<b>Appropriation Summary for FY 2012-2013:</b> None		
<b>Local Government Impact:</b> See Local Government Impact Section.		

**Summary of Legislation**

Under current law, when no prior agreement exists or another provision of law specifies a different interest rate, creditors will receive interest at 8.0 percent. House Bill 12-1305 alters this statutory interest rate from a fixed rate to a floating rate; specifically, the statutory interest rate is changed from 8.0 percent to 2.0 percentage points above the discount rate a commercial bank pays to the Federal Reserve Bank of Kansas City on January 2nd of the year the moneys are due. This statute applies primarily to two private parties involved in a civil suit, although it is possible for the state to be one of the parties.

The bill also alters the day the statutory pre-judgement and post-judgement interest rate for personal injury cases is certified by the Secretary of State from January 1 to January 2 of a given year. The interest rate will remain 2 percentage points above the discount rate a commercial bank pays to the Federal Reserve Bank of Kansas City.

**State Revenue and Expenditures**

In the event a state agency is involved in a future civil case and the case does not otherwise specify an interest rate on a damage or award, the state agency may accrue or be liable for a different amount of interest on the award or damages than under current law. This potential impact has not been estimated.

Table 1 below compares Legislative Council Staff estimates for the Kansas City Federal Reserve's discount rate to current statutory interest rates. Based on this forecast, the state could either pay less or receive less interest in cases where no prior agreement exists or another provision of law specifies a different interest rate. If the discount rate is higher than expected, the state could pay more or receive more in cases where no prior agreement exists or another provision of law specifies a different interest rate.

**Table 1**  
**Statutory Interest Rates Under Current Law and HB 12-1305**

<b>Year</b>	<b>Current Law Statutory Interest Rate</b>	<b>Current Law Statutory Personal Injury Rate</b>	<b>HB 12-1305 Statutory Interest Rate</b>
2015*	8.00%	6.00%	6.00%
2014*	8.00%	4.00%	4.00%
2013*	8.00%	3.00%	3.00%
2012*	8.00%	3.00%	3.00%

*\*Legislative Council Staff forecast.*

### **Local Government Impact**

Municipalities and counties operating in their "business function" rather than their "government function" can be held responsible for interest awards and damages. The business function involves entering into agreements for services. The government function pertains to acting as an agent of the state in general government purposes. In the event a local government is involved in a future civil case and the case does not otherwise specify an interest rate on a damage or award, the local government may accrue or be liable for a different amount of interest on the award or damages than under current law. This potential impact has not been estimated.

### **Departments Contacted**

All Departments