


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 12-0562
Prime Sponsor(s): Sen. Grantham

Date: February 14, 2012
Bill Status: Senate Finance
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TITLE: CONCERNING THE ADOPTION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BY THE GOVERNMENT OF THE STATE.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures General Fund	\$153.0 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: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

The bill requires the state controller, in the Department of Personnel and Administration, to implement by January 1, 2014, a comprehensive budgeting, accounting, and reporting system that conforms with generally accepted accounting principles (GAAP) for all executive departments and agencies of state government. The controller is to publish the components of the system and any applicable standards in an accounting procedures manual.

Background

The Financial Accounting Standards Board (FASB) establishes standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. The FASB establishes the "generally accepted accounting principles," or GAAP, to which public financial reporting by U.S. corporations must conform. In 1984, the FASB Foundation established the Governmental Accounting Standards Board (GASB) to set standards of financial accounting and reporting for state and local governmental units.

The state's accounting system conforms to GASB. Current law states, "The controller shall prescribe and cause to be installed a unified and integrated system of accounts for the state. Except as otherwise provided in sections 24-75-201 (2) and 25.5-4-201, C.R.S., such system shall be based

on the accrual system of accounting, as enunciated by the governmental accounting standards board." The controller is in compliance with these requirements through the state's current accounting system, known as the Colorado Financial Reporting System (COFRS).

Although largely in compliance with GAAP, the state would be out of compliance because of several statutorily-authorized policies. Specifically, annual deferrals are made in the areas of payroll (pay date shift enacted in 2003), medical care programs administered by the Department of Health Care Policy and Financing (HCPF) for payments for Medicaid, Child Health Plan Plus, the Old Age Pension Fund, state financing of Medicare prescription coverage, as well as payments made by state agencies to the Governor's Office of Information Technology (OIT). Table 1 summarizes expenditures that are deferred under current law.

Table 1. Accounting Deferrals Under Current Law* (\$ in millions)	
Accounting Deferrals	Deferred to FY 2011-12
Pay Date Shift — All State Agencies General Fund	\$86.4
Medical Care Costs — HCPF	
General Fund	65.3
Federal Funds	101.3
IT Services — Governor's OIT General Fund	1.3
Subtotal General Fund	\$153.0
Subtotal Federal Funds	\$101.3
TOTAL ALL SOURCES	\$254.3

** Deferred from FY 2010-11 to FY 2011-12*

State Expenditures

Conformance with GAAP will increase General Fund expenditures on a one-time basis by \$153.0 million. The bill requires the GAAP-compliant budgeting system to be in place no later than January 1, 2014; however, this fiscal note assumes that the fiscal impact of the one-time correction will occur at the end of FY 2012-13. The one-time appropriations for HCPF and OIT are identified above. Truing up the pay date shift will require an appropriation to each executive department and agency of state government. This fiscal note does not identify those splits; however, the necessary splits will be identified in a future revised fiscal note.

Department of Personnel and Administration (DPA). Implementing the provisions of the bill will result in a workload increase for DPA. These costs are not expected to be significant and will be absorbed within existing appropriations.

Expenditures for the remaining state agencies could increase to the extent that compliance with GAAP-related accounting changes increase agencies' workloads. This fiscal note does not assume that the state's current COFRS system will be replaced, rather that the current system will be updated to comply with GAAP. Should agency-specific impacts be identified as the bill proceeds, such costs will be included in a revised fiscal note.

State Appropriations

For FY 2012-13, Health Care Policy and Financing requires an appropriation of \$65.3 million General Fund, the Governor's Office of Information Technology requires an appropriation of \$1.3 million General Fund, and the Executive Branch requires an appropriation of \$86.4 million General Fund (splits to be provided in a revised fiscal note).

Departments Contacted

All Departments