

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0955
Prime Sponsor(s): Sen. Steadman
 Rep. Gerou

Date: March 25, 2013
Bill Status: Senate Appropriations
Fiscal Analyst: Natalie Mullis (303-866-4778)

TITLE: CONCERNING THE INCREASE IN THE GENERAL FUND RESERVE.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Transfers or Diversions		
Diversion from the General Fund to the General Fund Reserve	\$74.6 million	\$4.9 million*
Transfer from the General Fund to the State Education Fund		(\$74.6 million)
State Expenditures		
General Fund and State Education Fund	<i>See State Expenditures Section</i>	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None.		
Local Government Impact: None.		

* This amount will vary depending on actual General Fund appropriations in FY 2013-14. This figure represents 1.0 percent of the estimated increase General Fund appropriations in the JBC budget package as introduced in the Senate.

Summary of Legislation

Recommended by the Joint Budget Committee, this bill increases the amount of General Fund money that must be held in reserve from 4.0 percent to 5.0 percent of General Fund appropriations during FYs 2012-13 and 2013-14 and modifies the schedule for future reserve increases required by law.

Under current law, a five-year period of increases in the General Fund reserve is required when Colorado personal income increases by at least 5 percent during any calendar year beginning in 2012. Over this five-year period of time, the amount that must be held in the reserve increases by one half of a percentage point each year from its current level of 4.0 percent until it reaches 6.5 percent of General Fund appropriations. SB13-237 splits the five-year period of time into two as follows:

- First two years: SB13-237 accelerates the increase for the first two years by increasing the amount required for FYs 2012-13 and 2013-14 from 4.0 percent to 5.0 percent.

- Last three years: SB13-237 adjusts the formula that triggers the last three years of increases so that the timing of those increases remains unchanged from current law. The bill requires the amount of money in the reserve to remain at 5.0 percent of General Fund appropriations until the final three-year block of increases is triggered.

Table 1 shows the amount of money required to be held in the General Fund reserve under current law and SB13-237, assuming current expectations for growth in Colorado personal income. Based on the March 2013 Legislative Council Staff forecast, Colorado personal income will not increase by at least 5 percent until calendar year 2014, triggering the first increase in the reserve during FY 2015-16. The shaded cells in Table 1 indicate the first year the amount required to be in the reserve will increase under the formula in current law and under the bill. Under SB13-237, these expectations for Colorado personal income triggers the reserve increases for the final three years of this five-year period beginning in FY 2017-18.

Under both current law and the bill, the block of increases will shift backward or forward in time, depending on when Colorado personal income first increases by at least 5 percent, beginning with calendar year 2012. For example, if personal income increases by at least five percent in calendar year 2012, the first year of increases will shift back in time by two years relative to what is shown in Table 1.¹ If personal income does not increase by at least 5 percent until 2015, the first year of increases will occur one year later than shown in the table. Once the first year occurs, the rest of the increases under both current law and the bill are required to occur regardless of future changes in personal income. In addition, SB13-237 does not affect the timing or magnitude of transfers required by current law from the General Fund to the Capital Construction Fund or the Highway Users Tax Fund.

Table 1. General Fund Reserve as a Percent of Operating Appropriations Assuming Current Expectations for Personal Income Growth*		
Year	Current Law	SB13-237
FY 2012-13	4.0%	5.0%
FY 2013-14	4.0%	5.0%
FY 2014-15	4.0%	5.0%
FY 2015-16	4.5%*	5.0%
FY 2016-17	5.0%	5.0%
FY 2017-18	5.5%	5.5%*
FY 2018-19	6.0%	6.0%
FY 2019-20	6.5%	6.5%

* Based on the March 2013 Legislative Council Staff forecast, Colorado personal income will not increase by at least 5 percent until calendar year 2014. Given these expectations, the shaded cells indicate the first year the reserve will increase under the formula in current law and SB13-237.

¹Personal income data for calendar year 2012 will be released by the U.S. Bureau of Economic Analysis on March 27, 2013.

State Transfers or Diversions

Diversions to the General Fund reserve. Increasing the amount of money required to be in the reserve by 1.0 percent in FY 2012-13 and FY 2013-14 will require a diversion of \$74.6 million from the General Fund into the General Fund reserve during FY 2012-13 and an additional diversion of \$4.9 million in FY 2013-14. The additional \$4.9 million is equal to 1.0 percent of the increase in General Fund appropriations proposed by the JBC budget package for FY 2013-14. Although the General Fund reserve will be \$79.5 million higher in FY 2013-14 than under current law, \$74.6 million of this will have already been diverted to the General Fund reserve in FY 2012-13. These amounts may vary depending on actual General Fund appropriations.

Transfer to the State Education Fund. Current law requires that any excess money remaining in the General Fund at the end of FY 2012-13 be transferred to the State Education Fund. Increasing the General Fund reserve requirement for FY 2012-13 by \$74.6 million will therefore reduce the amount transferred to the State Education Fund in FY 2013-14 by that amount.

State Expenditures

This bill does not directly affect state expenditures, but it decreases the amount of money in the General Fund and the State Education Fund available for appropriations in FY 2013-14. The amount of money available to be appropriated out of the State Education Fund will be reduced by \$74.6 million, while the amount of money available to be appropriated from the General Fund will be reduced by \$4.9 million. These amounts may vary, as they are dependent on the actual increase in General Fund appropriations in each fiscal year.

Based on current expectations for growth in Colorado personal income, this bill also decreases the amount of money in the General Fund available for appropriations in FYs 2014-15 and 2015-16.

Departments Contacted

Joint Budget Committee

Legislative Council Staff