

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0694  
**Prime Sponsor(s):** Sen. Steadman  
 Rep. Gerou

**Date:** January 29, 2013  
**Bill Status:** Senate Education  
**Fiscal Analyst:** Marc Carey (303-866-4102)

**TITLE:** CONCERNING A CAP ON THE 2012-13 STATE FISCAL YEAR TRANSFERS TO THE STATE PUBLIC SCHOOL FUND FROM PUBLIC SCHOOL LAND MONEYS.

| <b>Fiscal Impact Summary</b>   | <b>FY 2012-2013</b> | <b>FY 2013-2014</b> | <b>FY 2014-2015</b> |
|--|---------------------|---------------------|---------------------|
| <b>State Revenue</b>   |                     |                     |                     |
| <b>State Transfers or Diversions</b>   |                     |                     |                     |
| Diversion from the State Public School Fund to the Public School Fund (royalties)                  | \$23.7 million      |                     |                     |
| Diversion from the State Public School Fund to the Public School Fund (interest)                   | 1.1 million         |                     |                     |
| <b>State Expenditures</b>  |                     |                     |                     |
| Cash Funds   |                     |                     |                     |
| State Public School Fund   |                     | (\$24.8 million)    |                     |
| <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 2013-2014:</b> None required.                                      |                     |                     |                     |
| <b>Local Government Impact:</b> See School District Impact section.                                |                     |                     |                     |

**Summary of Legislation**

For FY 2012-13, this bill, *recommended by the Joint Budget Committee*, caps the transfer to the State Public School Fund of royalty revenue earned on state school lands and interest earned on the Public School (Permanent) Fund at \$27.0 million and \$9.0 million, respectively.

**Background**

Colorado's original allocation of school trust lands and the Public School (Permanent) Fund that is supported by proceeds from these lands were both established in the state's enabling act. The Permanent Fund receives revenue resulting from the sale of state school lands, and the interest earned by the Permanent Fund is meant to support public schools. Section 3 of Article IX of the State Constitution makes the principal of this fund inviolate and requires the interest and other income be used only to support the public schools of Colorado.

Prior to the establishment of Building Excellent Schools Today (B.E.S.T.) program in 2008, all income from these lands above what was required for operation of the State Land Board was transferred to the Permanent Fund. Under current law, in FY 2012-13, income from these lands is allocated as follows:

- 50 percent of gross income from these lands is transferred to B.E.S.T.;
- \$9.1 million supports State Land Board operations; and
- the remainder is transferred to the State Public School Fund for appropriation through the School Finance Act.

### **State Transfers or Diversions**

For FY 2012-13, the bill caps the transfer to the State Public School Fund of royalty revenue earned from state public school lands at \$27 million. It also caps the transfer of interest earned from the Permanent Fund at \$9 million. These caps result in an \$24.8 million reduction in the amount that would have been transferred under current law, including \$1.1 million in interest and \$23.7 million in royalty revenue. The interest is to remain in the Permanent Fund and become part of the principal of the fund, which is inviolate.

### **State Expenditures**

Because the caps on the transfers were set at levels assumed in the FY 2012-13 School Finance Act (House Bill 12-1345), the bill will not require any changes in FY 2012-13 school finance appropriations, and there is no state expenditure impact in that fiscal year. However, under this bill, an estimated \$24.8 million will not be available for appropriation from State Public School Fund in FY 2013-14.

### **School District Impact**

Under this bill, an estimated \$24.8 million that would have been available for appropriation from the State Public School Fund will not be. While it is not known if all of this money would have gone to support school finance, it is likely that some portion of it would have, and school districts could receive less than they would have otherwise, unless this amount is refinanced through the General Fund or the State Education Fund.

### **Departments Contacted**

Education

Joint Budget Committee Staff