

**STATE  
FISCAL IMPACT**

<b>Drafting Number:</b> LLS 14-1000	<b>Date:</b> March 24, 2014
<b>Prime Sponsor(s):</b> Rep. Duran; Gerou Sen. Steadman	<b>Bill Status:</b> House Appropriations
	<b>Fiscal Analyst:</b> Kristen Koehler (303-866-4918)

**SHORT TITLE:** INCREASE THE GENERAL FUND RESERVE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>	<b>\$0</b>	<b>\$0</b>
<i>State Diversions</i>		
General Fund	(\$131.3 million)	(\$131.3 million)**
General Fund Reserve	131.3 million	131.3 million
<b>State Expenditures</b>	See State Expenditures Section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> None.		

\* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

\*\* This amount will vary depending on actual General Fund appropriations in FY 2015-16.

**Summary of Legislation**

**Recommended by the Joint Budget Committee**, this bill increases the amount of General Fund money that must be held in reserve beginning in FY 2014-15. Specifically, it increases the statutory reserve from 5.0 percent to 6.5 percent of the amount appropriated for expenditure from the General Fund. The bill also repeals the mechanism, known as the personal income trigger, that would have eventually increased the reserve requirement to 6.5 percent.

**Background**

Under current law, a five-year period of increases in the General Fund reserve is required when Colorado personal income increases by at least 5.0 percent during any calendar year. Senate Bill 13-237 suspended the reserve requirement increase until the third year in which the person income trigger occurs, and retained the 5.0 percent reserve requirement for each fiscal year that the reserve requirement is suspended.

Based on the March 2014 Legislative Council Staff forecast, Colorado personal income will not increase by at least 5.0 percent until calendar year 2014, triggering the first increase in the reserve in FY 2017-18. Assuming current expectations for growth in Colorado personal income, Table 1 shows the percentage of money required to be held in the General Fund reserve under current law and under HB 14-1337.

<b>Table 1. General Fund Reserve as a Percent of General Fund Appropriations</b>		
<b>Year</b>	<b>Current Law</b>	<b>HB 14-1337</b>
FY 2014-15	5.0%	6.5%*
FY 2015-16	5.0%	6.5%
FY 2016-17	5.0%	6.5%
FY 2017-18	5.5%*	6.5%
FY 2018-19	6.0%	6.5%
FY 2019-20	6.5%	6.5%

\* Based on the March 2014 Legislative Council Staff forecast, Colorado personal income will not increase by at least 5.0 percent until calendar year 2014. Given these expectations, the shaded cell indicates the first year the reserve will increase under the formula in current law and HB 14-1337.

### **State Revenue**

The bill does not directly affect state revenue, but increasing the amount of money required to be in reserve by 1.5 percent beginning in FY 2014-15 will require a diversion of \$131.3 million from the General Fund to the General Fund reserve, assuming that the FY 2014-15 Long Bill budget package is approved as introduced by the Joint Budget Committee.

### **State Expenditures**

This bill does not directly impact state expenditures, but it decreases the amount of General Fund moneys available for appropriation beginning in FY 2014-15. It affects \$131.3 million in General Fund moneys in FY 2014-15. Thereafter, the amount will vary depending on the actual amount of General Fund monies appropriated during each fiscal year.

### **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

### **State and Local Government Contacts**

Joint Budget Committee Staff