

Colorado Legislative Council Staff Fiscal Note

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0770 **Date:** March 25, 2015  
**Prime Sponsor(s):** Rep. Young **Bill Status:** House Finance  
 Sen. Grantham **Fiscal Analyst:** Greg Sobetski (303-866-4105)

**BILL TOPIC:** MAXIMUM RESERVE FOR CASH FUNDS WITH FEE REVENUE

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
<b>State Revenue</b> Cash Funds		See State Revenue section.
<b>State Expenditures</b> Cash Funds	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>TABOR Set-Aside</b>		See TABOR Impact section.
<b>Appropriation Required:</b> None.		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill, **recommended by the Joint Budget Committee**, makes changes to state law governing the amount that may be held in reserve in cash funds that collect revenue from fees. Under current law, an amount up to 16.5 percent of such a cash fund's expenditures may be retained in the fund as a target reserve, unless an alternative reserve balance is established in the Colorado constitution or in statute. Should a cash fund exceed its target reserve or its alternative reserve balance at the end of a fiscal year, fees for the following fiscal year are reduced by an amount calculated to return the year-end balance to the level of the fund's target reserve or alternative reserve balance.

For FY 2015-16 and subsequent fiscal years, the bill alters the cash fund reserve requirement by:

- changing the name of the "target reserve" to the "maximum reserve" and the "alternative reserve balance" to the "alternative maximum reserve";
- raising the minimum amount of uncommitted reserves that a cash fund must have for the maximum reserve requirement to apply from \$50,000 to \$200,000;
- repealing current law exemptions of certain cash funds from the maximum reserve requirement;
- allowing a state agency to request that the State Controller average uncommitted reserves over a multi-year period for the purpose of determining the uncommitted reserve amount for a cash fund with a multi-year collection cycle;

- restricting spending from cash funds that have exceeded their maximum reserve or alternative reserve balance for three consecutive fiscal years by an amount equal to the lesser of the excess uncommitted reserve or the applicable maximum reserve or alternative maximum reserve; and
- creating a process for a state agency to seek from the Joint Budget Committee (JBC) a three year waiver from the maximum reserve, which may establish an alternative maximum reserve or exempt the cash fund altogether.

The reserve requirement applies only to cash funds which collect revenue from fees that can be adjusted by a state agency. Fees set in statute are exempted from the target reserve requirement in current law, and would remain exempt from the maximum reserve requirement under the bill.

### **State Revenue**

Cash fund revenue from fees may increase or decrease as a result of the bill beginning in FY 2016-17. Because the amounts by which revenue may increase or decrease are dependent on the JBC's issuance or denial of reserve requirement waivers, the revenue change is indeterminate in both direction and magnitude.

**Possible increase.** The bill exempts cash funds with between \$50,000 and \$200,000 in uncommitted reserves from the maximum reserve requirement. Under current law, to the extent that reserves in these funds exceed their target reserve or alternative reserve balance, fees must be lowered to reduce revenue collected in the funds. To the extent that fee revenue would be reduced by this mechanism under current law, the bill results in a revenue increase by eliminating this requirement.

**Possible decrease.** The bill repeals current law exemptions or waivers for several cash funds that would otherwise be subject to the reserve requirement. To the extent that these funds exceed their allowed maximum reserve or alternative maximum reserve, and waivers are not obtained, subjecting these cash funds to the reserve requirement will result in downward adjustments to fee amounts and a corresponding decrease in state revenue.

### **TABOR Impact**

Unless approved by a vote of the people, state fee revenue is subject to TABOR. Beginning in FY 2015-16, the bill may increase or decrease the amount that the state is required to set aside for a TABOR refund. While the change in state revenue subject to TABOR would occur in the cash funds impacted by the bill, TABOR refunds are paid from the General Fund in the year following excess collections.

### **State Expenditures**

The bill can be implemented within existing appropriations. The bill requires the Office of the State Controller within the Department of Personnel and Administration to reprogram its existing reports on cash fund reserves to meet the requirements of the legislation, and to restrict spending authority from cash funds that have been out of compliance for three consecutive fiscal years. This workload increase is absorbable within existing resources.

State agencies seeking waivers for their cash funds will be able to request them during the normal budget process. For this reason, workload increases for both the agencies and the Joint Budget Committee are expected to be absorbable within existing resources.

Separate from implementation costs, the bill may result in increased or decreased cash fund spending. These changes are indeterminate in both direction and magnitude.

**Possible decrease.** The bill requires the Office of the State Controller to restrict spending authority for cash funds that retain reserves in excess of the applicable maximum reserve or alternative maximum reserve for three consecutive fiscal years. Restrictions under this mechanism could reduce cash fund spending beginning in FY 2017-18.

**Possible increase.** In order to reduce a cash fund's year-end balance below the maximum reserve, a state agency may increase spending from the fund. This could increase state expenditures from cash funds beginning from the date of the bill's enactment.

### **Effective Date**

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

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

Corrections  
Higher Education  
Judicial  
Law  
Office of Information Technology  
Public Health and Environment  
Regulatory Agencies  
Transportation

Education  
Human Services  
Labor and Employment  
Natural Resources  
Personnel and Administration  
Public Safety  
Revenue