



*Colorado Legislative Council Staff*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 06-0531  
**Prime Sponsor(s):** Rep. Coleman  
 Sen. Takis

**Date:** January 16, 2006  
**Bill Status:** House Finance  
**Fiscal Analyst:** Tom Dunn (303) 866-2409

**TITLE:** CONCERNING THE MODIFICATION OF THE MANNER IN WHICH THE STATE CONTROLLER MAKES REQUIRED ALLOCATIONS OF TWO-THIRDS OF THE GENERAL FUND SURPLUS FOR ANY STATE FISCAL YEAR COMMENCING ON OR AFTER JULY 1, 2006, TO THE HIGHWAY USERS TAX FUND AND ONE-THIRD OF SUCH GENERAL FUND SURPLUS TO THE CAPITAL CONSTRUCTION FUND TO REQUIRE THE STATE CONTROLLER TO MAKE NINETY PERCENT OF THE ESTIMATED ANNUAL ALLOCATIONS ON SEPTEMBER 20 OF EACH YEAR AND THE REMAINING AMOUNTS OF THE ALLOCATIONS ON THE DATE THE STATE CONTROLLER ISSUES THE COMPREHENSIVE ANNUAL REPORT OF THE STATE.

<b>Fiscal Impact Summary</b>	<b>FY 2006/2007</b>	<b>FY 2007/2008</b>
<b>State Revenues</b>		
General Fund (Investment Earnings)	(\$89,582)	\$0
Cash Funds* (Investment Earnings)	89,582	\$0
<b>State Expenditures</b>		
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Effective Date:</b> Upon signature of the Governor.		
<b>Appropriation Summary for FY 2006-2007:</b> None required.		
<b>Local Government Impact:</b> None		

\* *These cash funds are the Highway Users Tax Fund and the Capital Construction Fund (see State Revenues section on page 2 of the fiscal note).*

**Summary of Legislation**

Under current law, any revenue that is above the state's 4 percent reserve requirement, also known as the General Fund surplus, is allocated to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund (CCF) at the end of the state's fiscal year. This allocation by the State Controller's Office is to take place on July 1 following the end of the immediately preceding fiscal year.

This bill would change the timing of the allocation of the General Fund surplus because the timing is impractical under current law. On July 1, the State Controller's Office has not determined the final accounting for the previous fiscal year. This process generally takes until at least September

when the preliminary accounting statements are issued. For the FY 2004-05 transfer of the General Fund surplus, the State Controller's Office transferred 90 percent of the estimated amount on September 30, 2005. The state's financial records are then audited by the State Auditor's Office. Upon completion of this audit, the Comprehensive Annual Financial Report (CAFR) for the state is issued and the State Controller's Office transferred the remainder of the required amount of the General Fund surplus.

Under this bill, on September 20, the State Controller will allocate 90 percent of the estimated General Fund surplus at that time to the HUTF and the CCF. Based on when the CAFR is complete, the State Controller will allocate amounts equal to the differences between the actual amounts required to be allocated and the amounts allocated on September 20. The total amount of the General Fund surplus transfer will not change from current practice.

**State Revenues**

Based on the Legislative Council Staff December 2005 revenue forecast, the General Fund surplus estimate for FY 2005-06 is \$96.9 million. The LCS does not anticipate a General Fund surplus in following years of the forecast period. The transfer of 90 percent of the surplus will take place 10 days earlier than it did in the previous fiscal year. Thus, the General Fund will lose investment earnings, while the HUTF and CCF will gain investment earnings by the same aggregate amount. The State Treasurer's Office anticipates interest earnings of 3.75 percent in FY 2006-07.

**Table 1. Calculation of Investment Earnings Changes**

Estimated General Fund Surplus, FY 2005-06	\$96,871,468
Times: 90 percent to be transferred on September 20, 2006	90 percent
Times: Anticipated earnings rate	3.75 percent
Times: Percent of year for earnings change (10/365)	2.74 percent
Equals: Loss of General Fund Investment earnings	(\$89,582)
Two thirds of loss is a gain to the Highway Users Tax Fund	\$59,724
One-third of loss is a gain to the Capital Construction Fund	\$29,858

**State Expenditures**

The departments contacted indicated that implementation of the bill does not have a state expenditure impact.

**Departments Contacted**

Treasury                      Personnel and Administration                      Legislative Council Staff