



**Colorado
Legislative
Council
Staff**

HB16-1450

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1256
Prime Sponsor(s): Rep. Hullinghorst

Date: April 22, 2016
Bill Status: House Appropriations
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: ALLOCATE ADDITIONAL AVAILABLE STATE REVENUES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
<i>State Transfers</i>		
General Fund	(\$59.3 million)	(\$135.3 million)
Cash Funds	59.3 million	135.3 million
State Expenditures		<u>\$61.5 million</u>
General Fund		61.5 million
Appropriation Required: None.		
Future Year Impacts: Not estimated.		

Summary of Legislation

Conditional upon House Bill 16-1420 becoming law, the bill requires the Legislative Council Staff (LCS) and the Governor's Office of State Planning and Budgeting (OSPB) to prepare estimates of the amount that the state would be obligated to refund for FY 2016-17 through FY 2020-21 under subsection (7) of the Taxpayer's Bill of Rights (TABOR) had HB16-1420 not become law. If a forecast indicates that a refund would have been required, the bill designates how this amount is to be expended.

FY 2016-17. If the September 2016 LCS forecast indicates that the state would have been expected to incur a TABOR refund obligation for FY 2016-17 absent HB16-1420, then, on September 30, 2016, the bill transfers or allocates up to \$155.7 million from the General Fund to various state functions as follows:

- a transfer of \$50.0 million to the Highway Users Tax Fund for allocation to the State Highway Fund;
- a transfer totaling \$16.2 million, in equal parts to the Severance Tax Trust Fund and the Local Government Severance Tax Fund;
- an allocation of \$40.0 million to the Department of Education to reduce the negative factor in the state share of total program funding for school finance; and

- an allocation of \$49.5 million to the College Opportunity Fund and institutions of higher education to offset the cost of tuition, improve student services and academic quality, address controlled maintenance needs, and increase support for financial aid.

If the amount that would be expected to be refunded is insufficient to fund all of the functions listed, funding is first allocated to the first listed priority until it is fully funded, and then to the second listed priority until fully funded, and so forth.

FY 2017-18 through FY 2020-21. As part of their March forecasts for 2016 through 2020, both the LCS and the OSPB are required to include estimates of the TABOR refund obligation that the state would be expected to incur in the following fiscal year absent HB16-1420. On July 1 of the following fiscal year, the bill transfers or allocates the full amount identified in the forecast selected by the General Assembly as the basis for the budget to various state functions as shown in Table 1.

Table 1. Allocations of General Fund Retained Revenue Under HB16-1450		
	FY 2017-18 FY 2018-19 FY 2019-20	FY 2020-21
State Education Fund	30%	20%
College Opportunity Fund and Higher Education Institutions	25%	20%
Capital Construction Fund	15%	10%
Severance Tax Trust Fund and Local Gov't Severance Tax Fund	10%*	10%*
Highway Users Tax Fund		20%
Amount to Remain in General Fund	20%	20%

* This amount is transferred in equal parts to each fund, except that the total amount transferred to both funds under HB16-1450 is capped at \$363,104,501. Any excess amount is transferred instead to the Capital Construction Fund.

The bill specifies uses for the amounts transferred to the Highway Users Tax Fund in FY 2016-17 and FY 2020-21. These amounts are to be allocated to the State Highway Fund and used to fund a list of projects identified in the bill.

State Revenue

While the bill does not affect total state revenue, it creates state transfers as described below.

State transfers — FY 2016-17. The bill is expected to increase General Fund transfers to cash funds by a total of **\$59.3 million for FY 2016-17**. Based on the prioritization in the bill, General Fund transfers would be made to three cash funds in the amounts below:

- \$50.0 million to the Highway Users Tax Fund;
- \$4.65 million to the Severance Tax Trust Fund; and
- \$4.65 million to the Local Government Severance Tax Fund.

Transfer amounts are contingent upon September 2016 expectations for the FY 2016-17 TABOR refund obligation but for the passage of HB16-1420. As expectations for revenue change, so too will expectations for transfers. If revenue expectations increase, the bill authorizes a maximum transfer of \$8.1 million to each of the Severance Tax Trust Fund and the Local Government Severance Tax Fund. If revenue expectations decrease, some or all transfers potentially will not be made.

State transfers relative to 2016 Long Appropriations Bill. This fiscal note is written to current law at the time of its publication. The bill is not expected to increase General Fund transfers relative to the enrolled version of the 2016 budget package, because these bills are expected to eliminate the TABOR refund obligation expected for FY 2016-17 under current law.

State transfers — FY 2017-18. The bill is expected to increase General Fund transfers to cash funds by a total of **\$135.3 million in FY 2017-18**, or 55 percent of the \$246.1 million TABOR refund obligation expected absent HB16-1420. General Fund transfers will increase as follows:

- \$73.8 million to the State Education Fund;
- \$36.9 million to the Capital Construction Fund;
- \$12.3 million to the Severance Tax Trust Fund; and
- \$12.3 million to the Local Government Severance Tax Fund.

Similar transfers may occur in future fiscal years depending on the state budget environment.

State Expenditures

The bill increases state General Fund expenditures by **\$61.5 million in FY 2017-18**. Spending may increase by similar amounts in future fiscal years depending on the state budget environment.

Department of Higher Education. The bill will increase General Fund appropriations to the College Opportunity Fund and institutions of higher education by \$61.5 million in FY 2017-18, or 25 percent of the \$246.1 million TABOR surplus expected absent HB16-1420. This amount will be expended to offset the cost of tuition, improve student services and academic quality, address controlled maintenance needs, and increase support for financial aid.

Legislative Council Staff and Office of State Planning and Budgeting. As part of their normal forecast processes, LCS and OSPB will be required to determine whether the state would be expected to incur an obligation for TABOR refunds had HB16-1420 not become law. Each agency can accomplish this workload increase within existing appropriations.

Local Government Impact

The bill is expected to increase General Fund transfers to the Local Government Severance Tax Fund by \$12.3 million in FY 2017-18. This revenue is available for energy impact assistance grants and direct distributions to local communities impacted by natural resource extraction.

School District Impact

The bill is expected to increase General Fund transfers to the State Education Fund by \$73.8 million in FY 2017-18. To the extent that the bill increases the state share of expenditures for school finance, it will increase per-pupil funding to school districts.

Under current law, school districts and Boards of Cooperative Educational Services (BOCES) may submit a separate estimate of fiscal impacts within seven days of a bill's introduction. Estimates submitted by districts or BOCES for this bill can be found on the Legislative Council website at this address: <http://1.usa.gov/23AxLIT>.

Effective Date

The bill takes effect July 1, 2016 or upon the effective date of HB16-1420, whichever is later, only if HB16-1420 becomes law.

State and Local Government Contacts

Legislative Council Staff