



**Colorado  
Legislative  
Council  
Staff**

**HCR16-1002**

**FISCAL NOTE**

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

**Drafting Number:** LLS 16-0595  
**Prime Sponsor(s):** Rep. Becker J.

**Date:** April 25, 2016  
**Bill Status:** House SVMA  
**Fiscal Analyst:** Josh Abram (303-866-3561)

**BILL TOPIC:** LOTTERY PROCEEDS DISTRIBUTED TO THE STATE EDUCATION FUND

<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
<b>State Revenue</b>		
State Transfers		
Conservation Trust Fund		(\$14.0 million)
Great Outdoor Colorado Trust Fund		(\$14.8 million)
Public School Capital Construction Assistance Fund		(\$6.2 million)
State Education Fund		\$35.0 million
<b>State Expenditures</b>		See State Expenditures section.
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> Ongoing revenue and expenditure impact.		

**Summary of Legislation**

This concurrent resolution submits a measure to the voters at the 2016 general election to amend the state constitution to change the distribution of net proceeds from state-supervised lottery games. If approved by voters, the resolution changes the distribution of lottery proceeds beginning FY 2017-18 as follows:

- The percentage of proceeds distributed to the Conservation Trust Fund is decreased from 40% to 30%.
- The percentage of proceeds distributed to the Great Outdoors Colorado Trust Fund, which is subject to an annual cap, is decreased from 50% to 35%.
- 25% of proceeds are distributed to the State Education Fund.

**Background**

The Colorado Constitution dedicates state lottery proceeds to projects that preserve, protect, and enhance the state's wildlife, parks, rivers, trails, and open spaces.

**Conservation Trust Fund.** Forty percent of the net lottery proceeds is allocated to the Conservation Trust Fund (CTF) in the Department of Local Affairs (DOLA) for distribution to municipalities, counties, special districts, and other eligible entities for parks, recreation, and open space; funds are distributed quarterly on a per capita basis. Funding can be used for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site.

**Great Outdoors Colorado Trust Fund.** Fifty percent of net lottery proceeds fund Great Outdoors Colorado (GOCO). After covering administrative costs, GOCO allocates the proceeds in grants to local governments and other entities.

**Department of Natural Resources.** Ten percent of net lottery proceeds are allocated to the Division of Parks and Outdoor Recreation in the Department of Natural Resources (DNR). This funding supports investments in wildlife and outdoor recreation resources, including the state park system. The DNR is also an eligible recipient of GOCO grants, and competes with other applicants for grant funding.

**Public School Capital Construction Assistance Fund.** The lottery distribution to GOCO is subject to an annual cap, which has been exceeded in recent years. In any year that the distribution to GOCO exceeds the cap, the difference is transferred to the Building Excellent Schools Today (BEST) program for capital construction grants to public schools. For FY 2015-16, the cap is about \$63.7 million and GOCO's allocation is estimated at \$69.9 million, resulting in about \$6.2 million spill over to public school capital construction.

## State Revenue

If approved by voters, the resolution reallocates lottery revenues as described below.

**State transfers and diversions.** Table 1 displays the distribution of lottery funds under current law and under House Concurrent Resolution 16-1002, using Department of Revenue projections for FY 2015-16 lottery proceeds totaling \$139.8 million.

As shown below, the bill reduces distributions to the Conservation Trust Fund and to the GOCO Trust Fund by the amounts identified in Table 1 and increases distributions by an equal amount to the State Education Fund. Allocation of lottery proceeds to GOCO are subject to an annual cap. Money over the cap is reallocated to the BEST program. Under current law, the distribution to GOCO will be above the cap for FY 2015-16 resulting in about \$6.2 million for public school capital construction. With HCR16-1002, distribution to GOCO will be under the cap, eliminating the reallocation for BEST.

<b>Table 1. Distribution of Lottery Proceeds Under Current Law and HCR 16-1002*</b> (millions of dollars)			
	<b>Current Law</b>	<b>HCR16-1002</b>	<b>Difference</b>
Net Available for Distribution	\$139.8	\$139.8	\$0
Conservation Trust Fund	55.9	41.9	(14.0)
GOCO Trust Fund	63.7	48.9	(14.8)
Department of Natural Resources	14.0	14.0	0
Public School Capital Construction Assistance (BEST)	6.2	0	(6.2)
State Education Fund	0	35.0	35.0

\*Based on projections for FY 2015-16.

### **State Expenditures**

**Department of Education.** If approved by voters, this resolution increases available money for public education by about \$35.0 million beginning with FY 2017-18. Increasing the amount of available money in the State Education Fund could increase available money for K-12 categorical school programs, for special projects in education, or to fund a larger percentage of School Finance, requiring less money from the General Fund.

**Department of Local Affairs - Conservation Trust Fund.** The resolution decreases the amount of grant funding DOLA provides to local governments via the Conservation Trust Fund.

**Department of Natural Resources.** The resolution decreases expenditures in the DNR beginning with FY 2017-18. The DNR receives lottery proceeds on an annual basis from GOCO grants, in addition to a direct allocation of ten percent of net lottery proceeds on a quarterly basis. Although the direct distribution of lottery proceeds to DNR is unchanged, grant revenue from GOCO is estimated to be reduced by about \$9.6 million beginning with FY 2017-18. This reduction in GOCO grants will result in a number of programs in the DNR being scaled back or eliminated entirely beginning with FY 2017-18.

**Election expenditure impact (existing appropriations).** The bill refers a measure that will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. As of this writing, there will be at least one citizen-initiated measure on the ballot at the 2016 election, which will trigger the ballot costs shown in Table 2 below for a single ballot measure. Costs in 2016 will increase by approximately \$100,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

<b>Table 2. Projected Costs of a Single Statewide Ballot Measure Election in 2016</b>	
<b>Cost Component</b>	<b>Amount</b>
County Reimbursement for Statewide Ballot Measures	\$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	\$670,000
<b>TOTAL</b>	<b>\$3,070,000</b>

**Local Government and School District Impact**

**GOCO competitive grants.** The Colorado Constitution requires GOCO to allocate some of its proceeds to competitive grants to local governments or other entities to acquire, develop, or manage open lands and parks. Typically, GOCO provides 40 percent of a project's funding to these entities. Rather than carry a sufficient cash balance to provide funding assistance at the completion of a project, GOCO awards grants ahead of receipt of proceeds. Currently, GOCO has about 90 projects for which it has made grant awards of approximately \$26.3 million, but for which no funding has been paid. In addition, 24 grant applications will be considered in June of this year. An additional \$10.0 - \$23.5 million will be committed at that time. If approved by voters, this concurrent resolution interrupts up to \$49.8 million in local grant funding for these projects.

**School District Impact.** Increased money in the State Education Fund may be used to support K12 programs and operating expenses of school districts.

**Effective Date**

The referred measure takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed.

**State and Local Government Contacts**

- |                |                    |                             |
|----------------|--------------------|-----------------------------|
| Counties       | Education          | Local Affairs               |
| Municipalities | Natural Resources  | Public Health & Environment |
| Revenue        | Secretary Of State | Treasury                    |