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Fiscal Note

Drafting Number: LLS 23-0964
Prime Sponsors: Sen. Priola
Rep. Velasco

Date: April 10, 2023
Bill Status: Senate Finance
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Bill Topic: **GENERAL FUND LOAN NATURAL DISASTER MITIGATION ENTERPRISE**

- Summary of Fiscal Impact:**
- | | |
|---|--|
| <input checked="" type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input checked="" type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill makes a General Fund loan to the Natural Disaster Mitigation Enterprise Fund. This will involve a one-time transfer from the General Fund, and repayment to the General Fund through FY 2025-26.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 23-263

		Current Year FY 2022-23	Budget Year FY 2023-24	Out Year FY 2023-24	Out Year FY 2025-26
Revenue	General Fund	-	\$39,600	\$39,600	\$19,800
Expenditures	Enterprise Cash Fund	-	\$39,600	\$39,600	\$19,800
Transfers	General Fund	(\$95,000)	-	-	-
	Enterprise Cash Fund	\$95,000	-	-	-
	Net Transfer	\$0	-	-	-
Other Budget Impacts		-	-	-	-

Summary of Legislation

In the current FY 2022-23, the bill requires a transfer of \$95,000 from the General Fund to the Natural Disaster Mitigation Enterprise Fund in the Department of Public Safety (DPS). The transfer is a loan from the state treasury to the enterprise to defray costs until the enterprise receives fee revenue, or revenue bond proceeds. No later than December 31, 2025, the enterprise must repay the principal and interest from the loan. The bill limits the interest rate to the current ten-year United States treasury note rate.

Background

The Natural Disaster Mitigation Enterprise was created in the DPS in 2021 to administer a grant program, provide public education, and supply technical assistance to local governments concerning natural hazard mitigation. The enterprise is a state-owned business and funded by fees charged to insurance companies providing specific types of property and hazard insurance. Fee revenue to the enterprise will begin in FY 2023-24.

State Transfers

In the current FY 2022-23, the bill transfers \$95,000 from the General Fund to the Natural Disaster Mitigation Enterprise Fund. This transfer is a loan from the General Fund to the enterprise.

State Revenue

Assuming the enterprise repays the \$95,000 General Fund loan by December 31, 2025, in fixed amount periodic payments for a loan term of 2.5 years at the current United State Treasury Bond interest rate of 3.3 percent, the General Fund will receive about \$99,000 in payments from the enterprise between FY 2023-24 and FY 2025-26, as shown in Table 1 above. This revenue includes \$95,000 for repayment of loan principle and \$4,000 in interest. The exact interest amount and timing of payments may differ from this amount based on the terms of the loan. Interest earned on loans is subject to TABOR.

State Expenditures

The Natural Disaster Mitigation Enterprise will use the loan for operational expenses in FY 2023-24, and revenue collected from insurance premiums and other sources will be used for repaying the loan.

Effective Date

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

State and Local Government Contacts

Public Safety