



Legislative
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FISCAL NOTE

Drafting Number: LLS 20-1102 **Date:** May 26, 2020
Prime Sponsors: Rep. McCluskie; Ransom **Bill Status:** House Appropriations.
 Sen. Moreno; Rankin **Fiscal Analyst:** Greg Sobetski | 303-866-4105
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Bill Topic: **REPEAL CASH FUNDS WITH GENERAL FUND REVERSIONS**

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

Budget package bill. The bill transfers the balances of two cash funds to the General Fund, and abolishes those funds.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2020-21 budget balancing package.

Table 1
State Fiscal Impacts Under HB 20-1382

		FY 2019-20 <i>(current year)</i>	FY 2020-21	FY 2021-22
Revenue		-	-	-
Expenditures		-	-	-
Transfers	General Fund	\$47,866,269	\$1,200,000	\$1,200,000
	Cash Funds	(\$47,866,269)	(\$1,200,000)	(\$1,200,000)
	Total	\$0	\$0	\$0
TABOR Refund		-	-	-

Summary of Legislation

On its effective date, the bill transfers the unexpended and unencumbered balances of the State Employee Reserve Fund (SERF) and the Technology Advancement and Emergency Fund to the General Fund. Statute creating the funds is repealed effective June 30, 2020.

Under current law, General Fund appropriations to the Office of Information Technology (OIT) or another state agency for information technology (IT) resource procurement that are unexpended or unencumbered at the end of the fiscal year are transferred to the Technology Advancement and Emergency Fund. The bill repeals this transfer, allowing unexpended appropriations to revert to the General Fund.

Background

State Employee Reserve Fund. The SERF was created in House Bill 12-1321 as part of the Modernization of the State Personnel System Act. Any allowable annual reversions of money appropriated for personal services-related line items may be credited to a subaccount in the fund for each department of state government. Up to \$2.0 million may be reallocated between departments by the Governor. Each department is granted continuous spending authority to use moneys in its subaccount, subject to approval from the Governor's Office of State Planning and Budgeting, for providing merit pay increases to eligible certified employees. However, SERF funds have not been used for this purpose since the fund was created.

Technology Advancement and Emergency Fund. This fund was created in Senate Bill 17-255 to be used for one-time costs associated with emergency IT expenditures, addressing deferred maintenance of state agency IT assets, and providing additional services to address unforeseen IT service demands. In addition to startup resources transferred to the fund via SB 17-255, the fund receives annual transfers of unexpended General Fund appropriations for IT procurement. The Office of the State Controller reports that \$8.9 million was transferred at the close of FY 2017-18 and \$6.2 million was transferred at the close of FY 2018-19.

State Transfers

The bill creates one-time transfers to the General Fund in FY 2019-20 and eliminates ongoing transfers from the General Fund starting in FY 2019-20. On net, these changes to transfers to and from the General Fund increase available General Fund by \$47,866,269 in the current FY 2019-20 and by approximately \$1,200,000 per year in FY 2020-21 and subsequent fiscal years. These transfers and the cash funds involved are shown in Table 2.

Table 2
Transfers under HB 20-1382

	FY 2019-20 <i>(current year)</i>	FY 2020-21	FY 2021-22
Cash Fund Transfers to the General Fund			
State Employee Reserve Fund	\$32,726,421	-	-
Technology Advancement and Emergency Fund	\$13,939,848	-	-
General Fund Transfers to Cash Funds			
Technology Advancement and Emergency Fund	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)
Net General Fund Impact	\$47,866,269	\$1,200,000	\$1,200,000

Estimates for transfers from the abolished cash funds to the General Fund are based on the fund balances as of May 2020. Balances for both funds may change before the bill's effective date, as both funds may be accessed for their statutory purposes by executive branch agencies. Additionally, reversions of personal services-related line items may increase the SERF balance, though the amount of these reversions is unpredictable across fiscal years. The bill eliminates transfers of unexpended General Fund IT procurement appropriations to the Technology Advancement and Emergency Fund, which is expected to increase the General Fund balance by about \$1.2 million annually. This amount is less than that observed for prior years, reflecting lower expected appropriations for IT procurement during and following the economic recession.

Effective Date

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

State and Local Government Contacts

Information Technology Personnel