SB 25-167

Fiscal Note

Legislative Council Staff

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SB 25-167: INVEST STATE FUNDS TO BENEFIT COMMUNITIES

Prime Sponsors:
Sen. Amabile

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Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the Senate Finance Committee. It has been updated to reflect new information.

Summary Information

Overview. The bill creates a community investment portfolio in the Public School Fund.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- Statutory Public Entity

Appropriations. For FY 2025-26, the bill requires appropriations of $375,900 to the Department of the Treasury.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	Indeterminate	Indeterminate
State Expenditures	$442,270	$428,930
State Transfers	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	2.0 FTE	2.0 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
Cash Funds	$375,900	$362,560
Federal Funds	$0	$0
Centrally Appropriated	$66,370	$66,370
Total Expenditures	**$442,270**	**$428,930**
Total FTE	**2.0 FTE**	**2.0 FTE**

Summary of Legislation

Public School Fund

The Public School Fund (also known as the Permanent Fund) is an intergenerational trust fund. Investment income from the fund is used to support K-12 education through the School Finance Act, or to build the principal of the fund. The bill specifies that investment priorities for the fund include preserving the principal and providing benefits through community investing.

Community Investment Portfolio

The bill specifies that community investing intends to generate a positive, measureable impact for school children, families, or communities, and may have a below-market rate of return. Managed by the Colorado Housing and Finance Authority, the portfolio may include:

- bonds, certificates of participation, or mortgage-backed securities issued by school districts, charter schools, the Middle Income Housing Authority, or the Colorado Housing and Finance Authority (CHFA);
- mortgage pass-through securities and collateralized mortgage obligations for residential real estate owned predominantly by public school employees;
- loans or bonds that fund rental housing developments that includes a preference for public school employees;
- mortgage revenue bonds that support public school employee mortgages with interest rates of up to 3 percent; or
- loans to community development financial institutions that fund housing construction developments, low-interest mortgages, certain down payment shared appreciation products, or other financial mechanisms that support public school employees or education.

The State Treasurer must invest at least 20 percent of the Public School Fund in the portfolio by July 1, 2032.

Within the community investment portfolio, the bill establishes the Educator First Home Ownership Program. 75 percent of the money in the program supports a home ownership program for public school employees managed by CHFA. The remaining 25 percent of the money in the program is invested in community investments as described above. The Treasurer must invest in the Educator First Home Ownership Program the greater of 6 percent of the value of the Public School Fund or $100 million by July 1, 2028, and the greater of 12 percent of the fund's value or $200 million by July 1, 2030. The program must submit an annual report to the Public School Fund Investment Board.

Background

Under current law, the interest and income earned on the Permanent Fund is used for the Public School Fund Investment Board expenses, and then distributed to the State Public School Fund (SPSF), and the Public School Capital Construction Assistance Fund (PSCCAF) on the following schedule:

- FY 2024-25: up to $11 million to SPSF, then up to $30 million to PSCCAF, any remaining stays in Permanent Fund unless credited elsewhere by General Assembly;
- FY 2025-26: up to $5 million to SPSF, then up to $36 million to PSCCAF, any remaining stays in Permanent Fund unless credited elsewhere by the General Assembly; and
- Beginning in FY 2026-27: nothing to the SPSF, and up to $41 million to PSCCAF, any remaining stays in Permanent Fund unless credited elsewhere by the General Assembly.

Changes to the amount of interest earned on the Permanent Fund may impact distributions for the PSCCAF and the SPSF. The PSCCAF is used for the Building Excellent Schools Today (BEST) school capital construction program and charter school capital construction. The SPSF is used for the state share of school finance, and other education related programs.

Note: The Permanent Fund is sometimes referred to in statute as the Public School Fund. This is different than the State Public School Fund (SPSF) that receives distributions of Permanent Fund interest, marijuana excise taxes, federal mineral lease revenues.

State Revenue

The community investment portfolio may produce below-market returns for the Public School Fund, which may result in a decrease in investment income earned on the fund. The impact on revenue to the fund overall is indeterminate, and depends on the returns from the Community Investment Portfolio. Most interest earned on money in the Public School Fund is not subject to TABOR.

State Expenditures

The bill increases expenditures in the Treasury by about $440,000 in FY 2025-26 and $430,000 in subsequent years to create and manage the community investment portfolio, including evaluating additional asset classes and identifying new investment strategies. Costs may increase in future years as the size of the community investment portfolio grows. Costs are paid from the Public School Fund.

Table 2
State Expenditures
Department of the Treasury

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$300,000	$300,000
Operating Expenses	$2,560	$2,560
Capital Outlay Costs	$13,340	$0
Software Licenses	$60,000	$60,000
Centrally Appropriated Costs	$66,370	$66,370
Total Costs	**$442,270**	**$428,930**
Total FTE	**2.0 FTE**	**2.0 FTE**

Staff

The Treasury requires 2.0 FTE beginning in FY 2025-26 to restructure its investment strategy for the Public School Fund. This includes investment staff with expertise in asset classes not currently managed by the Treasury. Standard operating and capital outlay costs are included. The staff also require software licenses estimated at $30,000 per year per person.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure table above.

Statutory Public Entity

The bill increases revenue and expenditures in the Colorado Housing and Finance Authority to manage the Educator First Home Ownership Program. The amounts will depend on the amount the Treasury invests in the program, the terms of the contract, and returns realized on the investments.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires an appropriation of $375,900 from the Public School Fund to the Department of the Treasury, and 2.0 FTE.

State and Local Government Contacts

Education	Natural Resources
Local Affairs	Treasury