



Colorado
Legislative
Council
Staff

HB16-1421

FISCAL NOTE

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

Drafting Number: LLS 16-1192

Date: March 28, 2016

Prime Sponsor(s): Rep. Hullinghorst

Bill Status: House Appropriations

Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: ALLOCATE ADDITIONAL FY 2016-17 GENERAL FUND REVENUES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	\$0	
<i>State Transfers</i> General Fund Cash Funds	(59.3 million) 59.3 million	
State Expenditures	Potential increase.	
Appropriation Required:	None.	
Future Year Impacts:	None.	

Summary of Legislation

Conditional upon House Bill 16-1420 becoming law, this bill requires Legislative Council Staff, as part of its September 2016 Economic and Revenue Forecast, to determine whether the state would have been expected to incur an obligation for refunds for FY 2016-17 under subsection (7) of the Taxpayer's Bill of Rights (TABOR) had HB16-1420 not become law. If it is determined that a refund would have been expected, then, on September 30, 2016, the bill transfers or allocates up to \$155.7 million from the General Fund to fund various state functions, based on the amount of the refund that would have been expected absent HB16-1420. Specifically, the bill provides for:

- 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 state-supported institutions of higher education to offset inflation-based tuition increases 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.

State Revenue

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

State transfers. The bill is expected to increase General Fund transfers to cash funds by an aggregate \$59.3 million for FY 2016-17 only. 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;
- \$4.7 million to the Severance Tax Trust Fund; and
- \$4.7 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 introduced version of the 2016 Long Appropriations Bill, because the introduced version of the Long Appropriations Bill, if adopted, is expected to eliminate the TABOR refund obligation expected for FY 2016-17 under current law.

State Expenditures

The bill increases workload and spending by state agencies as described below.

Legislative Council Staff. As part of its September 2016 forecast, Legislative Council Staff will be required to determine whether the state would be expected to incur an obligation for TABOR refunds for FY 2016-17 had HB16-1420 not become law. This workload increase can be accomplished within existing appropriations.

Education and Higher Education. The bill potentially increases General Fund expenditures for school finance or for institutions of higher education. Based on current expectations for state revenue, these expenditures are not expected to occur. Expenditure amounts are contingent on 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 expenditures. If revenue expectations increase, the bill authorizes maximum expenditures of \$40.0 million to school finance and \$49.5 million to institutions of higher education.

School District Impact

To the extent that the bill increases the state share of expenditures for school finance, it will increase per-pupil funding to school districts. Based on current expectations for state revenue, school district revenue is not expected to increase. If state revenue expectations increase, the bill potentially increases aggregate Colorado school district revenue by up to \$40.0 million.

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**](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