HB 22-1277

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 22-0853	**Date:**	March 21, 2022
Prime Sponsors:	Rep. Mullica; Neville Sen. Gonzales	**Bill Status:**	House Business
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Bill Topic: **AUTHORIZE CREDIT UNIONS TO HOLD PUBLIC MONEY**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

The bill allows public money to be deposited or invested with a credit union that is federally insured, and permits credit unions to make loans to public entities. The bill increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of $52,110 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under HB22-1277

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Fund	$68,600	$100,750
	Total Revenue	**$68,600**	**$100,750**
Expenditures	Cash Funds	$52,110	$75,576
	Centrally Appropriated	$14,291	$22,906
	Total Expenditures	**$66,401**	**$98,482**
	Total FTE	**0.6 FTE**	**1.0 FTE**
Transfers		-	-
Other Budget Impacts	TABOR Refund	$68,600	$100,750

Summary of Legislation

The bill allows public money to be deposited or invested with a credit union that is federally insured, and permits credit unions to make loans to public entities. It also adds credit unions to the Deposit Protection Act.

The bill allows the Financial Services Commissioner in the Department of Regulatory Agencies (DORA) to assess each credit union at least twice per year, based on its total public assets held, in order to meet the credit union's share of the supervisory and monitoring costs. The assessment calculation must be alike in all cases and the commissioner must specify the date of the first assessments.

Background

Under current law, public money may be deposited in or invested with banks and savings and loan associations that are protected by the Federal Deposit Insurance Corporation (FDIC).

Assumptions

There are currently 76 credit unions in Colorado. The fiscal note assumes that 85 percent, or 65 credit unions, will receive some level of public funds by FY 2023-24, based on the number of current banks with public funds. In FY 2022-23, 75 percent, or 49 of the participating credit unions are assumed to receive public funds due to the bill's effective date. In FY 2023-24, 65 credit unions are assumed to receive public funds. The fiscal note also assumes that site visits for 25 percent of credit unions will require overnight travel by the examiner.

State Revenue

The bill increases state revenue by $68,600 in FY 2022-23 and $100,750 in FY 2023-24. Fee revenue is deposited in the Division of Financial Services Cash Fund.

Fee impact on credit unions. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by DORA based on cash fund balance, estimated program costs, the estimated number of credit unions, and the public deposits held by the credit unions. Table 2 below identifies the fee increase necessary to cover the expenditures incurred to implement the bill; however, the actual fee will be set as a calculation based on the total public assets held by credit unions.

Table 2
Fee Impact on Credit Unions

Fiscal Year	Type of Fee	Number Affected	Fee Increase	Total Fee Impact
FY 2022-23	Credit Union Public Deposit Fee	49	$1,400	$68,600
FY 2023-24	Credit Union Public Deposit Fee	65	$1,550	$100,750

State Expenditures

The bill increases state expenditures in DORA by $66,401 in FY 2022-23 and $98,482 in FY 2023-24 from the Division of Financial Services Cash Fund. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under HB 22-1277

	FY 2022-23	FY 2023-24
Department of Regulatory Agencies		
Personal Services	$37,137	$63,663
Operating Expenses	$810	$1,350
Capital Outlay Costs	$6,200	-
Travel Costs	$7,963	$10,563
Centrally Appropriated Costs[1]	$14,291	$22,906
Total Cost	**$66,401**	**$98,482**
Total FTE	**0.6 FTE**	**1.0 FTE**

[1] *Centrally appropriated costs are not included in the bill's appropriation.*

DORA. The Division of Financial Services in DORA requires 0.6 FTE in FY 2022-23 and 1.0 FTE in FY 2023-24 to conduct monitoring and supervision of credit unions that accept public funds or make loans to public entities. This assumes approximately 30 hours of work per credit union, including an on-site inspection and audit. Travel costs include food, lodging, and mileage for 12 credit union visits in FY 2022-23, and 16 in FY 2023-24 and out years. Standard operating and capital outlay costs are included, and the staff in the first year are prorated for a September 1 start date.

All state agencies. The bill allows additional flexibility for the state to invest and deposit public funds. To the extent it results in better interest rates, it may result in savings for the state.

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 Table 3.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

The bill allows additional flexibility for local governments to invest and deposit public funds. To the extent it results in better interest rates, it may result in savings for local governments.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

In FY 2022-23, the bill requires an appropriation of $52,110 from the Division of Financial Services Cash Fund to the Department of Regulatory Agencies, and 0.6 FTE.

State and Local Government Contacts

Counties	Law	Municipalities
Personnel	Regulatory Agencies	Revenue
Special Districts	Treasury	