



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

<b>Drafting Number:</b>	LLS 19-0606	<b>Date:</b>	February 22, 2019
<b>Prime Sponsors:</b>	Sen. Sonnenberg Rep. Pelton	<b>Bill Status:</b>	Senate SVMA
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<b>Bill Topic:</b>	TRANSFER OF GOCO MONEY TO STATE EDUCATION FUND
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<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure (conditional) <input checked="" type="checkbox"/> State Transfer (conditional)	<input type="checkbox"/> TABOR Refund <input checked="" type="checkbox"/> Local Government (conditional) <input checked="" type="checkbox"/> Statutory Public Entity (conditional)
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The referred measure amends the constitution to permit the General Assembly to transfer by law net lottery proceeds to the State Education Fund.

<b>Appropriation Summary:</b>	No appropriation is required.
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<b>Fiscal Note Status:</b>	This fiscal note reflects the introduced concurrent resolution.
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**Table 1**  
**State Fiscal Impacts Under SCR 19-001**

		FY 2020-21	FY 2021-22
<b>Revenue</b>		-	-
<b>Expenditures</b>	State Education Fund	up to \$33.8 million	up to \$135.2 million
<b>Transfers</b>	Net Lottery Proceeds State Education Fund	(up to \$33.8 million) up to \$33.8 million	(up to \$135.2 million) up to \$135.2 million
<b>TABOR</b>	General Fund	-	-

## **Summary of Legislation**

The concurrent resolution refers a measure to the voters at the 2020 general election to amend the constitution to permit the General Assembly to transfer available lottery proceeds to the State Education Fund beginning in FY 2020-21.

## **Background**

**Colorado State Lottery.** The state constitution dedicates lottery proceeds to projects that preserve, protect, and enhance the state's wildlife, parks, rivers, trails, and open spaces. Fifty percent of lottery proceeds, subject to an annual cap that increases annually by inflation, funds Great Outdoors Colorado (GOCO). After paying administrative costs, GOCO allocates the remaining proceeds in grants to local governments and other entities. The amount exceeding the annual cap is transferred to the Public School Capital Construction Assistance Fund for the Building Excellent Schools Today (BEST) program.

Forty percent of lottery proceeds partially fund the Conservation Trust Fund (CTF), administered by the Department of Local Affairs (DOLA), and the remaining ten percent of lottery proceeds partially fund projects in Colorado Parks and Wildlife in the Department of Natural Resources (DNR).

Table 2 displays lottery proceeds and distributions under current law.

**Table 2**  
**Lottery Proceed Distributions**  
**FY 2013-14 - FY 2017-18**

<b>Fiscal Year</b>	<b>Total</b>	<b>40 %</b>	<b>10 %</b>	<b>50 %</b>	<b>GoCo Cap Overage</b>
2013-2014	\$130,113,508	\$52,045,403	\$13,011,351	\$60,321,412	\$4,735,342
2014-2015	\$127,980,868	\$51,192,347	\$12,798,087	\$61,992,978	\$1,997,456
2015-2016	\$143,570,004	\$57,428,001	\$14,356,999	\$63,714,505	\$8,070,499
2016-2017	\$133,474,981	\$53,389,992	\$13,347,498	\$64,463,929	\$2,273,562
2017-2018	\$140,736,802	\$56,294,721	\$14,073,680	\$66,250,998	\$4,117,403
<b>Average</b>	<b>\$135,175,233</b>	<b>\$54,070,093</b>	<b>\$13,517,523</b>	<b>\$63,348,764</b>	<b>\$4,238,852</b>

**State Education Fund.** Section 17 of Article IX of the Constitution (Amendment 23) requires the state to increase the base per-pupil funding, and funding for categorical programs by at least the rate of inflation. It establishes the State Education Fund, which receives an amount equal to 1/3 of 1 percent of taxable income to help fund the requirements of Amendment 23, and to fund other education programs.

## **State Transfers or Diversions**

If approved by voters, the resolution permits the state legislature to transfer all or a portion of the net lottery proceeds from the Great Outdoors Colorado Trust Fund to the State Education Fund. Based on an average of proceeds over the past five years, the Trust Fund is anticipated to receive approximately \$135.2 million in lottery proceeds annually; however, since the measure will take effect in January of 2020 and may only transfer net proceeds from the third quarter of FY 2020-21 (April - June 2021), minus any money required to pay bonds issued by the trust fund, the first year transfer impact is estimated at \$33.8 million, or one quarter of net lottery proceeds. This fiscal note assumes that a statute to transfer lottery proceeds could pass during the 2020 legislative session for implementation in FY 2020-21.

## **State Expenditures**

Beginning in FY 2020-21, if approved by voters, and if acted upon by the General Assembly, this resolution transfers expenditures from existing distributions to public education as described below.

**Department of Education.** The measure potentially increases available money for public education by up to \$33.8 million in FY 2020-21, and up to \$135.2 million in FY 2021-22 and subsequent years. Increasing the amount of available money in the State Education Fund could increase available money for K12 categorical school programs, for special projects in education, or to fund a larger percentage of School Finance, requiring less money from the General Fund. The resolution may also result in decreased expenditures for public school capitol construction from the BEST program.

**Department of Local Affairs.** The measure potentially decreases expenditures in the Conservation Trust Fund (CTF) in the Department of Local Affairs (DOLA) by up to \$13.5 million in FY 2020-21, and by up to \$54.1 million in FY 2021-22 and subsequent years. DOLA distributes CTF funds quarterly on a per capita basis to over 470 eligible local governments and special districts that provide park and recreation services. CTF funds can be used by local governments for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site. If future lottery proceeds are transferred to the State Education Fund, the amount available for distribution to local governments will be reduced or eliminated.

**Department of Natural Resources.** The measure potentially decreases expenditures in the DNR by up to \$3.4 million in FY 2020-21, and by up to \$13.5 million in FY 2021-22 and subsequent years. Lottery proceeds diverted to the State Education Fund will result in funding for state parks being scaled back or eliminated entirely.

**Election expenditure impact — existing appropriations.** The concurrent resolution refers a measure that will appear before voters at the November 2020 general election. While no additional appropriation is required in this bill, certain election costs are incurred by the state when ballot measures are referred to voters. These costs, paid using existing appropriations, are in two areas. First, current law requires the state to reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund in the Secretary of State's Office, estimated at \$3.2 million in FY 2019-20. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet mailed to all registered voter households, paid from the Ballot

Analysis Revolving Fund in the Legislative Department, which is estimated to cost \$920,000 in FY 2019-20. Publication costs increase by approximately \$115,000 per measure beyond this base amount for each additional referred or initiated measures placed on the ballot.

### **Local Government, Statutory Public Entity, and School District Impact**

Beginning in FY 2020-21, if approved by voters, and if acted upon by the General Assembly, this resolution impacts the expenditures of local governments including school districts, and of Great Outdoor Colorado, as described below.

**Conservation Trust Fund (CTF).** Under the constitution, 40 percent of proceeds from lottery games is transferred to the CTF to be formulaically distributed to local governments. If the General Assembly diverts all or a portion of lottery proceeds, some or all of this funding will not be available for local governments. Local governments also use CTF to match funds for projects approved for GOCO Competitive Grants (see below).

**GOCO Competitive Grants.** The constitution requires GOCO to allocate some of its proceeds to competitive grants to local governments or other entities to acquire, develop, or manage open lands and parks. Typically, GOCO provides 48 percent of a project's funding to these entities. Rather than carry a sufficient cash balance to provide funding assistance at the completion of a project, GOCO awards grants ahead of receipt of proceeds. This measure potentially transfers up to \$15.8 million in FY 2020-21, and up to \$63.3 million in FY 2021-22 and subsequent years. This in turn reduces the amount of grant funding available from GOCO to local governments

**School District Impact.** Increased money in the State Education Fund may be used to support K12 programs and operating expenses of school districts.

### **Effective Date**

If approved by voters at the 2020 general election, SCR 19-001 takes effect upon proclamation of the Governor, no later than 30 days after the official canvas of the vote is completed.

### **State and Local Government Contacts**

Education  
Local Affairs  
Treasury

Governor  
Natural Resources

Information Technology  
Revenue