



**Legislative  
Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 18-1265  
**Prime Sponsors:** Rep. Hamner  
                           Sen. Lambert

**Date:** August 30, 2018  
**Bill Status:** Signed into Law  
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**Bill Topic:** WORKERS' COMP CASH FUND MAXIMUM RESERVE EXEMPTION

**Summary of  
Fiscal Impact:**  State Revenue (*potential*)  
                            State Expenditure (*potential*)  
                            State Transfer  
                            TABOR Refund (*potential*)  
                            Local Government  
                            Statutory Public Entity

This bill exempts the Workers' Compensation Cash Fund from the cash fund reserve limit. It potentially increases state revenue and decreases state expenditures on an ongoing basis.

**Appropriation  
Summary:** No appropriation is required.

**Fiscal Note  
Status:** This fiscal note reflects the enacted bill.

**Summary of Legislation**

Effective on passage, this bill permanently exempts the Workers' Compensation Cash Fund in the Department of Labor and Employment (CDLE) from the limit on cash fund reserves.

**Background**

**Cash fund reserve limit.** Under current law, most cash funds with year-end uncommitted reserves that exceed \$200,000 are subject to a reserve limit equal to 16.5 percent of the amount expended from the cash fund during the fiscal year. The Workers' Compensation Cash Fund had previously been exempt from this requirement. Under House Bill 15-1261, the exemption expired at the end of FY 2016-17, and the fund became subject to the limit for FY 2017-18.

If a cash fund's year-end uncommitted reserves exceed the limit, then any agencies that deposit fee revenue in the fund are required to adjust fee amounts in rule for the following fiscal year, such that the reserve no longer exceeds the limit. This provision has caused fluctuations in the amounts of fees required to be paid to the fund.

**Workers' Compensation Cash Fund.** The Workers' Compensation Cash Fund receives fee revenue from insurance carriers and self-insured employers, and the fee is passed to clients through their insurance bills. For FY 2016-17, revenue to the fund totaled \$6.7 million. Expenditures totaled \$15.5 million, made in part from the FY 2015-16 cash fund reserve. The FY 2016-17 cash fund reserve was \$6.3 million.

### **State Revenue**

This bill potentially increases state revenue in FY 2018-19 and subsequent fiscal years. Under the bill, CDLE is no longer required to reduce fee payments in rule to control the amount of the year-end cash fund reserve. The bill increases revenue to the extent that fees would otherwise have been reduced.

### **TABOR Refund**

This bill potentially increases fee revenue credited to the Workers' Compensation Cash Fund, which would increase the amount of money required to be refunded under TABOR for FY 2018-19 and FY 2019-20. If the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

### **State Expenditures**

This bill potentially reduces expenditures from the Workers' Compensation Cash Fund beginning in FY 2018-19. Under current law, CDLE is required to spend down the fund balance before the end of a fiscal year in order to comply with the reserve limit. Because the bill exempts the fund from the reserve limit, some portion of this spending may no longer occur.

### **Effective Date**

The bill was signed into law by the Governor and took effect on June 6, 2018.

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

Joint Budget Committee Staff

Labor and Employment