

During economic downturns, the General Assembly may appropriate or transfer moneys from the State Reserve Fund for any purpose by the enactment of a bill approved by two-thirds majority vote of all the members elected to each house.

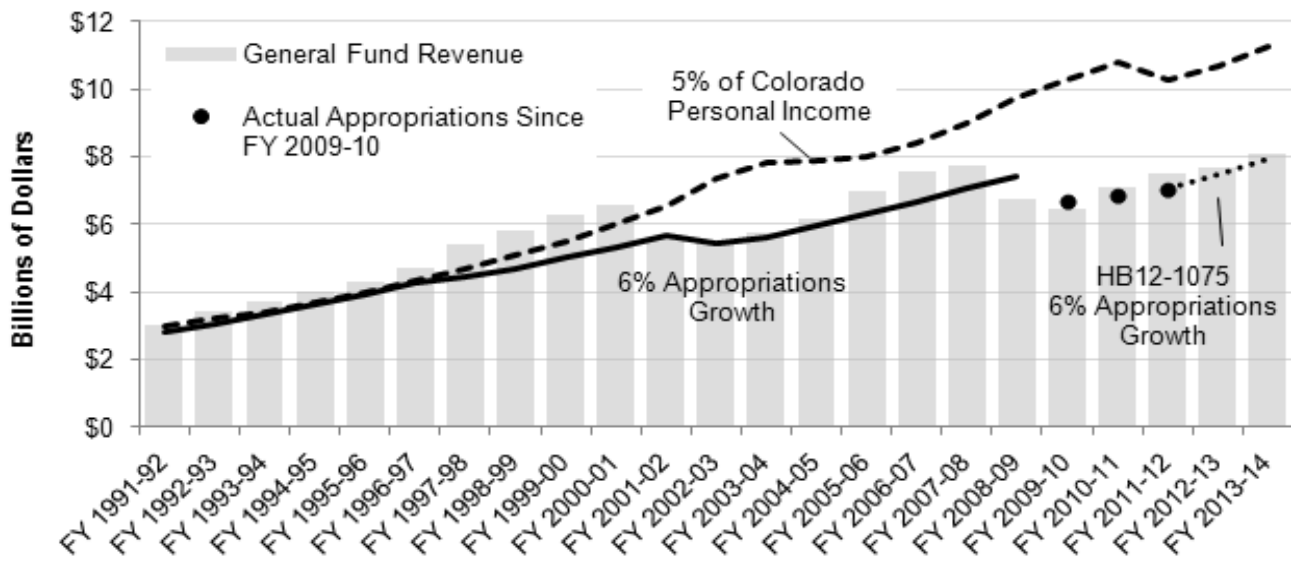
The moneys transferred to the Highway Users Tax Fund will be allocated as follows:

- 60% to the State Highway Fund;
- 22% to counties; and
- 18% to municipalities

Background

Senate Bill 09-228. From FY 1991-92 to FY 2008-09, General Fund appropriations were limited to the lesser of a 6 percent increase from the prior year's appropriations level or 5 percent of Colorado personal income. This limit is commonly referred to as the Arveschoug-Bird limit, named after the sponsors of the bill that imposed the limit. Historically, the 6 percent appropriations growth limit has been the smaller amount. During the 2009 legislative session, Senate Bill 09-228 repealed the 6 percent limit on General Fund appropriations, thereby limiting appropriations to 5 percent of Colorado personal income starting in FY 2009-10. For illustrative purposes, Figure 1 shows the appropriations limit under current law and House Bill 12-1075 relative to General Fund revenue.

Figure 1
Appropriation Limits Under Current Law and House Bill 12-1075



Note: From FY 1991-92 through FY 2008-09, the appropriations limit was equal to the lesser of the 6 percent appropriations growth or 5 percent of personal income. The 6 percent appropriations growth limit was repealed by SB09-228 starting in FY 2009-10. Projections for FY 2010-11 through FY 2013-14 are from the March 2012 Legislative Council Staff Forecast.

Starting in FY 2009-10, Senate Bill 09-228 also repealed certain transportation and capital construction funding mechanisms, including the House Bill 02-1310 transfers to the HUTF and CCF. House Bill 02-1310 transfers consisted of "surplus" General Fund moneys that exceeded the Arveschoug-Bird appropriations limit and was not required to meet the statutory General Fund reserve requirement or be distributed as a TABOR refund to taxpayers. House Bill 02-1310 transfers were distributed two-thirds to the HUTF and one-third to the CCF.

Senate Bill 09-228 established a new transfer mechanism for the HUTF and the CCF, where, starting in FY 2012-13, annual Colorado personal income growth of 5 percent triggers a five-year block of General Fund transfers in an amount equal to:

- 2 percent of General Fund revenue each year for five years to the HUTF; and
- 0.5 percent of General Fund revenue in the first two years and 1 percent of General Fund appropriations in the following 3 years to the CCF.

Senate Bill 09-228 also requires that the statutory General Fund reserve increase over time up to an amount equal to 6.5 percent of General Fund appropriations subject to the 5 percent personal income growth trigger. The Senate Bill 09-228 HUTF and CCF transfers and the required increase in the reserve do not change under House Bill 12-1075.

State Transfers

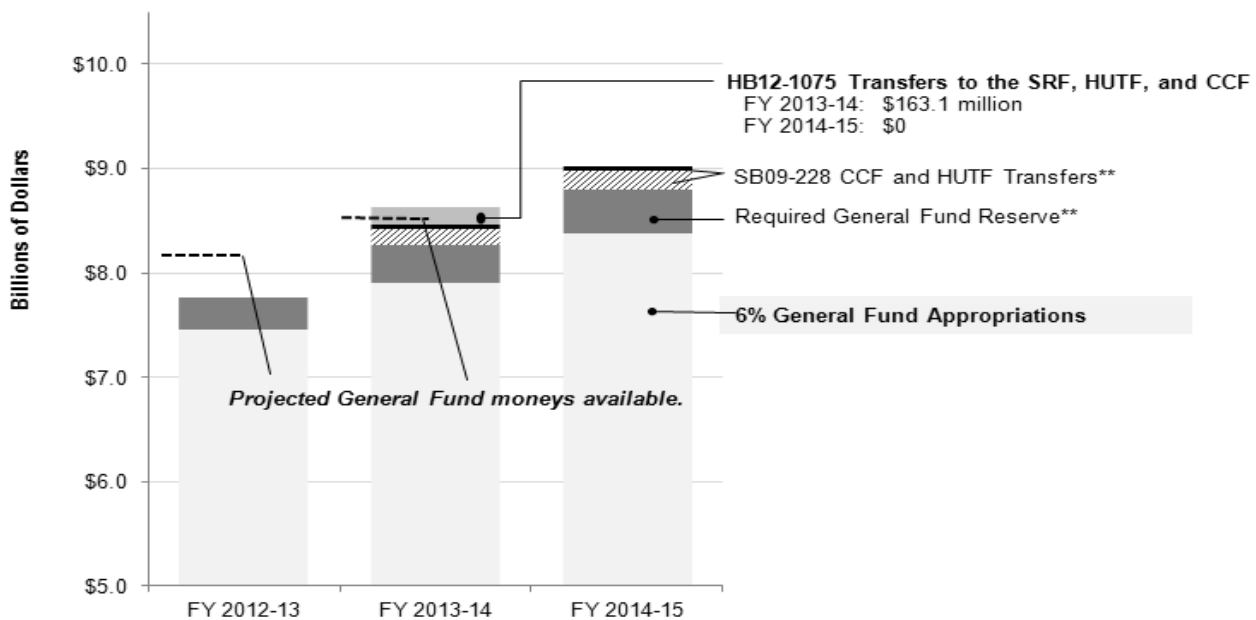
HB 12-1075 requires transfers of year-end surplus revenue, beginning with the 2012-13 state fiscal year. Table 1 shows House Bill 12-1075 transfers. The March 2012 Legislative Council Staff Forecast indicates that General Fund moneys will be sufficient for House Bill 12-1075 transfers for FY 2013-14. The transfers are from the General Fund surplus in FY 2012-13. FY 2013-14 is the last year of the forecast period, but based on current projections revenue will be insufficient for House Bill 12-1075 transfers in FY 2014-15.

Fund	Millions of Dollars		
	FY 2012-13	FY 2013-14	FY 2014-15
State Reserve Fund	\$0.0	\$81.5	\$0.0
Highway Users Tax Fund	\$0.0	\$40.8	\$0.0
Capital Construction Fund	\$0.0	\$40.8	\$0.0
Total	\$0.0	\$163.1	\$0.0

Figure 2 illustrates expectations for House Bill 12-1075 transfers and the amount of General Fund revenue needed for six percent growth in General Fund appropriations. The light grey bars shows General Fund appropriations growing by 6 percent each year beginning from FY 2011-12. Based on the 2012-13 budget proposal as introduced in the House, General Fund appropriations are increasing by 5.89 percent from FY 2011-12. The dotted lines in the figure shows projected General Fund revenue available for spending that year. The figure also illustrates the priority of certain expenditures and transfers needed for there to be any surplus funds for the newly created State Reserve Fund or other House Bill 12-1075 transfers

The March 2012 forecast assumes that Colorado personal income will grow by at least 5 percent in 2013, which will trigger Senate Bill 09-228 transfers and the increase to the required General Fund Reserve in FY 2013-14 through FY 2017-18. Should revenue exceed the TABOR limit, the TABOR refund supercedes all other spending priorities. Because a TABOR surplus is not expected over the next several years, TABOR refunds are not shown in Figure 2.

Figure 2
Priority of Certain General Fund Expenditures,
Transfers, and the General Fund Reserve Under House Bill 12-1075*



Note: Should revenue exceed the TABOR limit, the TABOR refund supercedes all other spending priorities.

* Projections based on the March 2012 Legislative Council Staff forecast.

** The March 2012 forecast assumes that Colorado personal income will grow by at least 5% in 2013, which will trigger the SB09-228 CCF and HUTF transfers and require that the General Fund reserve to increase to 4.5% in FY 2013-14 through FY 2017-18. SRF = State Reserve Fund. CCF = Capital Construction Fund. HUTF = Highway Users Tax Fund.

