

## Discussion of General Fund Overview Tables

Table 4 in the Appendix of the Colorado Outlook presents the General Fund Overview, providing details on forecasts for available General Fund money, expenditures, and end-of-year-reserves. The following discusses the information presented in Table 4 based on the most recent forecast. A discussion of the General Fund overview incorporating information on the State Education Fund follows this section.

### Revenue

The top portion of the overview, shown in Figure 1, indicates the amount of General Fund money available for spending. In addition to General Fund revenue, the General Fund receives money transferred from other State funds each fiscal year.

**Figure 1. General Fund Revenue Available, \$ in Millions**

Table 4 Line No.		FY 2017-18	FY 2018-19	FY 2019-20
1	Beginning Balance	\$614.5	\$1,231.2	\$1,026.0
2	General Fund Revenue	\$11,723.2	\$12,382.1	\$13,111.3
3	Transfers to the General Fund	\$98.5	\$19.2	\$20.1
4	<b>Total General Funds Available</b>	<b>\$12,436.2</b>	<b>\$13,632.6</b>	<b>\$14,157.4</b>
	<i>Dollar Change from Prior Year</i>	\$1,602.8	\$1,196.4	\$524.8
	<i>Percent Change from Prior Year</i>	14.8%	9.6%	3.8%

### Expenditures

**Spending subject to the appropriations limit** – The middle portion of the General Fund overview in Table 4 shows General Fund spending. Each year, by statute, General Fund spending, with certain exceptions discussed in the next section, cannot exceed 5 percent of the aggregate level of personal income received by Coloradans. The amount of General Fund appropriations, shown in line 5 of Figure 2, must be below this limit. In FY 2017-18, General Fund appropriations were \$10.4 billion, or about \$3.7 billion below the \$14.1 billion limit. FY 2018-19 appropriations are \$11.2 billion, or \$3.2 billion below the limit. There is not yet a proposed or adopted budget for FY 2019-20. The FY 2019-20 amount shown in Figure 2 represents the level of General Fund appropriations that could occur under this forecast while meeting the 7.25 percent reserve requirement. This amount is shown for informational purposes only and will change with updated revenue projections and with future budgeting decisions.

**Figure 2. General Fund Spending Subject to the Appropriations Limit, \$ in Millions**

Table 4 Line No.		FY 2017-18	FY 2018-19	FY 2019-20
5	<b>Appropriations</b>	<b>\$10,430.9</b>	<b>\$11,217.7</b>	<b>\$12,311.9</b>
6	Dollar Change from Prior Year	\$646.4	\$786.8	\$1,094.2
7	Percent Change from Prior Year	6.6%	7.5%	9.8%

**Spending and outlays not subject to the appropriations limit** – Figure 3 summarizes General Fund obligations that do not count under the General Fund appropriations limit. More information about each line item is presented below the table.

**Figure 3. General Fund Spending Not Subject to the Appropriations Limit, \$ in Millions**

Table 4 Line No.		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
8	<b>Total</b>	<b>\$752.7</b>	<b>\$1,388.9</b>	<b>\$952.9</b>	<b>\$843.8</b>
	<i>Dollar Change from Prior Year</i>	\$112.6	\$636.2	-\$436.0	-\$109.1
	<i>Percent Change from Prior Year</i>	17.6%	84.5%	-31.4%	-11.4%
9	TABOR Refund under Art. X, Section 20, (7) (d)	\$37.5	\$260.5	\$381.3	\$489.4
	<i>Cigarette Rebate to Local Governments</i>	\$9.7	\$7.7	\$7.3	\$7.0
	<i>Marijuana Rebate to Local Governments</i>	\$17.3	\$18.2	\$18.8	\$19.1
	<i>Old-Age Pension Fund/Older Coloradans Fund</i>	\$116.3	\$99.0	\$103.4	\$108.0
	<i>Aged Property Tax &amp; Heating Credit</i>	\$4.9	\$5.7	\$5.6	\$5.7
	<i>Homestead Exemption</i>	\$132.3	\$109.8	\$0.0	\$0.0
	<i>Interest Payments for School Loans</i>	\$5.0	\$4.4	\$4.8	\$5.0
	<i>Fire/Police Pensions</i>	\$4.4	\$4.3	\$4.3	\$4.3
	<i>Amendment 35 General Fund Expenditure</i>	\$0.8	\$0.8	\$0.8	\$0.8
10	<b>Total Rebates and Expenditures</b>	<b>\$290.6</b>	<b>\$249.9</b>	<b>\$144.9</b>	<b>\$149.9</b>
11	Transfers to Capital Construction	\$112.1	\$179.2	\$60.0	\$0.0
12	Transfers to Transportation Funds	\$79.0	\$495.0	\$200.0	\$50.0
13	Transfers to State Education Fund per SB 13-234	\$25.3	\$25.0	\$0.0	\$0.0
14	Transfers to Other Funds	\$208.2	\$179.4	\$166.7	\$154.5
18	Reversions and Accounting Adjustments	-\$21.3	\$0.0	\$0.0	\$0.0

**Line 9:** Spending not subject to the appropriations limit includes any TABOR refunds funded by the General Fund. These refunds occur when State revenue exceeds its cap as defined in Article X, Section 20 (7) of the Colorado Constitution (“TABOR”) and Section 24-77-103.6, C.R.S. (“Referendum C”). If a TABOR refund is projected during the forecast period, this amount will be shown in line 9. Under the September forecast, TABOR refunds of \$37.5 million are projected for FY 2017-18. This amount includes the projected \$16.2 million exceeding the Referendum C cap in FY 2019-20, plus a net \$21.3 million outstanding from TABOR refund amounts that were obligated in prior fiscal years. The \$21.3 million has been accounted for in prior years in the General Fund overview. Because the \$21.3 million portion of the FY 2017-18 TABOR refund is not a new obligation, it is shown as an accounting adjustment on line 18 in Table 4. Under the September forecast, TABOR refunds of \$260.5 million and \$381.3 million are projected for FY 2018-19 and FY 2019-20, respectively. More information on TABOR, Referendum C, and projected refunds is found in the TABOR section in the Colorado Outlook.

**Line 10:** “Rebates and Expenditures” account for a large portion of General Fund obligations not subject to the appropriations limit. The primary programs under rebates and expenditures are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Marijuana Rebate, which distributed 15 percent of the retail marijuana sales tax through FY 2016-17, and 10 percent thereafter, to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old-Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Aged Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, and rent assistance to qualifying low-income, disabled, or elderly individuals; and (5) the Homestead Property Tax Exemption, which reduces property-tax

liabilities for qualifying seniors and disabled veterans. Since the Homestead Exemption serves as the first TABOR refund mechanism, the amount shown in line 10 is only the non-TABOR refund portion of the total Homestead Exemption amount.

**Lines 11 and 12:** Transfers to capital construction and transportation are shown in lines 11 and 12. HB 18-1340 transferred a total of \$119.2 million into the Capital Construction Fund and the Controlled Maintenance Trust Fund in FY 2018-19, in addition to a previously scheduled \$60.0 million transfer to the Capital Construction Fund in accordance with SB 17-262. Senate Bill 18-001, meanwhile, resulted in \$495 million in transfers to transportation funds in FY 2018-19 and \$200 million in FY 2019-20. The transfer amounts for transportation in FY 2019-20 and subsequent years are contingent upon the outcome of ballot measures during the 2018, and possibly 2019, election. The amounts shown in lines 12 assumes current law but may change based on future voter decisions.

**Line 13:** Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The transfer is \$25.3 million for FY 2017-18 and \$25.0 million for FY 2018-19.

**Line 14:** State law requires transfers of General Fund money to various other State cash funds. Generally, the largest transfer in this line item is from the special sales tax on retail marijuana, which is credited to the General Fund. SB 17-267 modified the distribution of revenue from the special sales tax on retail marijuana. Starting with FY 2017-18, in addition to being distributed to the Marijuana Tax Cash Fund and local governments, a portion will go to the State Public School Fund and a portion will remain in the General Fund.

**Line 18:** This line includes any General Fund money that was not expended out of appropriations each fiscal year that was “reverted” back to the General Fund. It also includes various accounting adjustments made by the State Controller’s office each year. For FY 2017-18, the -\$21.3 million adjustment accounts for TABOR refund amounts that were already obligated in prior fiscal years, as discussed above and in the TABOR section of the Colorado Outlook.

## Reserves

The final section of the General Fund Overview Table (“Reserves”) shows the amount of General Fund money remaining at the end of each fiscal year — the “Year-End General Fund Balance.” This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the ending balance is above or below the requirement, titled “Money Above/Below Statutory Reserve.”

The required reserve was 6.5 percent of appropriations for FY 2017-18. SB 18-276 raised the reserve to 7.25 percent for FY 2018-19 and subsequent years. If the ending balance is projected to be less than half of the required reserve, then the Governor is required to take budget-balancing actions.

**Figure 4. General Fund Reserves, \$ in Millions**

Table 4 Line No.		FY 2017-18	FY 2018-19
19	Year-End General Fund Balance	\$1,231.2	\$1,026.0
20	Balance as a % of Appropriations	11.8%	9.1%
21	<b>General Fund Statutory Reserve</b>	<b>\$674.9</b>	<b>\$813.3</b>
22	Money Above/Below Statutory Reserve	\$556.3	\$212.7

## State Education Fund Overview

Figure 5 summarizes annual revenue and spending for the State Education Fund. It also includes projected beginning and ending fund balances. The State Education Fund plays an important role in the State's General Fund budget. Under the state constitution, the State Education Fund helps fund pre-K through 12th-grade education, making it the largest General Fund program. Higher or lower spending from the State Education Fund affects General Fund appropriations in order to support the targeted level of school funding. Decisions in one year affect the range of choices in the next year, given they impact the available balance in the State Education Fund for future spending, as well as General Fund availability for other programs.

**Figure 5. State Education Fund Revenue, Spending, and Reserves, \$ in Millions**

State Education Fund (\$ in Millions)		
	FY 2017-18	FY 2018-19
<i>One-third of 1% of State Taxable Income</i>	\$617.0	\$658.6
<i>Transfers under SB 13-234</i>	\$25.3	\$25.0
<i>Other</i>	\$6.4	\$6.8
<b>Total Funds to State Education Fund</b>	<b>\$648.7</b>	<b>\$690.5</b>
<b>State Education Fund Expenditures</b>	<b>\$540.7</b>	<b>\$772.6</b>
<b>Year-end Balance</b>	<b>\$210.2</b>	<b>\$128.1</b>

Table 5 in the Appendix of the Colorado Outlook incorporates all of the same information from the General Fund overview (Table 4), but also includes spending, revenue, and fund-balance information for the State Education Fund. Given the budgetary implications of the balance of funding between the State Education Fund and the General Fund, a unified and multi-year view provides important insight into the sustainability of budgeting decisions.