



DEPARTMENT OF LOCAL AFFAIRS

*FY 2010-11 Budget Balancing Proposal
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Proposed Cash Fund Transfer from the Local Government Permanent Fund #23H – Amendment to the August 23, 2010 Proposal

Name of Fund: The Local Government Permanent Fund

Purpose of Fund: To provide funding accessible by legislative appropriation in the event that federal mineral leasing funds anticipated to be available in any current fiscal year are forecasted to be more than ten percent less than the preceding fiscal year.

Table 1: Amended Requested Transfer

	FY 2010-11
August 23 rd Requested Transfer	\$11,442,755
Reduction in Available Funds for Transfer (based on September 2010 OSPB FML Revenue Forecasts)	(\$1,030,501)
October Amended Recommended Transfer Amount from Fund #23H	\$10,412,254
Projected End of Year Balance with Oct. Recommended Transfer	\$0

Impact of Recommended Reduction:

This proposal requests to reduce the transfer amount in FY 2010-11 from the Local Government Permanent Fund to the General Fund. On August 23, 2010, OSPB requested a transfer of \$11,422,755 to the General Fund for budget balancing in FY 2010-11. However, after the September 2010 forecasted revenues are applied, this amount results in a fund deficit of \$1,030,501. Therefore, this request revises the requested transfer amount to \$10,412,254.

The fund receives 50% of all federal mineral lease bonus payments made to the State. The fund was created in S.B. 08-208. In the 2009 legislative session, S.B.09-232 appropriated \$17 million from the fund in FY 2009-10 to be made available to mineral impacted communities for multi-jurisdictional grant projects. In the 2010 legislative session, the General Assembly transferred an additional \$14.3 million from this fund into the General Fund via H.B.10-1327. These transfers, in addition to this proposal, will impact the amount available for future appropriation by the General Assembly.

Assumptions:

- Revenue projections are drawn from the September 2010 OSPB economic forecast and represents 50% of all FML bonus revenues anticipated in FY 2011-12.
- This recommendation is based entirely on revenue projections for this fund. FML projections are historically volatile and this projection may change with future revenue forecasts. Table 1 below shows the figures used to calculate the projections in the OSPB forecast.

Table 2: Projected Balance for Fund #23H (September 2010 OSPB Forecast)

	FY 2010-11
Beginning Balance FY 2010-11	\$2,617,316
Plus Projected Revenue ¹	\$7,794,938
Less Projected Mandatory Expenditures	\$0
Equals Proposed Projected End of Year Balance	\$10,412,254
Recommended Transfer	(\$10,412,254)
Projected End of Year Balance with Transfer	\$0

¹Projected revenue is based on OSPB September 2010 forecasted amounts for FML bonus revenue in FY 2010-11. See Table 1 below for more detail.

Table 3: OSPB September 2010 Forecast Calculations for FML Bonus Revenues

	FML Bonus Revenues	Higher Education Maintenance and Reserve Fund 50%	Local Government Permanent Fund 50%
FY 2009-10	\$5,234,631	\$2,617,316	\$2,617,316
FY 2010-11	\$15,589,875	\$7,794,938	\$7,794,938
Requested Transfer			\$10,412,254
August 23, 2010 Recommended Transfer			\$11,442,755
Difference			(\$1,030,501)

Current Statutory Authority or Needed Statutory Change:

Section C.R.S. 34-63-102 (5.3) (a) (I) (A) and (B) (2010) - Fifty percent of federal mineral lease bonus payments shall be transferred to the local government permanent fund, which is hereby created in the state treasury. Interest and income derived from the deposit and investment of moneys in the local government permanent fund shall be credited to the permanent fund and shall not be transferred to the general fund or any other fund at the end of any fiscal year. Except as otherwise provided in sub-subparagraph (B) of this subparagraph (I), moneys in the permanent fund shall not be expended for any purpose.

If, based on the revenue estimate prepared by the staff of the legislative council in March of any fiscal year, it is anticipated that the total amount of moneys that will be deposited into the mineral leasing fund pursuant to subparagraph (II) of paragraph (a) of subsection (1) of this section during the fiscal year will be at least ten percent less than the amount of moneys so deposited during the immediately preceding fiscal year, the general assembly may appropriate moneys from the local government permanent fund to the department of local affairs for the current fiscal year.

Since the General Assembly must appropriate these funds, no restriction on the fund is necessary.

However, this proposal will require statutory change to allow the requested amount to be transferred to the General Fund.