



# OFFICE OF STATE PLANNING AND BUDGETING

*Budget Reduction Proposal  
October 22, 2010*

**Todd Saliman**  
Executive Director

*Reduce FY 2010-11 Cash Fund Transfer from Higher Education Maintenance and Reserve Fund to the General Fund: Amended Proposal from the August 23, 2010 Submission*

## **Proposal:**

This proposal requests to reduce the transfer amount in FY 2010-11 from the Higher Education Federal Mineral Lease Maintenance and Reserve Fund to the General Fund. On August 23, 2010, OSPB requested a transfer of \$9,422,741 to the General Fund for budget balancing in FY 2010-11. However, after the September 2010 forecast, this amount resulted in a fund deficit of \$1,060,328. Therefore, this request revises the requested transfer amount to \$8,362,413 under the authority of Section 23-19.9-102 C.R.S. (2010). This fund balance typically is used to generate interest, so that the interest can be used to fund controlled maintenance projects for institutions of higher education. However, current law also allows a transfer of the balance of the funds when the Legislative Council forecast indicates that there is not enough General Fund revenue to maintain a 4% reserve.

In the August submission, the Office of State Planning and Budgeting (OSPB) assumed the June 2010 OSPB forecast amount. This submission updates the amount proposed for transfer to include the September OSPB forecast. Statute requires that in the end, the Legislative Council estimate be used. The Legislative Council estimate should be used as the transfer bill is written next year. In the September forecast, OSPB noted that a budget balancing plan would be submitted to address the FY 2010-11 shortfall in the fund.

## **Assumptions and Tables to Show Calculations:**

<b>Higher Education Federal Mineral Lease Maintenance and Reserve Fund Projection for Higher Education Controlled Maintenance OSPB Forecast September 2010</b>					
<b>Fiscal Year</b>	<b>Prior Balance</b>	<b>Spillover Projection</b>	<b>Projected Interest</b>	<b>Reduction per August 23, 2010 Budget Balancing Plan</b>	<b>Accruing Total</b>
FY 2010-11	\$403,506	\$7,794,938	\$163,969	(\$9,422,741)	(\$1,060,328)
FY 2011-12	\$0	\$8,019,401	\$160,388	\$0	\$8,179,789
FY 2012-13	\$8,179,789	\$8,497,597	\$333,548	\$0	\$17,010,934

FY 2009-10 end of year balance from the State Controller's Office September 9, 2010. FY 2009-10 interest is a part of that balance at \$23,996 for the Maintenance and Reserve Fund.

## **Current Statutory Authority or Needed Statutory Change:**

Current statutory authority allows the General Assembly to make this transfer, since the most recent legislative council quarterly revenue estimate indicates that the amount of total General Fund revenues for the fiscal year will not be sufficient to allow the State to maintain the 4% General Fund reserve.

### ***23-19.9-102, C.R.S. (2010) Higher education federal mineral lease revenues fund - higher education maintenance and reserve fund - creation - sources of revenues - use.***

*(1) (a) The higher education federal mineral lease revenues fund is hereby created in the state treasury. For the 2008-09 fiscal year and for each succeeding fiscal year, the lesser of the first fifty million dollars of the total amount of moneys required to be transferred to the revenues fund and the maintenance and reserve fund pursuant to section 34-63-102 (5.5), C.R.S., or all of such moneys shall be transferred to the revenues fund and the remainder of such moneys shall be transferred to the maintenance and reserve fund. Interest and income derived from the deposit and investment of the revenues fund shall remain in the revenues fund and shall not be transferred to the general fund or any other fund at the end of any fiscal year. The state treasurer may invest the revenues fund in any investment in which the board of trustees of the public employees' retirement association may invest the funds of the association pursuant to section 24-51-206, C.R.S.*

*(2) (a) The higher education maintenance and reserve fund is hereby created in the state treasury. The principal of the maintenance and reserve fund shall consist of moneys transferred to the maintenance and reserve fund pursuant to section 34-63-102 (5.3) (a) (II), C.R.S. Except as otherwise provided in paragraph (b) of this subsection (2), the principal of the maintenance and reserve fund shall remain in the fund and shall not be expended for any purpose. The general assembly may annually appropriate interest and income derived from the deposit and investment of moneys in the maintenance and reserve fund for controlled maintenance projects for the system of public higher education that are selected through the process set forth in sections 24-30-1303 (1) (k.5) and 2-3-1304 (1) (b), C.R.S. The state treasurer may invest the maintenance and reserve fund in any investment in which the board of trustees of the public employees' retirement association may invest the funds of the association pursuant to section 24-51-206, C.R.S.*

*(b) (I) If the amount of moneys in the revenues fund will be insufficient to cover the full amount of the payments due to be made under lease-purchase agreements authorized pursuant to section 23-1-106.3 (3), the general assembly may transfer from the principal of the maintenance and reserve fund or from any other sources to the revenues fund sufficient moneys to make the payments.*

*(II) If, at any time during a fiscal year, the most recent available quarterly revenue estimate prepared by the staff of the legislative council indicates that the amount of total general fund revenues for the fiscal year will not be sufficient to allow the state to maintain the four percent or higher reserve required by section 24-75-201.1 (1), C.R.S., the general assembly may make supplemental appropriations of principal of the maintenance and reserve fund or the state controller may allow overexpenditures to be made from principal of the maintenance and reserve fund pursuant to and in accordance with the requirements of section 24-75-111, C.R.S., in order to offset any reduction in the amount of one or more general fund appropriations for the fiscal year for operating expenses of state-supported institutions of higher education that resulted from the insufficiency in the amount of total general fund revenues.*