Despite a two day shut-down over protesting that involved destruction and rioting, the legislature is back in action amidst the boarded up windows and graffiti laden buildings. Fortunately, the nightly protests have been peaceful and there is legislation moving through the process to address law enforcement activity and oversight. The legislature is working 7 days a week, thus my tardiness in getting you an update. It’s hard to find a natural stopping point anymore where one week’s activity ends and the next begins. School Finance was finally introduced and passed through its first committee on Saturday.

There is the possibility that they will extend beyond June 12 as planned potentially to June 19. There are several key tax policies that have not been introduced yet and there is rumor that the Governor may line item veto parts of the budget. Either would require the legislature to stay beyond the 12th.

Budget Overview:
This week HB 20-1360 The Long Bill and over 40 necessary accompanying orbital bills passed through both 2nd and 3rd readings in the House of Representatives, as well as 2nd and 3rd readings in the Senate. The largest of the cuts including: $724 million to the Department of Education, $493 million Department of Higher Education, $225 million 1-year elimination of the direct distribution to PERA, $201.6 million for capital construction projects, and $130 million in cash fund transfers to the General Fund all remained unchanged in the budget. There were several amendments in each chamber that successfully made it on to the long bill. The bill will now head to conference committee, where the differences between the House and Senate versions will be negotiated. The JBC members comprise the conference committee, but now their roles change from a unit of 6 defending the budget to representatives of their respective chambers fighting for their amendments. One surprise cut that has not appeared in the long bill or required accompanying legislation is the hotly contested $185M Senior Homestead Exemption.

HB20-1366 HIGHER EDUCATION FUNDING ALLOCATION MODEL: This bill has passed third reading in both chambers and will be heading to the governor. There were no amendments added to this bill from introduction.

HB 20-1379 SUSPEND DIRECT DISTRIBUTION TO PERA: This bill has passed both chambers and is heading to the governor. There were no amendments added to the bill.

HB20-1400 TEMPORARY CHANGE OF GAMING TAX REVENUE ALLOCATION This bill also has passed third reading in both the House and Senate and is going to the Governor’s Desk. One amendment was added in the house that clarifies these changes are temporary and proportionate to what is currently in statute.

The budget also needs tax changes and other refinancing legislation generating $202M to be passed through both chambers in order for the budget to be completely balanced. Some of those tax changes have yet to be introduced. This week we saw the introduction of:

§ SB20-215 HEALTH INSURANCE AFFORDABILITY ENTERPRISE: This bill will save $55 million in General Fund Revenue. The bill creates the Health Insurance Affordability Enterprise and extends and refinances the Reinsurance Program. The enterprise is funded with a newly established TABOR exempt health insurance vendor fee and annual General Fund transfer.

§ HB20-1406 CASH FUND TRANSFERS TO THE GENERAL FUND: The bill transfers a total of $32.2 million to the General Fund from 22 different cash funds over two fiscal years. These are
transfers that the JBC could not unanimously agree on, which is required for JBC action, therefore a separate bill had to be introduced.

School Finance Introduced
HB20-1418 School Finance Act was introduced and passed in House Education on Saturday. A complete summary of School Finance can be found here. The bill not only funds public schools for FY 20-21, it also makes the policy changes required for budget cuts made by the JBC. The JBC included the $510M allocated by the Governor for CARES Act funding towards school finance that was distributed based on a formula used for BEST full-day kindergarten capital construction needs, which favors rural school districts. Highlights include:

- **Base Per Pupil Funding:** $7,083.61
- **Budget Stabilization Factor:** $1.18B and 14.08% cut per district
- **Total Program:** $7.2B
- **School District Budget Deadline extended to June 23, 2020**

There was discussion of an additional $500K in cuts that needed to occur in the School Finance Act. The Budget Stabilization factor was not an option for legislators and conversations around cutting the Cost of Living Factor (COLA) surfaced and ended. There is discussion about the bills needed to balance the budget possibly generating enough revenue to avoid cutting schools further. No changes were made to categorical funding due to the prohibition on cutting categoricals in the constitution (thank you Amendment 23).

Property Tax Adjustment Concurrent Resolution Introduced
SCR20-001 would submit to the voters in November 2020 an amendment to the CO constitution to 1) repeal the requirement that the general assembly adjust the residential reassessment rate required under Gallagher to maintain the statewide proportion of residential property as compared to all other taxable property and 2) repeal the nonresidential property tax assessment rate of 29%. This concurrent resolution requires 2/3 vote in each chamber for passage. The bill has passed out of Senate Finance and will be heard on the Senate floor this week. If passed by the voters of Colorado, this would change would need to be reviewed for an impact on Aims mill levy collections.

HB 20-1002 College Credit for Work Experience passed the House this week with the amendment that turns the bill into a study with recommendations. The bill has been introduced in the Senate and will be in committee this week.

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