

Summary and analysis of draft concurrent resolution to transfer all net Lottery proceeds to the State Education Fund if a State Fiscal Emergency is declared

Summary

State Representative Jerry Sonnenberg (R-Sterling) is planning to introduce a measure that would ask voters to amend Article XXVII of the Constitution (the Great Outdoors Colorado Amendment) to allow the State to declare a Fiscal Emergency and transfer all Lottery proceeds for a period of one year to the State Education Fund:

Beginning with the third quarter of the 2010-11 state fiscal year, the concurrent resolution allows the transfer of all available net proceeds minus any moneys required to pay bonds issued by law by the trust fund board of every state-supervised lottery game operated under the authority of section 2 of article XVIII of the state constitution to the state education fund if the general assembly declares a state fiscal emergency by adopting a joint resolution approved by a two-thirds majority vote of the members of both houses of the general assembly and the governor.

This measure would affect all Lottery proceeds:

- Local governments' 40% share through the Conservation Trust Fund (CTF)
- State Parks 10% share
- GOCO's share (approximately \$55 million) that goes to local governments, land trusts, Colorado State Parks and the Colorado Division of Wildlife

Effect on Great Outdoors Colorado Competitive Grant Programs

This measure would have negative impacts on entities eligible to receive GOCO grants. One troubling aspect is that it would only set aside proceeds to pay off any bonds GOCO has issued.

GOCO's cash flow model

The GOCO Board awards grants "ahead" of the Lottery proceeds it receives. Once a grant is awarded, it takes time for a project to be completed and for the grant to be paid. Therefore, instead of carrying significant cash balances until projects are completed, GOCO awards grants ahead of receipt of proceeds to utilize the funds efficiently. GOCO's cash flow model has allowed it to meet the same needs without incurring the costs associated with bonding.

GOCO's current obligations

This measure would not recognize the common sense approach GOCO has taken to funding projects since it would only recognize the obligations resulting from bonding. This would leave hundreds of projects in the lurch. GOCO currently has approximately 300-plus projects to which it has made grants awards of approximately \$122 million that have not yet been paid. It currently has approximately \$36 million in cash on hand. If this measure was in effect already and a State Fiscal Emergency were declared today, here is what would be affected:

117 Local Government Park, Outdoor Recreation, and Trail Grants:

- These projects are in 39 counties in every region of the state.
- On average, GOCO dollars are about 48% of these projects' funding.
- Not being able to use Conservation Trust Fund as match for GOCO grants further erodes these governments' ability to complete these projects.

- Work would likely have to be stopped on many of these projects if GOCO funding were suddenly unavailable. This could also lead to litigation between contractors/vendors and the local governments if they're forced to cancel contracts.

20 Open Space Grants:

- GOCO has 20 current Open Space grants in 19 counties in every region of the state:
- 6 of these grants will fund fee-title acquisitions that add 1600 acres of permanently-protected public recreation opportunities. With local governments facing budget pressures, it's likely that these deals would be left undone without GOCO funding.
- 14 projects will place conservation easements (CE) over 115,000 acres.
 - Significant water rights will be protected by many of these easements ensuring that local water stays in local use.
 - Landowners often use sales of conservation easements to maintain their property's agricultural viability (by using the proceeds to pay down debts and reinvest in their operations). Redirecting GOCO funds away from these purchases will negatively impact the long-term viability of agriculture.
 - Landowners who have invested considerable time, effort, and money on structuring their deals for estate purposes could see those efforts wasted – and the property's future put at risk – if GOCO's funds are directed away from these purchases.
 - For these projects, GOCO represents 43% of project funding. Redirecting these funds to another use will likely mean that most, if not all, are left undone.

Multi-purpose Legacy Grants:

- Trail construction
- Local and Regional Parks
- Conservation Easements totaling 8,676 acres in Gunnison, Adams, El Paso, Pueblo, Mineral, Morgan and Archuleta counties.
- Fee Purchases
 - 640 Acres in Colorado Springs (Manitou Section 16)
 - Two public access properties along the South Platte in Arapahoe County

In all grant programs, particularly land acquisitions, grantees present the award of a GOCO grant to other funders as a demonstration of their funding and commitment to the project. Without those GOCO grants, or with the threat of their being essentially canceled, other funding becomes less likely.

While GOCO has not bonded, many local governments do utilize bond dollars and GOCO dollars to achieve projects. Those local governments would be paying interest and costs for a project that may not be completed without GOCO.