



## Fiscal Note

### Legislative Council Staff

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## HB 26-1359: CREDIT STATE PUB SCH FUND FROM NATURAL RESOURCES

**Prime Sponsors:**

Rep. Sirota; Taggart  
Sen. Bridges; Kirkmeyer

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**Fiscal note status:** This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2026-27 budget package.

### Summary Information

**Overview.** The bill diverts public school land revenue that would have been deposited in the Permanent Fund into the State Public School Fund.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- State Diversions

**Appropriations.** No appropriation is required. See State Expenditures Section.

**Table 1  
State Fiscal Impacts**

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	-\$5,600,000	-\$5,600,000
State Expenditures	\$0	\$0	\$0
Diverted Funds	\$25,000,000	\$45,000,000	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	\$0	0.0 FTE	0.0 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A**  
**State Revenue**

<b>Fund Source</b>	<b>Current Year FY 2025-26</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$0	\$0	\$0
Cash Funds (Permanent Fund)	\$0	-\$5,600,000	-\$5,600,000
<b>Net Transfer</b>	<b>\$0</b>	<b>-\$5,600,000</b>	<b>-\$5,600,000</b>

**Table 1B**  
**State Diversions**

<b>Fund Source</b>	<b>Current Year FY 2025-26</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Permanent Fund Revenue	-\$25,000,000	-\$45,000,000	\$0
State Public School Fund	\$25,000,000	\$45,000,000	\$0
<b>Net Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

The bill diverts state land revenue before it is deposited into the Permanent Fund; the diversion is not from the existing balance of the Permanent Fund.

## Summary of Legislation

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Under current law, revenue earned on public school lands is distributed for specific purposes, with the remainder deposited in the Permanent Fund. The bill diverts \$25 million in FY 2025-26 and \$45 million in FY 2026-27 that would have been deposited in the Permanent Fund to the State Public School Fund. The diverted amount is from royalties and other payments from the depletion or extraction of a natural resource on public school lands.

## Background

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### State Land Board

The State Land Board is charged with managing the public school land trust, which is made up of state lands granted when Colorado became a state to support public education. Revenue from state lands includes leases, mineral royalties, and fees, among other sources, and is used as follows:

- the greater of \$40 million or 50 percent to public school capital construction;
- operational costs and investment back into the state lands; and
- all remaining funds are deposited into the Permanent Fund.

At the end of FY 2024-25, \$114.6 million in State Land Board revenue was deposited into the Permanent Fund.

## Permanent Fund

The [Permanent Fund](#) is an inviolate endowment fund that receives revenue generated from state lands. Money in the fund cannot be transferred or spent, but investment income on the fund must be spent to support and maintain public schools. Under current law, interest and investment earnings on the Permanent Fund are distributed to the State Public School Fund and to public school capital construction (the BEST program) in FY 2025-26, and only for the BEST program in subsequent years. As of the end of FY 2024-25, the Permanent Fund was valued at \$1.8 billion, and \$53.6 million in investment income was available for distribution.

## State Revenue

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By diverting money that would otherwise have been deposited in the Permanent Fund, the bill reduces investment income that would have been earned on the diverted funds.

The actual decrease will depend on how the money would have been invested and the returns on those investments, with current returns ranging from about 3 percent to about 13 percent depending on the type of investment, equating to \$2.1 million (3 percent return) to \$9.1 million (13 percent return). The fiscal note assumes the midpoint of this range, or a \$5.6 million revenue decrease. Permanent Fund investment earnings are not subject to TABOR.

## State Diversions

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The bill diverts \$25 million in the current FY 2025-26 and \$45 million in FY 2026-27 from the Permanent Fund to the State Public School Fund, as shown in Table 1A. This money comes from public school land revenue from royalties on natural resource extraction.

## State Expenditures

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Depending on how the diverted money would have been invested, the bill may reduce the amount of Permanent Fund investment income distributed to the BEST program and the State Public School Fund.

As discussed above, the bill deposits additional funds into the State Public School Fund, and reduces investment earnings. The bill does not change expenditures from the State Public School Fund; however, the FY 2026-27 Long Bill shifts \$70 million of the appropriation for the state share of school finance from the General Fund to the State Public School Fund for FY 2026-27.

## **Effective Date**

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The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## **State and Local Government Contacts**

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Joint Budget Committee Staff

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).