



**Colorado
Legislative
Council
Staff**

HB17-1256

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0460
Prime Sponsor(s): Rep. Foote

Date: March 20, 2017
Bill Status: House Health, Insurance and Environment

Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: OIL & GAS FACILITIES DISTANCE FROM SCHOOL PROPERTY

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	Potential reduction. See State Revenue section	
State Expenditures	<u>up to \$43,913</u>	
Cash Funds	up to 43,913	
Appropriation Required: None.		
Future Year Impacts: None.		

Summary of Legislation

Current rules adopted by the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources require that new sites for oil and gas operations be located at least 1,000 feet from school buildings and other high occupancy buildings. This bill requires that the minimum setback distance apply to the school property line, and not the school building. The setback requirement is applied to public schools, private schools, and child care centers. The bill also clarifies that setback requirements do not apply if a school begins operations near oil and gas facilities that are already permitted or in use.

State Revenue

The bill may prohibit the siting of new oil and gas operations on lands that are currently available for development, potentially reducing oil and gas production, and the severance tax and conservation mill levy revenue collected by the state. There is not enough data to precisely estimate the revenue impact of this reduction; however, any reduction is expected to be minimal.

State Expenditures

For FY 2017-18 only, the bill increases cash fund expenditures in the Department of Natural Resources by up to \$43,913 as discussed below.

The bill requires a revised framework for the location assessment of new oil and gas production facilities. Under current COGCC rules, this assessment is calculated by applying a setback requirement of 1,000 feet from a school or other high occupancy building. This bill requires the setback be calculated with a minimum distance of 1,000 feet from a school's nearest property line. As a result, the COGCC must make conforming changes to existing rules and definitions, redraft the oil and gas location assessment process, and update rules concerning setback and mitigation measures. COGCC staff will update rules and procedures with assistance from the Department of Law.

Rulemaking by the COGCC is anticipated to increase state expenditures by up to \$43,913. An analogous rulemaking concerning setbacks for oil and gas development took place in 2013. The rulemaking as a result of this bill is estimated to require a similar effort, resulting in approximately 380 hours of legal services from the Department of Law, at a blended rate of \$95.05 per hour, for a one-time legal services cost of up to \$36,119. Additional expenses for rulemaking, such as travel, meals, public notices, and materials, are estimated at up to \$7,794. This one-time expense can be accomplished within existing resources, and does not require additional appropriations for FY 2017-18.

Local Government Impact

Similar to the revenue impact to the state described above, local governments may forego a *de minimis* amount of ad valorem taxes as a result of eliminating some sites for oil and gas development that would remain available under current law. To the extent that some oil and gas operations are precluded from accessing a productive site, local governments may realize a reduced property tax base to assesses local mill levies.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to oil and gas production facilities and wells permitted on or after that date.

State and Local Government Contacts

Natural Resources

Public Health And Environment