



**Colorado
Legislative
Council
Staff**

SB17-050

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 1, 2017)

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

Drafting Number: LLS 17-0183
Prime Sponsor(s): Sen. Cooke
Rep. Becker, K.

Date: February 22, 2017
Bill Status: House Agriculture
Fiscal Analyst: Clare Pramuk (303-866-2677)

BILL TOPIC: CONSOLIDATE FOREST RISK & HEALTH GRANT PROGRAMS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	\$0	\$0
<i>State Transfers*</i>		
Cash Funds	(up to \$4.0 million)	(\$1.6 million)
Cash Funds	up to \$4.0 million	\$1.6 million
State Expenditures	Increase and decrease. See State Expenditures section.	
Cash Funds		
Appropriation Required: None, funds are continuously appropriated.		
Future Year Impacts: Transfers and expenditures continue until September 1, 2023.		

**Transfers result in no net change to state revenue. Parentheses indicate a decrease in funds.*

Summary of Legislation

The **reengrossed** bill consolidates existing state grant programs related to forest management under the Colorado State Forest Service at Colorado State University and gives it the authority to spend unencumbered balances in certain cash funds. Specifically the bill:

- renames the Forest Restoration Program Cash Fund to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund and extends its repeal date from July 1, 2018, to September 1, 2023;
- repeals the Wildfire Risk Reduction Grant Program in the Department of Natural Resources (DNR) on December 31, 2017, and transfers the balance to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund;
- authorizes \$2.5 million in transfers from the Severance Tax Operational Fund from July 1, 2017, to September 1, 2023, to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund;
- allows the State Forest Service to use up to \$1.0 million of the unencumbered balance of the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund with spending direction;

- allows the forest service to spend the unencumbered balance of the Healthy Forests and Vibrant Communities Fund with spending direction; and
- establishes eligibility and funding criteria for the grant programs.

The bill modifies the membership of the Technical Advisory Panel.

Background

Severance Tax Operational Fund. Agencies and programs that receive funding from the Severance Tax Operational Fund are divided into Tier 1 and Tier 2 programs. Tier 1 expenditures support ongoing operational expenses for agencies in the Department of Natural Resources (DNR), including the Colorado Oil and Gas Conservation Commission (COGCC). The Tier 1 reserve requirement is equal to one full year of operating appropriations to help insulate these programs from severance tax revenue volatility. The reserve requirement effectively doubles the impact of any increases to Tier 1 appropriations; for every dollar appropriated to a Tier 1 agency, available revenue in the operational fund is reduced by two dollars.

Tier 2 programs are funded with remaining revenue after Tier 1 appropriations. Tier 2 programs include water-related programs, agriculture-related programs, clean and renewable energy development, soil conservation, the control of invasive species, low-income energy assistance, and species conservation. If mid-year projections indicate there will be insufficient revenue in the operational fund to support authorized Tier 2 expenditures, funding for these programs is proportionately reduced, unless the General Assembly prioritizes cuts via legislation.

According to the December 2016, Legislative Council Economic and Revenue Forecast, no funding will be available for Tier 2 programs in FY 2017-18. Tier 2 programs are expected to be funded at approximately 63 percent of their base authorizations if this bill passes.

Technical Advisory Panel. Under the Colorado Forest Restoration Act organizations and local governments undertaking community-based forest restoration projects may apply to the forest service for state grant funds. The Technical Advisory Panel is responsible for reviewing project proposals and making funding recommendations. The panel is composed of 7 to 11 members who serve without compensation.

Cash fund balances. As of January 30, 2017, the Forest Restoration Program Fund had a balance of \$2.4 million, the Healthy Forests and Vibrant Communities Fund had a balance of \$4.8 million, and the Wildfire Risk Reduction Fund had a balance of \$4.0 million, of which \$3.7 is obligated to award grants.

State Revenue

State transfers. In FY 2017-18, up to \$4.0 million will be transferred from the Wildfire Risk Reduction Fund in the DNR to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund under the forest service.

Although Tier 2 programs are not expected to be funded in FY 2017-18, the following transfers are authorized by the bill from the Severance Tax Operational Fund for seven years:

- \$1,050,000 to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund;

- \$1,305,000 to the Healthy Forests and Vibrant Communities Fund;
- \$50,000 to the Wildland-Urban Interface Training Fund; and
- \$95,000 to the Wildfire Preparedness Fund.

For FY 2018-19, a total transfer of \$1,566,402 is expected from the Severance Tax Operational Fund which represents a proportional reduction of \$2,500,000. Funds will be distributed as follows:

- \$657,889 to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund;
- \$817,662 to the Healthy Forests and Vibrant Communities Fund;
- \$31,328 to the Wildland-Urban Interface Training Fund; and
- \$59,523 to the Wildfire Preparedness Fund.

After December 31, 2017, the unencumbered balance of Wildfire Risk Reduction Fund is transferred to the Wildfire Risk Reduction and Forest Health Grant Program Cash Fund.

State Expenditures

This bill increases expenditures and workload in the Colorado State Forest Service and reduces expenditures and workload in the Department of Natural Resources.

Colorado State Forest Service, Department of Higher Education. This bill will increase forest service workload and expenditures. The expenditure increase will depend on the amount of funding available and the grants awarded by the forest service. The bill allows the forest service to use up to 5 percent of the money in the cash fund to monitor grant program compliance and effectiveness.

Department of Natural Resources. The repeal of the Wildfire Risk Reduction Grant Program will reduce the workload of the DNR to administer the grant program and expenditures for grant funding. Because DNR was not appropriated staffing for grant administration, the workload has been accomplished with existing resources. As such, no reduction in appropriations are required by this bill.

Local Government Impact

Local governments that receive grants under the bill will experience offsetting increases in revenue and expenditures.

Effective Date

The bill takes effect July 1, 2017.

State and Local Government Contacts

Counties	Higher Education	Information Technology
Municipalities	Natural Resources	Public Health And Environment