



Legislative Council Staff

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HB 20-1338

FISCAL NOTE

Drafting Number: LLS 20-1061
Prime Sponsors: Rep. Arndt, Sen. Donovan

Date: March 11, 2020
Bill Status: House Rural Affairs
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Bill Topic: SEVERANCE TAX TRANSFER TO AGRICULTURE VALUE-ADDED CASH FUND

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill reinstates the transfer of severance tax revenue to the Agriculture Value-Added Cash Fund. This will increase the revenue available in the fund and reduce the amount available in other natural resource and energy grant programs starting in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 20-1338

Table with 4 columns: Category, Description, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures, Transfers (Agriculture Value Added Cash Fund, Natural Resource and Energy Grant Cash Funds), Total, and TABOR Refund.

Summary of Legislation

This bill reinstates the transfer of severance tax revenue to the Agriculture Value-Added Cash Fund to promote agricultural energy-related projects. The maximum transfer amount is \$500,000 each year between FY 2020-21 and FY 2027-28. However actual transfer amounts will depend on actual severance tax collections.

Background

Severance Tax Operational Fund. The Severance Tax Operational Fund receives 25 percent of state severance tax receipts. The fund is used for core departmental programs in the Department of Natural Resources (DNR) and natural resource and energy grant programs. Core departmental programs are prioritized in the fund and include operations for the Oil and Gas Conservation Commission; the Geological Survey; the Avalanche Information Center; the Division of Reclamation, Mining and Safety; the Water Conservation Board; the Division of Parks and Wildlife; and the fund's statutory reserve. Natural resource and energy grant programs include water-related programs; soil conservation; the control of invasive species; the Species Conservation Trust Fund; forestry and wildfire prevention grants; and three low-income energy assistance programs, two of which are addressed in this bill. Transfers to these programs take place on August 15 each year. Current law provides a mechanism for balancing spending from the operational fund by making proportional reductions to all natural resource and energy grant programs when insufficient funds exist to fully fund those programs and still meet the fund's statutory reserve requirement.

Agriculture Value-Added Cash Fund. The Agriculture Value-Added Cash Fund helps to support the Advancing Colorado's Renewable Energy and Energy Efficiency Program to promote the development and implementation of renewable energy and energy efficiency projects for Colorado agricultural producers and processors. The cash fund is administered by the Colorado Department of Agriculture and projects are directed by the Colorado Agricultural Value-Added Development Board.

State Transfers

The bill will increase transfers to the Agriculture Value-Added Cash Fund by \$279,233 in FY 2020-21 and \$163,044 in FY 2021-22, and decrease transfers by an offsetting amount to other natural resources and energy grant programs as shown in Table 2. These estimates are based on the December 2019 Legislative Council Staff severance tax forecast.

Table 2
Change in Transfers to Natural Resource and Energy Grant Programs Under HB 20-1338

Natural Resource and Energy Grant Program	FY 2020-21	FY 2021-22
(a) Water Supply Reserve Fund	(\$76,759)	(\$44,819)
(b) Soil Conservation District Grants	(\$3,454)	(\$2,017)
(c) Water Efficiency Grant Program	(\$4,222)	(\$2,465)
(e) Species Conservation Trust Fund	(\$38,379)	(\$22,409)
(f) Low-income Energy Assistance	(\$99,786)	(\$58,265)
(h) Agriculture Value-Added Cash Fund	\$279,233	\$163,044
(i) Interbasin Compact Committee	(\$5,719)	(\$3,339)
(k) and (n) Forestry Grants	(\$19,190)	(\$11,205)
(m) Aquatic Nuisance Species	(\$30,749)	(\$17,955)
(n) Forfeited Mine Site Reclamation	(\$975)	(\$569)
NREG Program Total Distributions	\$0	\$0

Under current law and based on the December 2019 Legislative Council Staff forecast, natural resource and energy grant programs will be funded at 56.6 percent in FY 2020-21 and 33.1 percent in FY 2021-22. Under this bill, more revenue is allocated to the grant programs without an increase in severance tax revenue and these programs will be funded at 55.8 percent and 32.6 percent, respectively.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Agriculture
 Information Technology

Colorado Energy Office
 Natural Resources