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Final Fiscal Note

Drafting Number: LLS 22-0178 **Date:** August 18, 2022
Prime Sponsors: Sen. Simpson; Sonnenberg **Bill Status:** Signed into Law
Rep. Roberts; Catlin **Fiscal Analyst:** Clare Pramuk | 303-866-2677
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Bill Topic: **GROUNDWATER COMPACT COMPLIANCE FUND**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates and funds the Groundwater Compact Compliance and Sustainability Fund for groundwater compact compliance and groundwater resource sustainability and conservation purposes. It increases state expenditures and local workload, and may increase state revenue on an ongoing basis. In addition, the bill creates a conditional transfer in FY 2024-25.

Appropriation Summary: For FY 2022-23, the bill requires and includes an appropriation of \$60 million to the Department of Natural Resources.

Fiscal Note Status: The fiscal note reflects the enacted bill, which was recommended by the Water Resources Review Committee.

Table 1
State Fiscal Impacts Under SB 22-028

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$60,000,000	-
Transfers		-	-
Other Budget Impacts		-	-

¹Money in the Economic Recovery and Relief Cash Fund comes from federal ARPA funds.

Summary of Legislation

This bill creates the Groundwater Compact Compliance and Sustainability Fund for groundwater compact compliance and groundwater resource sustainability and conservation purposes. The fund will be administered by the Colorado Water Conservation Board (CWCB) in the Department of Natural Resources (DNR) and is subject to annual appropriation. Funds may include appropriations or transfers by the General Assembly; funds from federal sources; and gifts, grants, and donations. For FY 2022-23, the bill requires an appropriation of \$60.0 million from the Economic Recovery and Relief Cash Fund. These funds are subject to the requirements for obligating and expending money under the American Rescue Plan Act of 2021 (ARPA).

The CWCB will disburse funds based on recommendations from the board of directors of either the Rio Grande Water Conservancy District or the Republican River Water Conservation District, after approval by the State Engineer. The bill authorizes the CWCB to use up to 5.0 percent of the annual appropriation to pay its direct and indirect costs and those of the boards of the Rio Grande Water Conservation District and the Republican Water Conservation District, and the State Engineer in the DNR.

On August 15, 2024, if there is unobligated money in the Groundwater Compact Compliance and Sustainability Fund, up to \$20.0 million will be transferred to the newly created Water Plan Implementation Account within the Water Plan Implementation Cash Fund. The CWCB and any person that receives money from the CWCB is required to comply with requirements set by the Office of State Planning and Budgeting and the State Controller.

Beginning in 2023 and annually through 2027, the DNR will report on the disposition of the \$60 million as part of its SMART Act hearing. If all groundwater reduction requirements and all statutorily mandated standards are achieved, the fund will be repealed and any remaining money transferred to the General Fund, but not before January 1, 2025.

State Revenue

The bill may increase revenue from gifts, grants, and donations from federal and private sources. At the time of this writing, no sources of funding have been identified. These funds are not subject to TABOR.

State Transfer

On August 15, 2024, the bill requires that if there is unobligated money in the Groundwater Compact Compliance and Sustainability Fund, up to \$20.0 million be transferred to the Water Plan Implementation Account.

State Expenditures

The bill will increase expenditures by up to \$60.0 million for the CWCB and the Division of Water Resources in the DNR to administer, distribute, and monitor the funds appropriated and solicit additional funding. The 5.0 percent allowance for administrative costs, \$3.0 million, is expected to be sufficient for the DNR to manage the fund.

Local Government

The boards of the Rio Grande Water Conservation District and the Republican River Water Conservation District will have an increase in workload to collaborate with the CWCB in determining how to allocate the funds. The direct and indirect costs of these boards can be paid from the fund.

State Appropriations

For FY 2022-23, the bill requires and includes an appropriation of \$60.0 million from the Groundwater Compact Compliance and Sustainability Fund from the Economic Recovery and Relief Cash Fund. These funds are reappropriated to the Department of Natural Resources and further appropriated through December 24, 2024.

Effective Date

The bill was signed into law by the Governor and took effect May 23, 2022.

State and Local Government Contacts

Information Technology

Judicial

Natural Resources