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Legislative Council Staff
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Be it Enacted by the People of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-29-101, add (4) as follows:

39-29-101. Legislative declaration. (4) IN COLORADO, THE OIL AND GAS INDUSTRY PAYS AN EFFECTIVE SEVERANCE TAX OF ONLY 0.6%; BUT, IN THE NEIGHBORING STATES OF WYOMING AND NEW MEXICO, THE OIL AND GAS INDUSTRY PAYS AN EFFECTIVE SEVERANCE TAX OF 6.5%. IT IS THE INTENT OF THE PEOPLE OF THIS STATE TO REQUIRE THE OIL AND GAS INDUSTRY TO PAY ITS FAIR SHARE IN SEVERANCE TAXES AND STOP EXPLOITING COLORADO'S NATURAL RESOURCES AND PEOPLE. IT IS ALSO THE INTENT OF THE PEOPLE OF THIS STATE THAT THE ADDITIONAL REVENUE GENERATED BY ELIMINATING THE TAX CREDIT GIVEN TO OIL AND GAS PRODUCERS FOR PROPERTY TAXES PAID AND CHANGING THE SEVERANCE TAX STRUCTURE IS APPROVED BY A VOTE OF THE PEOPLE AT THE 2018 GENERAL ELECTION SHALL SUPPLEMENT, RATHER THAN SUPPLANT, CURRENT APPROPRIATIONS TO THE FOLLOWING ENUMERATED PURPOSES AND SHALL BE USED TO PROVIDE FUNDING FOR THE FOLLOWING PUBLIC PURPOSES: ESTABLISHING ALL-DAY-KINDERGARTEN IN COLORADO PUBLIC SCHOOLS AND INCREASED FUNDING FOR COLORADO PUBLIC ELEMENTARY AND SECONDARY SCHOOLS; AND MEDICAL CARE AND TREATMENT FOR PEOPLE SUFFERING NEGATIVE HEALTH IMPACTS CAUSED BY OIL AND GAS PRODUCTION IN THOSE COMMUNITIES IMPACTED BY OIL AND GAS PRODUCTION. IT IS THE FURTHER INTENT OF THE PEOPLE OF THIS STATE THAT THE PROGRAMS CURRENTLY FUNDED BY THE SEVERANCE TAX PAID BY OIL AND GAS PRODUCERS NOT BE ADVERSELY IMPACTED BY THE DISTRIBUTION OF THE ADDITIONAL REVENUE GENERATED BY THE CHANGES TO THE SEVERANCE TAX APPROVED BY A VOTE OF THE PEOPLE AT THE 2019 GENERAL ELECTION, WHICH IS REFLECTED IN THE DISTRIBUTION SET FORTH IN SECTION 39-29-108 (2.3), C.R.S.

SECTION 2. In Colorado Revised Statutes, 39-29-105, **amend** (1)(b); and **add** (1)(c) and (3) as follows:

39-29-105. Tax on severance of oil and gas. (1)(b) In addition to any other tax, there shall be levied, collected, and paid for each taxable year commencing on or after January 1, 2000. FOR THE TAXABLE YEARS PRIOR TO JANUARY 1, 2019, THERE SHALL BE LEVIED,

COLLECTED, AND PAID, a tax upon gross income attributable to the sale of oil and gas severed from the earth in this state; except that oil produced from any wells that produce ~~fifteen~~ 15 barrels per day or less of oil and gas produced from wells that produce ~~ninety thousand~~ 90000 cubic feet or less of gas per day for the average of all producing days for such oil or gas production during the taxable year shall be exempt from the tax. The tax for oil and gas shall be at the following rates of the gross income:

Under \$25,000	2%
\$25,000 and under \$100,000	3%
\$100,000 and under \$300,000	4%
\$300,000 and over	5%

(c) IN ADDITION TO ANY OTHER TAX, THERE SHALL BE LEVIED, COLLECTED, AND PAID FOR EACH TAXABLE YEAR COMMENCING ON AND AFTER JANUARY 1, 2019, A TAX UPON THE GROSS INCOME ATTRIBUTABLE TO THE SALE OF OIL AND GAS SEVERED FROM THE EARTH IN THIS STATE; EXCEPT THAT OIL PRODUCED FROM ANY WELLS THAT PRODUCE SEVEN AND ONE-HALF BARRELS PER DAY OR LESS OF OIL AND GAS PRODUCED FROM WELLS THAT PRODUCE FORTY-FIVE THOUSAND CUBIC FEET OR LESS OF GAS PER DAY FOR THE AVERAGE OF ALL PRODUCING DAYS FOR SUCH OIL AND GAS PRODUCTION DURING THE TAXABLE YEAR SHALL BE EXEMPT FROM THE TAX. NOTHING IN THIS PARAGRAPH (C) SHALL EXEMPT A PRODUCER OF OIL AND GAS FROM SUBMITTING A PRODUCTION EMPLOYEE REPORT AS REQUIRED BY SECTION 39-29-110 (1) (D) (I). THE TAX FOR OIL AND GAS PROVIDED FOR IN THIS PARAGRAPH (C) SHALL BE AT THE FOLLOWING RATE OF GROSS INCOME:

Under \$25,000	7%
\$25,000 and under \$100,000	8%
\$100,000 and under \$300,000	9%
\$300,000 and over	10%

SECTION 3. In Colorado Revised Statutes, 39-29-105, **add** (3) as follows:

(3) THE PROCEEDS OF THIS TAX RECEIVED IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (1)(C) OF THIS SECTION AND INVESTMENT INCOME THEREON SHALL BE COLLECTED AND SPENT BY THE STATE AS A VOTER-APPROVED REVENUE CHANGE WITHOUT REGARD TO ANY SPENDING LIMITATION CONTAINED WITHIN SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, OR ANY OTHER LAW.

SECTION 4. In Colorado Revised Statutes, 39-29-108, **amend** (1), introductory portion and (2)(b); and **add** (2.3) as follows:

39-29-108. Allocation of severance tax revenues---definitions---repeal. (1) Except as provided in SUBSECTIONS (2), (2.3), AND (3) of this section, the total gross receipts realized from the severance taxes imposed on minerals and mineral fuels under the provisions of this article shall be credited as follows:

(2.3) OF THE TOTAL REVENUES LEVIED, COLLECTED, AND PAID BY OPERATION OF SECTION 39-29-105 (1) (C), TWENTY-TWO PERCENT SHALL BE CREDITED TO THE SEVERANCE TAX TRUST FUND CREATED BY SECTION 39-29-109, TWENTY-TWO PERCENT SHALL BE CREDITED TO THE LOCAL GOVERNMENT SEVERANCE TAX FUND CREATED BY SECTION 39-29-110, AND THE REMAINING FIFTY-SIX PERCENT SHALL BE CREDITED TO THE SEVERANCE TAX STABILIZATION TRUST FUND CREATED BY SECTION 39-29-110.5.

SECTION 5. In Colorado Revised Statutes, **add** 39-29-110.5 as follows:

39-29-110.5. Severance tax stabilization trust fund---creation---administration. (1) (a) THERE IS HEREBY CREATED IN THE OFFICE OF THE STATE TREASURER THE SEVERANCE TAX STABILIZATION TRUST FUND. ALL INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF THE MONEYS IN THE SEVERANCE TAX STABILIZATION TRUST FUND SHALL BE CREDITED TO THE SEVERANCE TAX STABILIZATION TRUST FUND. AT THE END OF ANY FISCAL YEAR, ALL UNEXPENDED AND UNENCUMBERED MONEYS IN THE FUND SHALL REMAIN IN

THE FUND AND SHALL NOT BE CREDITED OR TRANSFERRED TO THE GENERAL FUND OR ANY OTHER FUND. ALL MONEYS IN THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX STABILIZATION TRUST FUND SHALL BE DISTRIBUTED BY THE GENERAL ASSEMBLY FOR THE PURPOSES AND IN THE PROPORTION SET FORTH IN SUBSECTION (2) OF THIS SECTION.

(B) THE MONEYS IN THE SEVERANCE TAX STABILIZATION TRUST FUND SHALL BE HELD IN TWO ACCOUNTS, AS FOLLOWS:

(I) **THE PERPETUAL BASE ACCOUNT.** TEN PERCENT OF THE SEVERANCE TAX RECEIPTS CREDITED TO THE SEVERANCE TAX RECEIPTS STABILIZATION TRUST FUND AND THE INTEREST GENERATED THEREON SHALL BE RETAINED IN THE PERPETUAL BASE ACCOUNT. THE MAXIMUM BALANCE IN THE PERPETUAL BASE ACCOUNT SHALL BE ONE HUNDRED AND TWENTY-FIVE PERCENT OF THE PREVIOUS FISCAL YEAR'S REVENUE CREDITED TO THE SEVERANCE TAX STABILIZATION TRUST FUND PURSUANT TO SECTION 39-29-108 (2.3). IN ANY YEAR IN WHICH THE BALANCE OF THE PERPETUAL BASE ACCOUNT EXCEEDS ONE HUNDRED AND TWENTY-FIVE PERCENT OF THE PREVIOUS FISCAL YEAR'S REVENUE TO THE SEVERANCE TAX STABILIZATION TRUST FUND, THE INTEREST GENERATED BY THE PERPETUAL BASE ACCOUNT AND MONEYS IN EXCESS OF ONE HUNDRED AND TWENTY-FIVE PERCENT OF THE PREVIOUS FISCAL YEAR'S REVENUE TO THE SEVERANCE TAX STABILIZATION TRUST FUND SHALL BE CREDITED TO THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX STABILIZATION TRUST FUND.

(II) **THE OPERATIONAL ACCOUNT.** NINETY PERCENT OF THE SEVERANCE TAX RECEIPTS CREDITED TO THE SEVERANCE TAX STABILIZATION TRUST FUND, PLUS ANY MONEYS REQUIRED TO BE TRANSFERRED TO THE OPERATIONAL ACCOUNT PURSUANT TO SUBPARAGRAPH (I) OF THIS PARAGRAPH (B) SHALL BE CREDITED TO THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX STABILIZATION TRUST FUND.

(2) EACH YEAR THE MONEYS IN THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX STABILIZATION TRUST FUND SHALL BE DISTRIBUTED AS FOLLOWS:

(A) FIFTY PERCENT SHALL BE APPROPRIATED FOR THE EXCLUSIVE PURPOSE OF ESTABLISHING ALL-DAY KINDERGARTEN IN COLORADO PUBLIC SCHOOLS AND INCREASED FUNDING FOR COLORADO PUBLIC ELEMENTARY AND SECONDARY SCHOOLS AND SHALL BE DISTRIBUTED THROUGH THE STATE'S EXISTING METHOD FOR FUNDING PUBLIC SCHOOLS;

(B) FIFTY PERCENT SHALL BE APPROPRIATED TO THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT FOR THE EXCLUSIVE PURPOSE OF MEDICAL CARE AND TREATMENT FOR PEOPLE SUFFERING NEGATIVE HEALTH IMPACTS FROM OIL AND GAS PRODUCTION, INCLUDING, BUT NOT LIMITED TO, INCREASES IN ASTHMA, CANCER, IMMUNE SYSTEM DISEASES, COGNITIVE DEFICIENCIES, MISCARRIAGES AND BIRTH DEFECTS ALL PROXIMATELY CAUSED BY OIL AND GAS PRODUCTION.