

FISCAL IMPACT OF SB 19-181

The fiscal of SB 19-181 on energy producing counties, like Weld County, will be significant not only to Weld County government but to all the local taxing jurisdictions in the county. In Weld County over 58% of the assessed valuation is attributed to oil and gas. Of the nearly \$850 million in property taxes paid in Weld County in 2019, over \$490 million will be paid by energy companies. The energy companies are paying nearly \$200 million in property taxes to Weld County school districts alone. If SB 181 causes a decline in the oil and gas production in Weld County, the ultimate impact could be that the State of Colorado, under the state's school finance act, would have to make up the loss in revenue from other state revenue sources to keep the schools financially whole.

The adverse impacts of SB 181 on oil and gas production would result in the immediate reduction of property tax revenues in Weld County. With the fracking process used for horizontal wells in the Niabrara formation, oil wells produce their greatest flow rate when first drilled or worked-over. A well's production may decline by more than half in the first year. This is a much faster drop than conventional oil wells, because shale has very low permeability. Looking at the production the last three years in Weld County, new first-year production ranged from 30% to 35% of the total production. This demonstrates without ongoing new wells or work-overs the production would drop dramatically in 2-3 years. Impact from the loss of tax revenues from SB 181 would be felt in a very short time the consequences being in a dramatic service reduction for fire districts, water districts, and sanitation districts.

The loss of oil and gas revenue in Weld County would be felt in other areas of the state, well beyond the boundaries of Weld County. As already mentioned, the loss of revenues to the school districts will require the state to backfill dollars for education. Besides property tax, the oil and producers in Weld County are paying state severance tax, which funds state programs in the Colorado Department of Natural Resources and Colorado Department of Local Affairs (DOLA). The DOLA Energy Impact Assistance grant program funds annually between \$75- \$100 million of local government projects throughout the state, including many dollars going to non-energy producing jurisdictions. The DOLA severance tax direct distribution to Colorado municipalities and counties throughout the state was \$16.2 million in 2018, Federal Mineral Leasing payments to municipalities and counties throughout state totaled \$18.7 million in 2018, and school districts received \$1.6 million in 2018.

The Weld County Assessor has pointed out previously to members of the legislature that under the Gallagher Amendment calculation of the residential tax rate without the new oil and gas production in Weld County, the residential rate is predicted to drop from 7.2% to 6.1% and would result in an assessment ratio of 6.56%. Governments across the state, not just Weld County, would lose **9%** of their revenue because of the decline in production in Weld County.

Another significant state revenue that would be jeopardized or reduced is the oil and gas revenues from oil and gas leases from the Colorado Land Trust. Between 2008-2018 the Colorado Land Trust raised over **\$1 billion** for Colorado public schools from oil and gas leases on trust lands.

1 WHETHER THE LANDS ARE COMMUNITIZED OR POOLED WITH INDIAN
2 MINERAL LANDS.

3 **SECTION 11.** In Colorado Revised Statutes, 34-60-106, **amend**
4 (1) introductory portion, (1)(f), (2) introductory portion, (2)(b), (2)(c), (7),
5 (13), and (15); **repeal** (2)(d); and **add** (2.5), (11)(c), (18), (19), and (20)
6 as follows:

7 **34-60-106. Additional powers of commission - rules - repeal.**

8 (1) The commission also ~~has authority to~~ SHALL require:

9 (f) (I) That no operations for the drilling of a well for oil and gas
10 shall be commenced without first:

11 (A) ~~Giving to the commission notice of intention~~ APPLYING FOR
12 A PERMIT to drill, WHICH MUST INCLUDE PROOF EITHER THAT: THE
13 OPERATOR HAS FILED AN APPLICATION WITH ALL AFFECTED LOCAL
14 GOVERNMENTS TO APPROVE THE SITING OF THE PROPOSED OIL AND GAS
15 LOCATION AND THE LOCAL GOVERNMENTS' DISPOSITION OF THE
16 APPLICATION; OR NO AFFECTED LOCAL GOVERNMENT REGULATES THE
17 SITING OF OIL AND GAS LOCATIONS; and ~~without first~~

18 (B) Obtaining a permit from the commission, under ~~such rules and~~
19 ~~regulations as may be~~ prescribed by the commission; and

20 (II) Paying to the commission a filing and service fee to be
21 established by the commission for the purpose of paying the expense of
22 administering this ~~article~~ ARTICLE 60 as provided in section 34-60-122,
23 which fee may be transferable or refundable, at the option of the
24 commission, if ~~such~~ THE permit is not used; ~~but no such fee shall exceed~~
25 ~~two hundred dollars;~~ AND

26 (III) (A) NOTWITHSTANDING ANY OTHER PROVISION OF LAW BUT
27 SUBJECT TO SUBSECTION (1)(f)(III)(B) OF THIS SECTION, UNTIL THE

1 COMMISSION HAS PROMULGATED ANY RULES REQUIRED TO BE ADOPTED BY
2 SUBSECTIONS (2.5)(a), (11)(c), AND (19) OF THIS SECTION AND EACH RULE
3 SPECIFIED IN THIS SUBSECTION (1)(f)(III)(A) HAS BECOME EFFECTIVE, THE
4 DIRECTOR MAY REFUSE TO ISSUE A PERMIT IF THE DIRECTOR DETERMINES,
5 PURSUANT TO OBJECTIVE CRITERIA TO BE PUBLISHED BY THE DIRECTOR
6 WITHIN THIRTY DAYS AFTER THE EFFECTIVE DATE OF THIS SUBSECTION
7 (1)(f)(III) AND FOLLOWING A PUBLIC COMMENT PERIOD, THAT THE PERMIT
8 REQUIRES ADDITIONAL ANALYSIS TO ENSURE THE PROTECTION OF PUBLIC
9 HEALTH, SAFETY, AND WELFARE OR THE ENVIRONMENT OR REQUIRES
10 ADDITIONAL LOCAL GOVERNMENT OR OTHER STATE AGENCY
11 CONSULTATION. ==

12 (B) THIS SUBSECTION (1)(f)(III) WILL BE REPEALED IF THE RULES
13 SPECIFIED IN SUBSECTION (1)(f)(III)(A) OF THIS SECTION HAVE BECOME
14 EFFECTIVE. THE DIRECTOR SHALL NOTIFY THE REVISOR OF STATUTES IN
15 WRITING OF THE DATE ON WHICH ALL RULES SPECIFIED IN SUBSECTION
16 (1)(f)(III)(A) OF THIS SECTION HAVE BECOME EFFECTIVE BY E-MAILING
17 THE NOTICE TO REVISOR OF STATUTES.GA@STATE.CO.US. THIS SUBSECTION
18 (1)(f)(III) IS REPEALED, EFFECTIVE UPON THE DATE IDENTIFIED IN THE
19 NOTICE THAT THE RULES SPECIFIED IN SUBSECTION (1)(f)(III)(A) OF THIS
20 SECTION HAVE BECOME EFFECTIVE OR, IF THE NOTICE DOES NOT SPECIFY
21 THAT DATE, UPON THE DATE OF THE NOTICE TO THE REVISOR OF STATUTES.

- 22 (2) The commission ~~has the authority to~~ MAY regulate:
- 23 (b) The shooting and chemical treatment of wells; AND
 - 24 (c) The spacing AND NUMBER of wells ALLOWED IN A DRILLING
25 UNIT. ~~and~~
 - 26 (d) ~~Oil and gas operations so as to prevent and mitigate significant~~
27 ~~adverse environmental impacts on any air, water, soil, or biological~~

Last 10 years of the number of well permits in the State of Colorado, and then also Weld County.

	Year	COGCC	Weld County	WC % of total
	2018	5,116	3,496	68
	2017	3,906	2,466	63
30% drop	2016	2,835	1,704	60
	2015 *	2,987	1,841	62
	2014	4,190	2,303	55
	2013	4,025	2,468	61
20% drop	2012	3,773	1,826	48
	2011 *	4,659	2,262	49
	2010	5,996	2,152	36
40% drop	2009	5,159	1,448	28
	2008 *	8,027	2,340	29

COGCC permitting Low

Weld County 10 year permitting low

*Rule making



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WELD COUNTY ADMINISTRATIVE OFFICES

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GREELEY CO 80631

Dear Representative Herod, Tipper, Beckman, Benavidez, Bird, Bockenfeld, Gray, Rich, Sandridge, Snyder, Sullivan;

I write to you today to bring to your attention an unintended consequence of SB 19-181.

I am certain you are aware of the impact to local property tax revenue in counties like Weld County as a result of limitations on the oil and gas industry but a consequence that you might not be aware of is the impact to the Gallagher amendment calculation of the residential assessment rate which has a statewide fiscal impact.

The calculation of the residential rate is a complicated formula that requires the statewide assessed value of residential property to represent 45% of the value and the statewide non-residential assessed value to represent 55% of the value. With the robust economy on the front range, there is wide-spread concern that the residential assessment rate will drop below the current 7.2% thereby negatively impacting local governments across the state. Multiple fire authorities across the state went to the voters this past November to request protection from the loss of revenue from a drop in the residential rate and many counties that are primarily residential are fearful of the impact to service because of the reduction in property taxes.

Oil and gas valuation resides on the non-residential side of the pie and is part of the 55% value. Early this year the residential rate was predicted to go as low as 6.1%. The Colorado Division of Property Taxation has recently completed their preliminary study and, due to the thriving oil and gas industry in Weld County, the residential rate is predicted to be no lower than 6.95%. That prediction is calculated with a conservative value estimate for oil and gas in Weld County. If the oil and gas value is higher in Weld County then the rate might even calculate to the current 7.2%.

The passage of this bill will effectively slow down or stop oil and gas growth in Weld County. Industry representatives state that the production of a well declines 33% in one year. If this bill would have gone into effect last year and the oil and gas value in Weld County would have been reduced by 33% then, even with everything else remaining the same, the residential rate would be calculating at approximately 6.56% instead of the current 6.95% or possible 7.2%. That means that governments across the state, not just in Weld County, would lose 9% of their residential revenue because of the decline in production in Weld County.

I understand your goal is to look out for the health of Colorado but that includes the financial health of this state. With constant concern regarding the Gallagher amendment and the impact of the residential rate, it would be short-sighted to pass this bill and then watch the financial fallout. I encourage you to stop the passage of SB 19-181 so you have time to address the unintended statewide financial impact.

Sincerely,

Brenda Dones

Weld County Assessor