



**Colorado
Legislative
Council
Staff**

SB16-097

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 16-0730
Prime Sponsor(s): Sen. Scott
Rep. Coram

Date: June 16, 2016
Bill Status: Postponed Indefinitely
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: USE MINERAL SEVERANCE REVENUE FOR LOCAL GOVTS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	See State Transfers section.	
State Expenditures	See State Expenditures section.	
Appropriation Required: None.		
Future Year Impacts: None.		

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

Beginning January 1, 2016, this bill places restrictions on transferring money from various mineral related cash funds to the General Fund. Specifically, the bill prohibits transfers to the General Fund from the following cash funds (collectively referred to in the bill as the mineral severance fund):

- the Higher Education Federal Mineral Lease Revenues Fund;
- the Higher Education Maintenance and Reserve Fund;
- the Local Government Permanent Fund;
- the Local Government Mineral Impact Fund; and
- the Local Government Severance Tax Fund.

The bill prohibits the Governor from restricting the use of money in any of these funds to save money for a future transfer to the General Fund. The bill also limits the Governor's and the Joint Budget Committee's ability to use money in these funds for purposes not authorized in current law or that does not benefit the political subdivisions impacted by the severance of minerals.

Background

Severance tax revenue allocation. Severance tax revenue is divided evenly between the Department of Natural Resources (DNR) and the Department of Local Affairs (DOLA). DNR's half is deposited in the Severance Tax Trust Fund, and is again evenly split between the Perpetual

Base Fund and the Operational Fund. Money in the Perpetual Base Fund is used to finance loans for state water projects, while money in the Operational Fund is used to cover the administrative costs of several DNR divisions and to fund a variety of "tier 2" programs. DOLA's severance tax revenue is credited to the Local Government Severance Tax Fund and is distributed to local governments. Under current law, 70 percent is available for discretionary loans or grants to local governments in areas socially or economically impacted by the mineral extraction industry. The other 30 percent of the money is distributed directly to local governments based on the geographic location of energy industry employees, mine and well permits, and overall mineral production.

Federal Mineral Lease (FML) Revenue Allocation. The state receives money from the federal government from rents and royalties paid for mineral extraction on federal land. FML revenue comes in the form of either bonus payments or non-bonus payments. Bonus payment revenue is equally divided between the Local Government Permanent Fund and the Higher Education Maintenance and Reserve Fund. Non-bonus payments are primarily allocated to the State Public School Fund to assist in funding school finance. The remainder is allocated to support state water projects, and to augment the severance tax money distributed to local governments of impacted areas through the grants and direct distributions described above.

Transfers of severance tax and FML revenue to the General Fund. Between FY 2008-09 and FY 2011-12, the General Assembly made significant transfers from the cash funds impacted by this bill to the General Fund. Table 1 summarizes these transfers and the years that they occurred.

Table 1. Transfers of Severance Tax and FML Revenue to the General Fund, 2008-09 through 2014-15		
Cash Fund	Fiscal Years Transferred	Total Transfers
Higher Ed. FML Revenues Fund	2009-10, 2010-11	\$7,750,000
Higher Ed. Maintenance and Reserve Fund	2008-09, 2009-10, 2010-11	\$34,696,974
Local Government Mineral Impact Fund	2008-09, 2009-10, 2010-11, 2011-12	\$68,600,000
Local Government Permanent Fund	2009-10, 2010-11	\$18,442,461
Local Government Severance Tax Fund	2008-09, 2009-10, 2010-11, 2011-12	\$177,827,796
Total FML Revenue Transfers		\$129,489,435
Total Severance Tax Transfers		\$177,827,796
Total Transfers		\$307,317,231

* Table 1 includes transfers only and not diversions.

State Transfers

Beginning January 1, 2016, the bill prohibits the Governor or Joint Budget Committee from transferring money from any of the five specified funds to the General Fund for budget balancing purposes.

State Expenditures

The General Fund will now not be able to receive the severance tax or FML revenue that it otherwise would have received for budget balancing purposes. This impact is conditional on the Governor or Joint Budget Committee proposing such a transfer.

Local Government Impact

Beginning January 1, 2016, the bill prohibits the Governor or Joint Budget Committee from transferring money from any of the five specified funds to the General Fund for budget balancing purposes. Local governments will now receive money from severance tax revenue or FML revenue in the form of discretionary grants or direct distributions that otherwise would have otherwise been transferred to the General Fund for budget balancing purposes. This impact is conditional on the Governor or Joint Budget Committee proposing such a transfer.

Effective Date

The bill was postponed indefinitely by the House Finance Committee on May 5, 2016.

State and Local Government Contacts

Higher Education
Natural Resources

Local Affairs
Information Technology