



**Colorado
Legislative
Council
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SB17-260

FISCAL NOTE

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

Drafting Number: LLS 17-1082
Prime Sponsor(s): Sen. Lambert
 Rep. Hamner

Date: March 27, 2017
Bill Status: Senate Appropriations
Fiscal Analyst: Larson Silbaugh (303-866-4720)

BILL TOPIC: SEVERANCE TAX CASH FUND TRANSFERS TO GENERAL FUND

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$0</u>	<u>\$0</u>
<i>State Transfers</i>		
General Fund	\$45,700,000	
Local Government Severance Tax Fund	(22,850,000)	
Severance Tax Permanent Fund	(11,425,000)	
Severance Tax Operational Fund	(11,425,000)	
State Expenditures	<u>(\$32,643,087)</u>	
Discretionary Grants (DOLA)	(15,995,000)	
Statutory Distributions (DOLA)	(6,855,000)	
Tier 2 Severance Tax Programs (DNR)	(9,793,087)	
Appropriation Required: None.		
Future Year Impacts: None.		

Summary of Legislation

Recommended by the Joint Budget Committee, the bill transfers money from three severance tax cash funds into the General Fund in FY 2017-18. The following amounts will be transferred on June 30, 2018:

- \$22,850,000 from the Local Government Severance Tax Fund;
- \$11,425,000 from the Severance Tax Permanent Fund; and
- \$11,425,000 from the Severance Tax Operational Fund.

Background

Severance tax distributions. Severance tax revenue is divided evenly between the Department of Local Affairs (DOLA) and the Department of Natural Resources (DNR).

Department of Local Affairs. DOLA's severance tax revenue is credited to the Local Government Severance Tax Fund and distributed to local governments. Seventy percent is available for discretionary loans and grants to local governments socially or economically impacted by the mineral extraction industry. The remaining 30 percent is distributed according to statutory formula.

Department of Natural Resources. DNR's half is evenly divided between the Severance Tax Permanent Fund and the Severance Tax Operational Fund. The Permanent Fund is used to finance loans for state water projects administered by the Colorado Water Conservation Board that construct or improve flood control, water supply, hydroelectric energy, and recreational facilities, excluding domestic water treatment and distribution systems. The Operational Fund is generally used for programs administered by DNR. The fund's "core" or "tier 1" programs include programs administered by the Colorado Oil and Gas Commission; the Avalanche Information Center; the Colorado Geological Survey; the Division of Reclamation, Mining and Safety; the Colorado Water Conservation Board; and the Division of Parks and Wildlife. In the last several years, money in the Operational Fund has funded other "tier 2" programs, including water and agriculture-related programs, clean energy development, soil conservation, wildlife conservation, invasive species control, and low-income energy assistance.

Senate Bill 16-218. SB 16-218 required some severance tax refunds to be paid out of the individual income tax refund account within the General Fund in FY 2015-16 and FY 2016-17. Through February 2017, a total of \$104.2 million in refunds were paid from the individual income tax refund account, effectively reducing revenue available in the General Fund and increasing revenue in the severance tax cash funds.

State Transfers

The bill transfers the following amounts to the General Fund on June 30, 2018;

- \$22,850,000 from the Local Government Severance Tax Fund;
- \$11,425,000 from the Severance Tax Permanent Fund; and
- \$11,425,000 from the Severance Tax Operational Fund.

These transfers will reduce the amount available in the cash funds and increase the amount available for appropriation in the General Fund.

State Expenditures

In FY 2017-18, DOLA expenditures to local governments will decrease by \$22.8 million. Tier 2 appropriations within the Department of Natural Resources will be reduced by \$9.8 million in FY 2017-18.

Department of Local Affairs. Seventy percent of the Local Government Severance Tax Fund is available for discretionary loans and grants to local governments socially or economically impacted by the mineral extraction industry and the remaining 30 percent is distributed to local governments through statutory formula. Transferring \$22.8 million from the Local Government Severance Tax Fund will reduce discretionary loans and grants by \$16.0 million and statutory distributions by \$6.8 million in FY 2017-18.

Department of Natural Resources. The bill will reduce distributions to severance tax operational fund tier 2 programs by \$9.8 million in FY 2017-18 as shown in Table 1. The remaining \$1.6 million of the \$11.4 million transfer from the Severance Tax Operational Fund will reduce the fund's statutory reserve.

Water Supply Reserve Account	(2,890,686)
Soil Conservation Districts Matching Grants	(130,081)
Water Efficiency Grants	(158,988)
Species Conservation Trust Fund	(1,445,343)
Low-income Energy Assistance Program	(3,757,892)
Interbasin Compacts	(215,375)
Aquatic Invasive Species	(1,158,010)
Forfeited Mine Site Reclamation	(36,712)
Total	(\$9,793,087)

Local Government Impact

Local governments will receive \$16.0 million less in discretionary local government loans and grants and \$6.8 million less in statutory distributions from DOLA in FY 2017-18.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Information Technology
Natural Resources

Local Affairs
Revenue