

Summary of Legislation

The bill changes the distribution of any royalties received from the state's share of federal mineral lease (FML) revenue from oil and gas production on naval oil shale reserve land that were set aside prior to January 1, 2009. Instead of depositing this money in the state's Mineral Leasing Fund, the state treasurer is required to distribute these moneys as follows:

- 40 percent to Garfield County;
- 40 percent to Rio Blanco County;
- 10 percent to Mesa County; and
- 10 percent to Moffat County.

The bill amends the Federal Mineral Lease District Act to permit distributions to a FML district, if one exists, on behalf of a county. The state treasurer is required to consult with the Department of Local Affairs to determine if an applicable FML district exists prior to making any disbursements.

Background and Assumptions

Under current law, moneys in the Mineral Leasing Fund are distributed on a quarterly basis, as follows:

- 48.3 percent to the State Public School Fund to support public schools;
- 40.0 percent to the Local Government Mineral Impact Fund to be allocated by the Department of Local Affairs to local governments through formula-based distributions and grants;
- 10.0 percent to the Colorado Water Conservation Board Construction Fund for water projects; and
- 1.7 percent to school districts that are located in counties that are directly impacted by mineral production.

It is anticipated that the state will receive a \$18 million payment from the federal government in March 2018, which represents the remaining balance of the funds withheld for the Anvil Points site.

State Transfers

For the current FY 2017-18 only, this bill reduces transfers from the Mineral Leasing Fund to the State Public School Fund, Local Government Mineral Impact Fund, and the Colorado Water Conservation Board Construction Fund. Under the bill, state transfers from the Mineral Leasing Fund will be reduced as follows:

- (\$8,694,000) to the State Public School Fund;
- (\$7,200,000) to the Local Government Mineral Impact Fund;
- (\$1,800,000) to the Colorado Water Conservation Board Construction Fund; and
- (\$306,000) to school districts located in counties directly impacted by mineral production.

State Expenditures

As shown in the State Transfers section above, state expenditures will be reduced by \$18 million for the current FY 2017-18 only.

Local Government and School Districts

In the current FY 2017-18 only, this bill impacts local governments in several ways.

Increased funds to specific counties. The bill directs certain moneys that would otherwise be deposited into the Mineral Leasing Fund to instead be distributed to certain counties as follows:

- \$7.2 million to Garfield County;
- \$7.2 million to Rio Blanco County;
- \$1.8 million to Mesa County; and
- \$1.8 million to Moffat County.

School Districts. Under the bill, \$9 million will be reduced from school district related expenditures. This includes \$8,694,000 from the State Public School Fund and \$306,000 to school districts located in counties directly impact by mineral production.

Local government formula distributions and grants. Funds distributed by the Department of Local Affairs as formula-based distributions and grants made to local governments will be reduced by up \$7.2 million. The exact impact to particular jurisdictions has not been estimated.

Effective Date

The bill was signed into law by the Governor and took effect on March 22, 2018.

State and Local Government Contacts

Counties	Local Affairs
Natural Resources	Treasury