



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**FISCAL NOTE**

|                                     |  |
|-------------------------------------|--|
| <b>Drafting Number:</b> LLS 18-1087 | <b>Date:</b> March 26, 2018  |
| <b>Prime Sponsors:</b> Rep. Rankin  | <b>Bill Status:</b> House Appropriations                                   |
| Sen. Lambert                        | <b>Fiscal Analyst:</b> Josh Abram   303-866-3561<br>Josh.Abram@state.co.us |

**Bill Topic:** REDUCED REVENUE SEVERANCE TAX OPERATIONAL FUND TRANSFERS

**Summary of Fiscal Impact:**

|  |  |
|--|--|
| <input type="checkbox"/> State Revenue                             | <input type="checkbox"/> TABOR Refund            |
| <input type="checkbox"/> State Expenditure                         | <input type="checkbox"/> Local Government        |
| <input checked="" type="checkbox"/> State Transfers and Diversions | <input type="checkbox"/> Statutory Public Entity |

The bill makes various cash funds and General Fund transfers and diversions in support of programs in the Department of Natural Resources that are funded with severance tax revenue.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, which is recommended by the Joint Budget Committee as party of its FY 2018-19 budget package.

**Table 1**  
**State Fiscal Impacts Under HB 18-1338**

|                    |                          | FY 2017-18    | FY 2018-19      | FY 2019-20      |
|--------------------|--------------------------|---------------|-----------------|-----------------|
| <b>Revenue</b>     |                          | -             | -               | -               |
| <b>Expenditure</b> |                          | -             | -               | -               |
| <b>Transfers</b>   | General Fund             | -             | (\$29,508,016)  | (\$14,214,854)* |
|                    | Tier 2 Cash Funds        | -             | \$9,477,091     | -               |
|                    | Operational Fund         |               | \$20,030,925    | \$14,214,854*   |
|                    | <b>Total</b>             |               | <b>\$0</b>      | <b>\$0</b>      |
| <b>Transfers</b>   | Tier 2 Cash Funds        | (\$2,973,869) | -               | -               |
|                    | Operational Fund         | \$2,390,685   | -               | -               |
|                    | General Fund             | \$583,184     |                 |                 |
|                    | <b>Total</b>             | <b>\$0</b>    | -               | -               |
| <b>Diversion</b>   | Severance Tax Trust Fund | -             | (\$40,942,016)* | -               |
|                    | General Fund             | -             | \$40,942,016*   | -               |
|                    | <b>Total</b>             |               | <b>\$0</b>      |                 |

\* Up to this amount.

## **Summary of Legislation**

The bill makes several transfers and diversions in the current FY 2017-18, FY 2018-19, and FY 2019-20, affecting programs in the Department of Natural Resources (DNR) supported with severance tax revenue. Transfers and diversions are displayed in Table 1 above and described in the State Transfers and Diversions section.

## **State Transfers and Diversions**

Under current law, money is transferred from the Severance Tax Operational Fund (operational fund) to certain cash funds when sufficient severance tax revenue is available to support programs referred to as the Tier 2 programs in the Department of Natural Resources. The bill makes the following transfers and diversions affecting these programs.

In the current FY 2017-18, the bill transfers:

- \$2,390,685 from the Tier 2 cash funds to the operational fund; and
- \$583,184 from Tier 2 cash funds to the General Fund.

In FY 2018-19 the bill transfers:

- \$9,477,091 from the General Fund to the Tier 2 cash funds; and
- \$20,030,925 from the General Fund to the operational fund (of this amount, \$3.0 million is appropriated to the DNR in FY 2019-20 for species conservation programs).

At the end of the current FY 2017-18, if there is insufficient money in the Severance Tax Reserve Fund (reserve fund) in the Department of Revenue to pay for required severance tax refunds, the bill diverts income tax revenue otherwise deposited in the General Fund to the reserve fund, instead of transferring that revenue from the Tier 2 cash funds and operational fund to the reserve fund.

In FY 2019-20, the bill transfers the lesser of \$14,214,854, or the amount in the reserve fund required for FY 2019-20 operating expenses of the Tier 2 programs, from the General Fund to the operational fund. Based on the March LCS revenue forecast, \$12,008,481 will be available for transfer.

To offset General Fund transfers, the bill diverts severance tax revenue otherwise deposited in the operational fund from February 1, 2018, (the current fiscal year) through FY 2018-19, to the General Fund, up to \$40,942,016. Based on the March LCS revenue forecast, \$37,895,779 will be available for this diversion. The bill prohibits any transfers from the operational fund to Tier 2 programs in FY 2018-19, unless the operational fund receives positive severance tax revenue, and there is sufficient money in the reserve fund such that no statutory General Fund transfer to the operational fund is required beginning FY 2019-20.

Table 2 shows the transfers and diversions in each fiscal year.

**Table 2**  
**State Transfers and Diversions HB 18-1338**

|                    |                          | FY 2017-18    | FY 2018-19      | FY 2019-20      |
|--------------------|--------------------------|---------------|-----------------|-----------------|
| <b>Revenue</b>     |                          | -             | -               | -               |
| <b>Expenditure</b> |                          | -             | -               | -               |
| <b>Transfers</b>   | General Fund             | -             | (\$9,477,091)   | -               |
|                    | Tier 2 Cash Funds        | -             | \$9,477,091     | -               |
| <b>Total</b>       |                          |               | <b>\$0</b>      |                 |
| <b>Transfers</b>   | Tier 2 Cash Funds        | (\$2,390,685) | -               | -               |
|                    | Operational Fund         | \$2,390,685   | -               | -               |
| <b>Total</b>       |                          | <b>\$0</b>    |                 |                 |
| <b>Transfers</b>   | Tier 2 Cash Funds        | (\$583,184)   | -               | -               |
|                    | General Fund             | \$583,184     | -               | -               |
| <b>Total</b>       |                          | <b>\$0</b>    |                 |                 |
| <b>Transfers</b>   | General Fund             | -             | (\$20,030,925)  | (\$14,214,854)* |
|                    | Operational Fund         | -             | \$20,030,925    | \$14,214,854*   |
| <b>Total</b>       |                          |               | <b>\$0</b>      | <b>\$0</b>      |
| <b>Diversion</b>   | Severance Tax Trust Fund | -             | (\$40,942,016)* | -               |
|                    | General Fund             | -             | \$40,942,016*   | -               |
| <b>Total</b>       |                          |               | <b>\$0</b>      |                 |

\* Up to this amount.

**Effective Date**

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

**State and Local Government Contacts**

Natural Resources      Revenue