

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING TRANSFERS TO ADDRESS THE REDUCTION OF REVENUES IN THE SEVERANCE TAX OPERATIONAL FUND.

Prime Sponsors: Representative Rankin
Senator Lambert

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Phone: 303-866-4957
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Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 03/26/18

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
XXX	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
XXX	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Update Amendment

The House adopted an amendment on Second Reading (03/28/18), which added a reporting requirement for the Department of Revenue. The Department of Revenue estimates that complying with this additional statutory report will cost \$345,360 General Fund and 3.8 FTE in FY 2018-19, \$456,059 General Fund and 1.9 FTE in FY 2019-20, and \$357,929 General Fund and 1.2 FTE in FY 2020-21.

Update Technical

The Joint Budget Committee proposed a FY 2018-19 budget package based on the March 2018 Office of State Planning and Budgeting (OSPB) revenue forecast. Legislative Council relies on the Legislative Council revenue forecasts. Therefore, estimated General Fund impact differ in magnitude between the fiscal note and the summary of this bill included in the Budget Package and Long Bill Narrative for FY 2018-19. The following table summarizes the impact of the bill based on the OSPB forecast.

FY 2017-18 and FY 2018-19 Severance Tax Operational Fund	
Legislative Provisions for Operational Fund Stabilization	General Fund Impact ¹
FY 2017-18	
1. "Claw back" \$2,973,869 in transfers made to Tier 2 programs administered by the Department of Natural Resources in July 2017.	0
2. Forgive the Operational Fund's share of the S.B. 17-260 transfer obligation.	(11,425,000)
3. Use General Fund to pay the Operational Fund's share of any net negative	\$0 no estimate

FY 2017-18 and FY 2018-19 Severance Tax Operational Fund	
Legislative Provisions for Operational Fund Stabilization	General Fund Impact ¹
severance tax collections at the end of FY 2017-18.	
Subtotal	(11,425,000)
4. Divert Operational Fund revenue from February 1, 2018 through June 30, 2018.	7,840,638
(A) Net General Fund Cost/(Gain) in FY 2017-18	(3,584,362)
FY 2018-19	
5. Transfer General Fund to the Operational Fund on July 1, 2018, in an amount equal to total FY 2018-19 Tier 1 appropriations. (Figure represents requested appropriation).	(17,030,925)
6. Transfer General Fund to the Operational Fund on January 1, 2019, to begin filling the Severance Tax Tier 1 reserve.	(3,000,000)
7. Transfer General Fund to the DNR Targeted Tier 2 Programs.	(9,486,091)
Subtotal	(29,517,016)
8. Divert Operational Fund revenue from February 1, 2018 through June 30, 2018	28,250,000
(B) Net General Fund Cost in FY 2018-19	(1,267,016)
(C) Total Estimated General Fund In FY 2017-18 and FY 2018-19 (A+B = C)	(\$4,851,378)
FY 2019-20	
9. Transfer General Fund to the Operational Fund on July 1, 2019, in an amount equal to total FY 2019-20 Tier 1 appropriations to fulfill the 100% Tier 1 reserve requirement.	(14,214,854)

¹ All severance tax revenue forecasts are subject to a significantly higher level of uncertainty than normal. These figures should be viewed as informational only and subject to change as more information becomes available.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment
L.004	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation

Current Appropriations Clause in Bill

The bill requires but does not contain an appropriation clause.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$345,360 General Fund to the Department of Revenue for FY 2018-19. This provision also states that the appropriation is based on the assumption that the Department will require an additional 3.8 FTE.

L.004 Sponsor amendment **L.004** (attached) removes a reporting requirement for the Department of Revenue and therefore eliminates the need for an appropriation clause. It also makes several technical changes. **If the Committee adopts amendment L.004, amendment J.001**

should not be adopted.

Points to Consider*General Fund Impact*

The Joint Budget Committee (JBC) has proposed a budget package for FY 2018-19 based on the March 2018 Office of State Planning and Budgeting revenue forecast. The JBC has included as part of its FY 2018-19 budget package the \$3,584,362 General Fund revenue decrease in FY 2017-18 and the \$1,267,016 General Fund revenue decrease in FY 2018-19 that would result from the passage of this bill. It did not include the \$345,360 General Fund the Department of Revenue identified due to amendments adopted by the House.