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HB 18-1352

FINAL FISCAL NOTE

Drafting Number: LLS 18-0451 Date: June 19, 2018
Prime Sponsors: Rep. Foote; Gray Bill Status: Postponed Indefinitely
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Bill Topic: OIL & GAS FACILITIES DISTANCE FROM SCHOOL PROPERTY

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

Current law requires that new oil and gas development be located at least 1,000 feet from a school building. This bill requires that new oil and gas development be located at least 1,000 feet from a school property line.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1 State Fiscal Impacts Under HB 18-1352

Table with 3 columns: Category, FY 2018-19, FY 2019-20. Rows include Revenue, Expenditures (Cash Funds), and Transfers.

## Summary of Legislation

Current rules adopted by the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR) require that new sites for oil and gas operations be located at least 1,000 feet from schools and other high occupancy buildings. This bill requires that the minimum setback distance apply to the school property line, and not the school building. The bill's setback requirement applies to public schools, private schools, and child care centers.

The bill also clarifies that setback requirements do not apply if a school begins operations near oil and gas facilities that are already permitted or in use; however, the 1,000 foot setback does apply to real property owned by a school district on which a future permanent or temporary school building is planned to be constructed within 5 years.

## State Expenditures

For FY 2018-19 only, the bill increases cash fund expenditures in the Department of Natural Resources by up to \$6,300.

The bill establishes a revised framework for the location assessment of new oil and gas production facilities. The COGCC, with assistance from the Department of Law, must make conforming changes to existing rules, redraft the oil and gas location assessment process, and update rules concerning setback and mitigation measures.

Rulemaking by the COGCC is anticipated to increase state expenditures by up to \$6,340. The COGCC will require approximately 40 hours of legal services from the Department of Law, at a blended rate of \$106.56 per hour, for a one-time legal services cost of \$4,262. Additional expenses for rulemaking, such as travel, meals, public notices, and materials, are estimated at \$2,078. This one-time expense can be accomplished within existing resources, and does not require additional appropriations for FY 2018-19.

COGCC staff will require geographic information systems (GIS) data for available school property lines in order to evaluate new drilling applications. Therefore, the DNR must develop a GIS map layer that provides school property data throughout the state, and update the data regularly. This fiscal note assumes that school districts can provide the necessary GIS data to DNR staff, who can then upload the data into existing GIS data without additional resources. If the DNR is unable to secure all necessary GIS data for school boundaries, a one-time vendor contract may be required to collect and digitize missing information. If necessary, the DNR will seek additional spending authority through the annual budget process.

## Local Government Impact

Similar to the revenue impact to the state described above, local governments may forego a *de minimis* amount of ad valorem taxes as a result of eliminating some sites for oil and gas development that would remain available under current law. To the extent that some oil and gas operations are precluded from accessing a productive site, local governments may realize a reduced property tax base on which to assess local mill levies.

## Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on May 2, 2018.

## State and Local Government Contacts

Law

Natural Resources

Public Health And Environment