



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

REVISED FISCAL NOTE

(replaces fiscal note dated January 9, 2019)

Drafting Number:	LLS 19-0138	Date:	February 4, 2019
Prime Sponsors:	Sen. Donovan; Coram Rep. Esgar; Saine	Bill Status:	House Energy & Environment
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Bill Topic: SEVERANCE TAX OPERATIONAL FUND DISTRIBUTION METHODOLOGY

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill changes the timing and budgeting of severance tax revenue to several grant programs administered by the Department of Natural Resources. The bill does not change the funding amount for individual programs over time but delays the transfers until severance taxes have been collected for the previous fiscal year. The impacts are ongoing.

Appropriation Summary: None required.

Fiscal Note Status: The fiscal note reflects the reengrossed bill, which was recommended by the Water Resources Review Committee and includes corrections to Table 1.

**Table 1
State Fiscal Impacts Under SB 19-016**

		FY 2018-19 (Current Year)	FY 2019-20	FY 2020-21
Revenue		-	-	-
Expenditures	Various Cash Funds*	(\$32.7 million)	\$5.7 million	\$24.6 million
	Total	(\$32.7 million)	\$5.7 million	\$24.6 million
	Total FTE	-	-	-
Transfers	Severance Tax Trust Fund	\$32.7 million	(\$5.7 million)	(\$24.6 million)
	Various Cash Funds*	(\$32.7 million)	\$5.7 million	\$24.6 million
	Total	\$0	\$0	\$0
TABOR Refund		-	-	-

*Tier 2 severance tax funded programs, which are renamed in the bill as Natural Resources and Energy Grant Programs.

Summary of Legislation

This bill changes the timing and budgeting of severance tax revenue to several grant programs administered by the Department of Natural Resources (DNR). Specifically, the bill:

- consolidates three transfers made to grant programs based on a forecast to a single transfer made annually on August 15 after severance taxes have been collected;
- formally names programs in DNR funded with severance tax revenue as either Core Departmental Programs or Natural Resources and Energy Grant Programs;
- increases the statutory reserve for Energy Grant Programs from 15 percent to 100 percent of authorized distributions; and
- transfers any unspent revenue to the Severance Tax Perpetual Base Fund.

Background

Program names. Under current law, the Operational Fund of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. The fund is used for Tier 1 and Tier 2 programs in the Department of Natural Resources. Tier 1 programs are prioritized in the fund and include operations for the Oil and Gas Conservation Commission; the Geological Survey; the Avalanche Information Center; the Division of Reclamation, Mining, and Safety; the Water Conservation Board; the Division of Parks and Wildlife; and the fund's statutory reserve. Tier 2 programs include water-related programs, agriculture-related programs, clean and renewable energy development, soil conservation, the control of invasive species, the Species Conservation Trust Fund, and low-income energy assistance programs. The bill formally names Tier 1 programs as Core Departmental Programs and Tier 2 programs as Natural Resources and Energy Grant Programs.

Timing of transfers. Under current law, Natural Resources and Energy Grant Programs receive three transfers in a fiscal year based on the most recent forecast of severance tax revenue. Each fiscal year, the following transfers are scheduled:

- on July 1, 40 percent of authorized grant amounts are transferred;
- on January 4, 30 percent of authorized grant amounts are transferred; and
- on April 1, the final 30 percent of authorized grant amounts are transferred.

Individual transfer amounts are adjusted based on the statutory reserve and the latest forecast. The July 1, 2018, and January 4, 2019 transfers were not made because there is not sufficient revenue to make the transfer and meet other statutory requirements pursuant to House Bill 18-1338.

The bill consolidates three transfers made to Natural Resources and Energy Grant Programs on July 1, January 4, and April 1 of each fiscal year into a single transfer made annually on August 15. The current transfers are based on the forecasted revenue for current fiscal year severance tax collections. This bill transfers revenue to Natural Resource and Energy Grant Programs in arrears in a single transfer made based on the severance tax collections from the previous fiscal year.

State Transfers

The bill reduces transfers from the operational fund of the Severance Tax Trust Fund to Natural Resources and Energy Grant Programs by \$32.7 million in FY 2018-19, and increases transfers by \$5.7 million in FY 2019-20, and \$24.6 million in FY 2020-21.

Severance tax revenue in the December 2018 Legislative Council Staff forecast anticipates that there will be sufficient revenue for full transfers to Natural Resources and Energy Grant Programs in FY 2018-19, however pursuant to House Bill 18-1338 no transfers have been made this fiscal year and the full amount will be transferred in April 2019. This fiscal note assumes that the bill will become law before any transfers are made to Natural Resources and Energy Grant Programs in FY 2018-19 on or after April 1, 2019.

The bill does not change the authorization of Natural Resource and Energy Grant Programs, but the transfer will occur on August 15 in the year following when severance taxes are collected. The current amounts authorized for FY 2018-19 and projected for FY 2019-20 and FY 2020-21 are shown in the top half of Table 2. Transfers under SB 19-016 are shown in the bottom half of Table 2.

Table 2
Transfers Made Under Current Law and SB 19-016

	FY 2018-19 <i>(Current Year)</i>	FY 2019-20	FY 2020-21
Current Law Distributions of Severance Tax Revenue to Tier 2 Programs			
(a) Water Supply Reserve Fund	8,992,728	8,599,590	772,743
(b) Soil Conservation District Grants	404,673	386,982	34,773
(c) Water Efficiency Grant Program	494,600	472,977	42,501
(e) Species Conservation Trust Fund	4,496,364	-	-
(f) LEAP - Low-income Energy Assistance	11,690,546	11,179,467	1,004,565
(i) Interbasin Compact Committee	670,018	640,727	57,574
(k) and (n) Forestry Grants	2,248,182	2,149,898	193,186
(m) Aquatic Nuisance Species	3,602,491	3,445,000	309,561
(n) Abandoned Mine Reclamation	114,208	109,215	9,814
Tier 2 Program Total Distributions	\$32,713,810	\$26,983,856	\$2,424,717
Distributions Under SB 19-016 of Severance Tax Revenue to Natural Resources Energy Grant Programs			
(a) Water Supply Reserve Fund	-	8,992,728	8,599,590
(b) Soil Conservation District Grants	-	404,673	386,982
(c) Water Efficiency Grant Program	-	494,600	472,977
(e) Species Conservation Trust Fund	-	4,496,364	-
(f) LEAP - Low-income Energy Assistance	-	11,690,546	11,179,467
(i) Interbasin Compact Committee	-	670,018	640,727
(k) and (n) Forestry Grants	-	2,248,182	2,149,898
(m) Aquatic Nuisance Species	-	3,602,491	3,445,000
(n) Abandoned Mine Reclamation	-	114,208	109,215
NREG Program Total Distributions	-	\$32,713,810	\$26,983,856
Change in Transfers Under SB 19-016	(\$32,713,810)	\$5,729,954	\$24,559,139

State Expenditures

By changing the timing of the transfers, the bill will reduce expenditures on Natural Energy and Grant Programs by \$32.7 million in FY 2018-19 and increase expenditures by \$5.7 million in FY 2019-20 and \$24.6 million in FY 2020-21.

Effective Date

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

State Appropriations

No appropriation is required.

State and Local Government Contacts

Counties
Natural Resources

Local Affairs
Revenue

Municipalities