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Revised Fiscal Note

(replaces fiscal note dated April 1, 2021)

Drafting Number: LLS 21-0851 Date: May 03, 2021
Prime Sponsors: Rep. McLachlan Bill Status: Senate Agriculture
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Bill Topic: CREATE AGRICULTURE DROUGHT & CLIMATE RESILIENCE OFFICE

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

This bill creates the Agricultural Drought and Climate Resilience Office in the Department of Agriculture. It creates a one-time transfer and an additional ongoing transfer of cash funds to the office.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under HB 21-1242

Table with 3 columns: Category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures, Transfers (Cash Funds, Net Transfer), and TABOR Refund.

Summary of Legislation

This bill creates the Agricultural Drought and Climate Resilience Office and the continuously appropriated Agricultural Drought and Climate Resilience Cash Fund in the Department of Agriculture. The office may provide voluntary technical assistance, nonregulatory programs, and incentives that increase agricultural producers' resiliency in responding to threats related to drought or the climate. The Commissioner of Agriculture will appoint the head of the office and may promulgate rules for the office's assistance, programs, and incentives, including grants.

Prior to promulgating rules, the commissioner is required to convene a stakeholder group of agricultural producers to advise the commissioner on the needs of the agriculture industry to respond to and mitigate the impacts of climate change. The bill includes requirements for a program administered by the office and specifies what must be posted on the department's website about grants.

On July 1, 2021, the State Treasurer will transfer all unobligated money in the Agriculture Value-Added Cash Fund to the new cash fund. The bill adds the Agricultural Drought and Climate Resilience Cash Fund to the Natural Resources and Energy Grant Programs eligible for severance tax transfers and authorizes an annual transfer of \$500,000 from the Severance Tax Operational Fund to the new cash fund beginning July 1, 2021, and ending July 1, 2029. The office can also seek, accept, and expend gifts, grants, and donations. The department will report the amount and source of money received annually at its SMART Act hearing and regularly on its website.

Background

Advancing Colorado's Renewable Energy and Energy Efficiency (ACRE³) Program. The ACRE³ Program promotes the development and implementation of renewable energy and energy efficiency projects for Colorado agricultural producers and processors. The JBC has approved a net-zero Long Bill reorganization to move the ACRE³ Program from the Agricultural Markets Division to the Conservation Services Division along with its \$500,000 annual appropriation. The ACRE³ Program will be part of the new office.

Severance Tax Operational Fund. The Severance Tax Operational Fund receives 25 percent of severance tax receipts. The fund is used for Core Departmental Programs and Natural Resources and Energy Grant Programs in the Department of Natural Resources (DNR). Core Departmental 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. Natural Resources and Energy Grant Programs include water-related programs, agriculture-related programs, soil conservation, the control of invasive species, the Species Conservation Trust Fund, and low-income energy assistance programs. Current law provides a mechanism for balancing spending from the operational fund by making proportional reductions to all Natural Resources and Energy Grant Programs when insufficient funds exist to fully fund those programs and still meet the fund's statutory reserve requirement.

State Revenue

The bill may increase revenue from gifts, grants, and donations, from federal and private sources. At the time of this writing, no sources of funding have been identified. These funds are not subject to TABOR.

State Transfers

This bill creates a one-time transfer in FY 2021-22, and authorizes an ongoing transfer as explained below.

One-time transfer. The balance of the Agriculture Value-Added Cash Fund to be transferred to the Agricultural Drought and Climate Resilience Office is currently \$1,198,751.

Ongoing transfers. Transfers of up to \$500,000 from the Severance Tax Operational Fund to the Agricultural Drought and Climate Resilience Cash Fund are authorized from July 1, 2021, through July 1, 2029. These transfers are conditioned upon the availability of funds each year. According to the March 2021 LCS forecast of severance tax revenue, these transfers are not expected to take place until at least FY 2024-25, so are not included in Table 1.

State Expenditures

The bill will increase expenditures in the Agricultural Drought and Climate Resilience Office from the transferred funds and any funding received through gifts, grants, and donations, and severance tax dollars. These funds are continuously appropriated. In the near term, the fiscal note assumes that overall expenditures will not change for the Department of Agriculture.

Effective Date

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

State and Local Government Contacts

Agriculture
Law

Information Technology
Natural Resources