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Final Fiscal Note

Drafting Number: LLS 22-1027 Date: July 20, 2022
Prime Sponsors: Rep. Titone; McKean Bill Status: Signed into Law
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Bill Topic: CO ENERGY OFFICE GEOTHERMAL ENERGY GRANT PROGRAM

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

The bill creates the geothermal energy grant program in the Colorado Energy Office for single-structure geothermal grants, community district heating grants, and geothermal electricity generation grants. From FY 2022-23 to FY 2024-25, it increases state revenue and expenditures and may increase local government revenue and expenditures.

Appropriation Summary: No appropriation is required. The Geothermal Energy Grant Fund created in the bill is continuously appropriated to the Colorado Energy Office.

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

Table 1
State Fiscal Impacts Under HB 22-1381

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (General Fund, Cash Funds, Net Transfer), and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill creates a geothermal energy grant program in the Colorado Energy Office (CEO) to award three types of grants:

- single-structure geothermal grants for applicants constructing new buildings with geothermal systems as the primary heating and cooling system;
- community district heating grants for ground-source, water-source, or multisource thermal systems that serve more than one building; and
- geothermal electricity generation grants for the development of geothermal electricity generation and hydrogen generation produced from geothermal energy.

Building owners, developers, local governments, geothermal installers, contractors, communities, public utilities, or other entities approved by the CEO are eligible to apply for funding. The bill establishes qualifications, limits, and standards for awarding the grants. Grantees must submit annual reports to the CEO, and the CEO must submit annual reports by February 1 of each year beginning in 2024 to select legislative committees.

The bill creates the Geothermal Energy Grant Fund and transfers \$12 million from the General Fund to the fund, which is continuously appropriated to the CEO to implement the grant programs. The CEO may award up to 40 percent of the total money in the fund to support the development of geothermal electricity generation and hydrogen generation produced from geothermal energy; up to 80 percent to support single-structure geothermal grants; and up to 25 percent to support community district heating grants.

Gas or electric service utilities that contribute to or partner with grant recipients may count mass-based emissions reductions associated with the projects toward compliance with clean heat targets and other greenhouse gas emission reduction requirements.

State Revenue

Beginning in FY 2022-23, this bill will increase state revenue to the Water Resources Cash Fund in the Department of Natural Resources (DNR) from geothermal well permit fees. Current fee revenue to the fund is estimated at \$42,240, based on 88 permit applications annually and a \$480 permit application fee. Assuming this bill doubles permit applications for geothermal wells as a result of grant funding, revenue to the fund is estimated to increase by \$42,240 annually. Actual fee revenue will depend on the number of applications filed.

State Transfers

In FY 2022-23, the bill transfers \$12 million from the General Fund to the Geothermal Energy Grant Fund.

State Expenditures

From FY 2022-23 to FY 2025-26, the bill increases state expenditures in the CEO by about \$5.0 million annually from the Geothermal Energy Grant Fund, and will increase workload in other state agencies. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 22-1381**

	FY 2022-23	FY 2023-24
Colorado Energy Office		
Personal Services	\$76,716	\$92,059
Operating Expenses	\$1,080	\$1,350
Capital Outlay Costs	\$6,200	-
Grants Management Software	\$5,000	\$5,000
Grants Contractor	\$450,000	\$450,000
Grant Funding	\$4,436,509	\$4,436,509
Centrally Appropriated Costs ¹	\$14,901	\$18,280
Total Cost	\$4,990,406	\$5,003,198
Total FTE	0.8 FTE	1.0 FTE

Colorado Energy Office. The CEO will hire 1.0 FTE program manager to establish and oversee the grant program and third-party contractor, and to assist with stakeholder engagement and outreach. The CEO will incur grants management software costs of \$5,000 annually, and will hire a contractor to administer the program and provide technical support at a cost of \$450,000 per year. Standard operating and capital outlay costs are included, and assume a September 1 start date. Assuming funds are spent over a three-year timeframe, around \$4.4 million will be spent annually on grant awards in the first two years, with the remainder spent in the third year, which is the amount remaining after administrative costs.

Department of Natural Resources. To the extent that grant applicants will need to apply for geothermal well permits, workload for the DNR will increase. Each permit application is estimated to require 1 hour of staff resources. The DNR may also have to certify geothermal system installers and amend rules for permit applications. This fiscal note assumes this workload can be accomplished within existing resources.

Department of Public Health and Environment. The Department of Public Health and Environment will incur workload impacts to review calculated emissions reductions from geothermal projects for the purposes of clean heat requirements. This fiscal note assumes this workload can be accomplished within existing resources.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by approximately \$42,240 per year. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

To the extent that local governments apply for and are awarded grant funding, their workload, revenue, and expenditures will increase.

Effective Date

The bill was signed into law by the Governor on June 2, 2022, and takes effect on August 9, 2022, assuming no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office	Counties
Information Technology	Law
Municipalities	Natural Resources
Public Health and Environment	