

**First Regular Session  
Seventy-fifth General Assembly  
STATE OF COLORADO**

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 25-0165.01 Clare Haffner x6137

**SENATE BILL 25-040**

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**SENATE SPONSORSHIP**

**Roberts and Simpson**, Bridges, Marchman, Pelton B.

**HOUSE SPONSORSHIP**

**McCormick and Martinez**,

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**Senate Committees**

Agriculture & Natural Resources  
Appropriations

**House Committees**

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**A BILL FOR AN ACT**

101      **CONCERNING THE CREATION OF THE FUTURE OF SEVERANCE TAXES**  
102      **AND WATER FUNDING TASK FORCE.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)*

**Water Resources and Agriculture Review Committee.** The bill creates the future of severance taxes and water funding task force (task force).

The department of natural resources is required to contract with a third party to conduct a study on severance taxes and water funding and develop recommendations for ways to continue funding water needs in

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters or bold & italic numbers indicate new material to be added to existing law.*  
*Dashes through the words or numbers indicate deletions from existing law.*

the face of decreasing severance tax revenue (study). The purpose of the task force is to work with the third party to conduct the study and develop recommendations.

No later than January 15, 2026, the third party must submit a draft report, detailing the results of the study and any recommendations, to the department of natural resources and the task force for review. The task force is required to provide input on the draft report. No later than July 15, 2026, the third party must submit a final report, which incorporates the input of the task force, to the water resources and agriculture review committee (committee). The task force must present the final report to the committee during the 2026 legislative interim.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration. (1) The general assembly**  
3 **finds and declares that:**

4 **(a) Severance taxes provide a source of revenue to the state and**  
5 **the state's political subdivisions;**

6 **(b) A portion of revenues derived from severance taxes is used to**  
7 **fund the development and conservation of the state's water resources;**

8 **(c) Another portion of revenues derived from severance taxes is**  
9 **made available to local governments to offset the impact created by**  
10 **nonrenewable resource development;**

11 **(d) The state also relies on severance tax revenue to fund staff**  
12 **positions in the department of natural resources and the department of**  
13 **local affairs;**

14 **(e) In times of need, the state has relied on severance tax revenue**  
15 **to backfill the state budget, which depletes funding from programs that**  
16 **would otherwise benefit local governments; and**

17 **(f) There is a need to study how the state can:**

18 **(I) Avoid using severance tax revenue to backfill the state budget**  
19 **in the future;**

1           (II) Begin to pay back the severance tax revenue previously used  
2           to backfill the state budget; and

3           (III) Continue to fund water needs and grants to local  
4           governments without relying on the revenues derived from severance  
5           taxes.

6           **SECTION 2.** In Colorado Revised Statutes, **add** 37-98-106 as  
7 follows:

8           **37-98-106. Future of severance taxes and water funding task**  
9 **force - created - membership - third party to conduct study - report**  
10 **- definitions - repeal.** (1) AS USED IN THIS SECTION, UNLESS THE  
11 CONTEXT OTHERWISE REQUIRES:

12           (a) "COMMITTEE" MEANS THE WATER RESOURCES AND  
13 AGRICULTURE REVIEW COMMITTEE CREATED IN SECTION 37-98-102  
14 (1)(a)(I).

15           (b) "TASK FORCE" MEANS THE FUTURE OF SEVERANCE TAXES AND  
16 WATER FUNDING TASK FORCE CREATED IN SUBSECTION (2) OF THIS  
17 SECTION.

18           (c) "THIRD PARTY" MEANS THE THIRD PARTY HIRED BY THE  
19 DEPARTMENT OF NATURAL RESOURCES PURSUANT TO SUBSECTION (5)(a)  
20 OF THIS SECTION.

21           (2) (a) THE FUTURE OF SEVERANCE TAXES AND WATER FUNDING  
22 TASK FORCE IS CREATED IN THE DEPARTMENT OF NATURAL RESOURCES.

23           (b) THE TASK FORCE CONSISTS OF THE FOLLOWING MEMBERS:

24           (I) THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF NATURAL  
25 RESOURCES OR THE EXECUTIVE DIRECTOR'S DESIGNEE;

26           (II) THE DIRECTOR OF THE COLORADO WATER CONSERVATION  
27 BOARD CREATED IN SECTION 37-60-102 OR THE DIRECTOR'S DESIGNEE;

1 (III) THE COMMISSIONER OF AGRICULTURE OR THE  
2 COMMISSIONER'S DESIGNEE;

3 (IV) A REPRESENTATIVE OF AN ENVIRONMENTAL ADVOCACY  
4 ORGANIZATION, APPOINTED BY THE SPEAKER OF THE HOUSE OF  
5 REPRESENTATIVES;

6 (V) A REPRESENTATIVE OF THE OIL AND GAS INDUSTRY WITH  
7 EXPERIENCE IN SEVERANCE TAX ISSUES, APPOINTED BY THE MINORITY  
8 LEADER OF THE SENATE;

9 (VI) A REPRESENTATIVE OF A WATER CONSERVATION DISTRICT,  
10 APPOINTED BY THE PRESIDENT OF THE SENATE;

11 (VII) A REPRESENTATIVE OF THE AGRICULTURE INDUSTRY WITH,  
12 TO THE EXTENT POSSIBLE, EXPERIENCE IN THE INTERSECTION OF  
13 AGRICULTURE, WATER PROJECTS, AND THE OIL AND GAS INDUSTRY,  
14 APPOINTED BY THE MINORITY LEADER OF THE HOUSE OF  
15 REPRESENTATIVES;

16 (VIII) A COUNTY COMMISSIONER FROM A COUNTY THAT CONTAINS  
17 OIL AND GAS OPERATIONS, APPOINTED BY THE GOVERNOR; AND

18 (IX) AN ELECTED MUNICIPAL OFFICIAL OR CITY OR TOWN  
19 MANAGER FROM A CITY, TOWN, OR CITY AND COUNTY THAT HAS BEEN  
20 SOCIALLY OR ECONOMICALLY IMPACTED BY THE DEVELOPMENT,  
21 PROCESSING, OR ENERGY CONVERSION OF OIL AND GAS OPERATIONS  
22 SUBJECT TO TAXATION UNDER ARTICLE 29 OF TITLE 39, APPOINTED BY THE  
23 GOVERNOR.

24 (3) THE PURPOSE OF THE TASK FORCE IS TO CONSULT AND  
25 COORDINATE WITH THE THIRD PARTY IN THE DEVELOPMENT OF A STUDY  
26 REGARDING THE FUTURE OF SEVERANCE TAXES AND WATER FUNDING IN  
27 THE STATE.

1 (4) (a) NO LATER THAN SEPTEMBER 1, 2025, THE APPOINTING  
2 AUTHORITIES SHALL MAKE APPOINTMENTS TO THE TASK FORCE.

3 (b) THE DEPARTMENT OF NATURAL RESOURCES SHALL PROVIDE  
4 STAFF AND OTHER RESOURCES TO SUPPORT THE WORK OF THE TASK FORCE.

5 (c) THE TASK FORCE SHALL CONDUCT MEETINGS AS NECESSARY TO  
6 PERFORM ITS DUTIES PURSUANT TO THIS SECTION.

7 (d) THE MEMBERS OF THE TASK FORCE SERVE WITHOUT  
8 COMPENSATION BUT MAY BE REIMBURSED FOR ANY REASONABLE  
9 EXPENSES INCURRED IN THE PERFORMANCE OF THE DUTIES REQUIRED  
10 UNDER THIS SECTION.

11 (5) (a) THE DEPARTMENT OF NATURAL RESOURCES SHALL  
12 CONTRACT WITH A THIRD PARTY TO CONDUCT A FUTURE OF SEVERANCE  
13 TAXES AND WATER FUNDING STUDY. THE PURPOSE OF THE STUDY IS TO  
14 EXPLORE WAYS TO CONTINUE FUNDING WATER NEEDS AND ENERGY  
15 IMPACT GRANTS DISTRIBUTED PURSUANT TO SECTION 39-29-110 (1)(b)(I)  
16 IN THE FACE OF THE DECREASING AVAILABILITY OF SEVERANCE TAX  
17 REVENUE COLLECTED PURSUANT TO ARTICLE 29 OF TITLE 39 AND TO  
18 DEVELOP RELATED RECOMMENDATIONS. THE STUDY MUST FOCUS ON  
19 IDENTIFYING WAYS TO ALLEVIATE THE NEED TO TRANSFER REVENUES  
20 DERIVED FROM SEVERANCE TAXES TO THE GENERAL FUND AND TO  
21 REPLACE SEVERANCE TAX REVENUE THAT WAS PREVIOUSLY  
22 TRANSFERRED.

23 (b) NO LATER THAN JANUARY 15, 2026, THE THIRD PARTY SHALL  
24 SUBMIT A DRAFT REPORT TO THE DEPARTMENT OF NATURAL RESOURCES  
25 AND THE TASK FORCE DESCRIBING THE STUDY'S FINDINGS AND ANY  
26 RECOMMENDATIONS. THE TASK FORCE SHALL REVIEW AND PROVIDE INPUT  
27 ON THE DRAFT REPORT.

1 (c) NO LATER THAN JULY 15, 2026, THE THIRD PARTY SHALL:

2 (I) IN CONSULTATION WITH THE DEPARTMENT OF NATURAL  
3 RESOURCES AND THE TASK FORCE, CREATE A FINAL REPORT THAT  
4 INCORPORATES THE TASK FORCE'S INPUT REGARDING THE DRAFT REPORT;  
5 AND

6 (II) SUBMIT THE FINAL REPORT TO THE COMMITTEE.

7 (d) FOLLOWING THE SUBMISSION OF THE REPORT TO THE  
8 COMMITTEE, THE TASK FORCE SHALL PRESENT A SUMMARY OF THE REPORT  
9 TO THE COMMITTEE DURING THE 2026 LEGISLATIVE INTERIM.

10 (6) THE TASK FORCE SHALL BE FUNDED SOLELY WITH MONEY FROM  
11 THE SEVERANCE TAX OPERATIONAL FUND CREATED IN SECTION 39-29-109  
12 (2)(b)(I).

13 (7) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2026.

14 **SECTION 3.** **Act subject to petition - effective date.** This act  
15 takes effect at 12:01 a.m. on the day following the expiration of the  
16 ninety-day period after final adjournment of the general assembly; except  
17 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
18 of the state constitution against this act or an item, section, or part of this  
19 act within such period, then the act, item, section, or part will not take  
20 effect unless approved by the people at the general election to be held in  
21 November 2026 and, in such case, will take effect on the date of the  
22 official declaration of the vote thereon by the governor.