



Legislative
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FISCAL NOTE

Drafting Number: LLS 20-0329
Prime Sponsors:

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Bill Status: Bill Draft
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Bill Topic: ADD WATER WELL INSPECTORS IDENTIFY HIGH-RISK WELLS

Summary of Fiscal Impact:

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

The bill establishes a minimum staffing level for the state's Well Inspection Program, directs the Board of Examiners to recommend fees to pay for the additional inspectors, and requires the identification and prioritization of high-risk wells. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$217,432 to the Department of Natural Resources.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Water Resources Review Committee.

Table 1
State Fiscal Impacts Under Bill 5

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	\$270,000	\$270,000
	Total	\$270,000	\$270,000
Expenditures	Cash Funds	\$217,432	\$198,832
	Centrally	\$61,503	\$60,584
	Total	\$278,935	\$259,416
	Total FTE	3.0 FTE	3.0 FTE
Transfers		-	-
TABOR Refund	General Fund	\$270,000	\$270,000

Summary of Legislation

The bill establishes a minimum staffing level for the state's Well Inspection Program, directs the Board of Examiners of Water Well Construction and Pump Installation Contractors (board) to recommend fees to pay for the additional inspectors, and requires the identification and prioritization of high-risk wells.

Well Inspection Program. The bill requires that the Division of Water Resources in the Department of Natural Resources employ at least six inspectors to monitor water well construction and pump installation. At least two inspectors must be primarily concerned with Water Division 1 (South Platte River), and two inspectors must be primarily concerned with Water Division 2 (Arkansas River).

Financing additional well inspectors. If Proposition DD is approved by voters at the 2019 statewide election, costs associated with employing the additional inspectors required by this bill will be paid from the Water Plan Implementation Cash Fund in FY 2020-21. The board must submit recommendations to the General Assembly concerning inspection fees that may be assessed to pay these costs in subsequent years by January 1, 2021.

If Proposition DD is not approved, the board must submit recommendations by January 1, 2021, concerning inspection fees that may be assessed to pay these costs for FY 2020-21 and beyond.

High-risk wells. The bill directs the board to promulgate rules by November, 1, 2020, for identifying high-risk wells that should be prioritized for inspection. The program is directed to follow these rules for identifying high-risk wells and prioritize the inspection of these wells.

Background

Well Inspection Program. Constructing new wells requires a permit from the Division of Water Resources. The current statutory well permit fee is \$100, \$40 of which is deposited into the Well Inspection Cash Fund. In FY 2017-18, about 4,000 new wells were constructed, 310 of which were inspected by the program's staff.

Assumptions

Because it is unknown whether Proposition DD will be approved by voters, the fiscal reflects the impact of this bill relative to current law. The fiscal note also includes information on the bill's impact if Proposition DD is approved. Additionally, the fiscal note makes the following assumptions:

- the chief well inspector, who performs limited inspections, counts toward the bill's requirement that a minimum of six well inspectors be employed; and
- the General Assembly will increase well permit fees from \$100 to \$145 beginning FY 2020-21, with revenue being deposited into the Well Inspection Cash Fund.

State Revenue

The fiscal note assumes that the General Assembly will increase well inspection permit fees by about \$270,000 annually. If Proposition DD is not approved, it is assumed that Well Inspection Cash Fund revenue will be increased by about \$270,000 annually beginning in FY 2020-21. If Proposition DD is approved, sports betting tax revenue will be credited to the Water Plan Implementation Cash Fund and used to pay for the expenses related to this bill in FY 2020-21, and in this case, the fiscal note assumes that well permit fees will not be increased until FY 2021-22. Well permit fee revenue is subject to TABOR.

Fee impact on well permits. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set by the General Assembly, which will receive recommendations by the board, which will include considerations such as cash fund balance, estimated program costs, and the estimated number of subject to the fee. The table below estimates the fee impact of this bill.

Table 2
Fee Impact on Well Permits

Fiscal Year	Type of Fee	Estimated Fee Increase	Number Affected	Total Fee Impact
FY 2020-21	Well Permit	\$45	6,000	\$270,000
FY 2021-22	Well Permit	\$45	6,000	\$270,000

TABOR Refund

The bill is expected to increase state General Fund obligations for TABOR refunds by \$270,000 in both FY 2020-21 and FY 2020-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2021 and 2022, depending on the total amount to be refunded each year.

State Expenditures

The bill increases state expenditures by \$278,934 and 3.0 FTE in FY 2020-21, and \$259,557 and 3.0 FTE in FY 2021-22 and future years. These expenditures are shown in Table 3 and described below.

**Table 3
 Expenditures Under Bill 5**

	FY 2020-21	FY 2021-22
Department of Natural Resources		
Personal Services	\$179,620	\$179,620
Capital Outlay	\$18,600	-
Operating Expenses	\$4,050	\$4,050
Vehicles	\$15,162	\$15,162
Centrally Appropriated Costs*	\$61,503	\$60,584
Total Cost	\$278,935	\$259,416
Total FTE	3.0 FTE	3.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Natural Resources. DNR will hire an additional 3.0 FTE at the engineer / physical science technician II job class. The costs shown in Table 2 include vehicles for each inspector, costing \$5,054 per vehicle per year, provided by the state fleet vehicle program in the Department of Personnel and Administration. The fund source for these expenditures is contingent upon the approval of Proposition DD and future decisions by the General Assembly. Rulemaking concerning high-risk wells will require a one-time workload increase for DNR that does not require an increase in appropriations.

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 estimated to be \$61,503 in FY 2020-21 and \$60,584 in FY 2021-22.

Technical Note

If Proposition DD is not approved, DNR is required to employ additional well inspectors beginning August 2020, and submit recommendations concerning inspection fees by January 1, 2021; there may not be sufficient balance in the fund to pay the costs associated with the added inspectors before additional fee revenue becomes available.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$217,432 to the Department of Natural Resources from the Well Inspection Cash Fund, and an allocation of 3.0 FTE. Of this amount, \$15,162 is reappropriated to the Department of Personnel and Administration for state fleet vehicles.

State and Local Government Contacts

Agriculture

Natural Resources

Public Health and Environment

