


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 12-0950
Prime Sponsor(s): Rep. Sonnenberg
 Sen. Brophy

Date: July 10, 2012
Bill Status: Deemed Lost
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TITLE: CONCERNING A PROHIBITION ON A LOCAL GOVERNMENT THAT IMPACTS OIL AND GAS EXTRACTION FROM RECEIVING ANY MONEYS FROM THE LOCAL GOVERNMENT SEVERANCE TAX FUND.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
Cash Funds		
Local Government Severance Tax Fund	\$65,568	\$36,897
FTE Position Change	0.6 FTE	0.7 FTE
Effective Date: The bill was deemed lost in the House on May 9, 2012, when the General Assembly adjourned sine die without taking final action.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

Beginning July 1, 2012, if a local government restricts or delays the ability of an oil and gas producer to extract oil and gas, this bill prohibits that local government from receiving any grants or direct distributions from the Local Government Severance Tax Fund. The moneys that would have been distributed to the local government are to be redistributed on a pro rata basis to all other eligible local governments.

State Expenditures

Restricting eligibility for certain local governments to receive grants or direct distributions of severance tax moneys will increase the amount received by other eligible local governments resulting in no net change statewide. But it will require the Department of Local Affairs (DOLA) to modify its severance tax distribution system at a cost of \$65,568 and 0.6 FTE in FY 2012-13 and \$36,897 and 0.7 FTE in FY 2013-14 from the Local Government Severance Tax Fund.

To implement the bill, the DOLA will modify their processes for distributing severance tax moneys to local governments to both determine eligibility and to reapportion funding. This will require rulemaking to define terms and establish administrative procedures. The DOLA is expected to require at least 20 hours of legal services from the Department of Law for this process. To determine which local governments are eligible, the DOLA will evaluate whether each local government is complying with the bill. If one or more local governments violates the prohibition, the DOLA will need to redistribute the funding to other local governments. This requires computer program modifications including business analysis (200 hours x \$86 hour) and computer programming from the Office of Information Technology (80 hours x \$74 hour).

Table 1. Expenditures Under HB12-1356		
Cost Components	FY 2012-13	FY 2013-14
Personal Services	\$48,257	\$36,232
FTE	0.6	0.7
Operating Expenses and Capital Outlay	9,877	665
Computer Programming (80 x \$74 hour)	5,920	
Legal Services (20 x \$75.71 hour)	1,514	
TOTAL	\$65,568	\$36,897

Expenditures Not Included

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. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under HB12-1356		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,679	\$4,292
Supplemental Employee Retirement Payments	1,656	2,224
Indirect Costs	19,651	12,652
TOTAL	\$24,986	\$19,168

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

This bill will result in redistributions of severance tax moneys if at least one local government restricts or delays the ability of an oil and gas producer to extract oil and gas. As a result, some local governments may receive no moneys and others will receive an increase. The amount of moneys distributed to local governments was \$22.7 million in 2011 and individual distributions ranged from \$0 to \$2.1 million.

State Appropriations

For FY 2012-13, the Department of Local Affairs requires an appropriation of \$65,568 and 0.6 FTE from the Local Government Severance Tax Fund. Of this, the Office of Information Technology requires \$5,920 and the Department of Law requires \$1,514 in reappropriated funds.

Departments Contacted

Colorado Counties
Local Affairs

Colorado Municipal League
Revenue

Law