

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-1056
Prime Sponsor(s): Sen. Lambert
 Rep. Hamner

Date: June 11, 2015
Bill Status: Signed into Law
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: DEPOSIT SEVERANCE TAX REVENUES IN GENERAL FUND

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
State Revenue	\$0	\$0	\$0
State Diversions			
General Fund	up to 20 million		
Cash Funds	(up to 20 million)		
State Expenditures			
FTE Position Change			
Appropriation Required: None			

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

Summary of Legislation

After a transfer at the beginning of the fiscal year, state severance tax revenue is split evenly between the State Severance Tax Trust Fund, administered by the Department of Natural Resources, and the Local Government Severance Tax Fund, administered by the Department of Local Affairs. This bill requires the first \$20 million of state severance tax revenue received after it's effective date in FY 2014-15 to be diverted to the General Fund.

Background

The Operational Fund of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. Current law provides a mechanism for balancing spending from the operational fund by making proportional reductions to the fund's Tier 2 programs when insufficient funds exist to fully fund those programs and still meet the account's statutory reserve requirement. Tier 2 programs include water-related programs, agriculture-related programs, clean and renewable energy development, soil conservation, the control of invasive species, low-income energy assistance, and the SCTF. As of the March 2015 Legislative Council economic forecast, proportional reductions are not anticipated for FY 2015-16 or FY 2016-17 based on existing Tier 2 obligations.

State Revenue

State diversions. For FY 2014-15 only, this bill requires the diversion of the first \$20 million in severance tax revenue collected after its effective date to the General Fund. Since the effective date is currently unknown, the actual amount of diversion is unknown. Accordingly, this fiscal note assumes that up to \$20 million will be diverted.

State Expenditures

Department of Local Affairs. Diverting up to \$20 million of severance tax revenue to the General Fund in FY 2014-15 will mean a reduction of up to \$10 million in funds available for direct distributions and energy impact assistance to affected local governments.

Department of Natural Resources. Diverting up to \$20 million of severance tax revenue to the General Fund in FY 2014-15 will mean a reduction of up to \$10 million in revenue deposited into the Operational Fund and the Perpetual Base Account of the Severance Tax Trust Fund. Based on the March 2015 revenue forecast by Legislative Council Staff, this reduction is not anticipated to result in any proportional reductions for Tier 2 programs funded through the Operational Fund.

Local Government Impact

Local governments that receive direct distributions or energy impact assistance will receive less than they otherwise would have without the diversion.

Effective Date

The bill was signed into law by the Governor and took effect on May 1, 2005.

State and Local Government Contacts

Local Affairs

Natural Resources

Counties

Municipalities