


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated January 22, 2007)

Drafting Number: LLS 07-0313	Date: March 15, 2007
Prime Sponsor(s): Rep. Gibbs	Bill Status: House Appropriations
Sen. Fitz-Gerald	Fiscal Analyst: Bill Goosmann (303-866-3561)

TITLE: CONCERNING THE CREATION OF A PILOT PROGRAM TO DEMONSTRATE COMMUNITY-BASED APPROACHES TO FOREST RESTORATION.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue	\$0	\$0
State Expenditures		
Operational Account – Severance Tax Trust Fund	\$1,000,000	\$1,000,000
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor.		
Appropriation Summary for FY 2007-2008: See the State Appropriations section.		
Local Government Impact: See the Local Government Impact section.		

This revised fiscal note reflects amendments adopted by the House Agriculture Committee, and includes language regarding how the status of the Operational Account of the Severance Tax Trust Fund may affect this bill.

Summary of Legislation

This bill directs the Colorado State Forest Service (Department of Natural Resources; DNR) to solicit proposals for experimental forest restoration projects. Proposals should be collaborative, community-based, and include cost-share elements. Projects may be located on public or private land, but they must be located in an area with an approved "community wildfire protection plan." The state forest service is assisted in the proposal selection process by a technical advisory committee of 7-11 members appointed by the DNR executive director. Membership must include one representative of a federal land management agency, two members of the scientific community, and representatives of the conservation community, local governments, and commodity interests.

As amended, by the House Agriculture Committee (February 7, 2007), the bill authorizes up to \$1 million per year for five years to fund approved proposals. As introduced, the bill authorized up to \$5 million per year for five years.

Moneys are derived from Operational Account of the Severance Tax Trust Fund. The state's share on any given project may not exceed 60 percent nor may it exceed \$1 million. A report on the program must be submitted to the Governor by July 1, 2011, and the program is scheduled to sunset July 1, 2012.

Background

Community wildfire protection plans are part of a process established under the federal "Healthy Forest Restoration Act of 2003" (P.L. 108-148). The plans identify communities that are at risk of damage from wild fires because of the overgrown condition of adjacent forests, whether on public or private land.

Severance Tax Trust Fund - Operational Account. The Operational Account of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. Moneys in the account have traditionally been used to fund the following programs in DNR – Colorado Oil and Gas Conservation Commission, Colorado Geological Survey, Division of Minerals and Geology, and Colorado Water Conservation Board.

A total of 11 bills that spend money out of the operational account were enacted in 2006. Of these, 6 made funding from the account contingent on various reserve requirements, as shown in Table 1 on the following page. The December 2006 Legislative Council Staff forecast indicates that there *may* be enough money available in FY 2006-07 through FY 2008-09 to meet statutory reserve requirements and fund current law programs, *but not necessarily to fund additional programs*. Should actual revenue be lower than is currently forecasted, there will not be enough revenue to fully fund current programs. Current law does not specify how those programs would be prioritized should there be insufficient revenue to fund them all and to fully fund the reserve requirements.

Statutory reserve requirements. Current law requires that the year-end fund balance in the account be equal to the sum of the 2-year statutory reserve and the "LEAP reserve" (Low-Income Energy Assistance Program). The **2-year statutory reserve** was enacted by HB 02-1041, which required a reserve equal to twice the size of current year appropriations from the account to the core programs funded by the account. They include the Oil and Gas Commission, the Geological Survey, Minerals and Geology, and the Water Conservation Board. The "**LEAP reserve**" is a set amount required by HB 06-1200 to ensure sufficient revenue to fund each year's appropriation pursuant to that bill. The sum of the 2 reserves is estimated to be \$35.0 million in FY 2007-08 and \$21.8 million in FY 2008-09.

Table 1.			
Programs Enacted in 2006 that Spend Money from the Operational Account of the Severance Tax Trust Fund, Contingent on Reserve Requirements			
Current Law Program (Enacting Bill)	FY 2006-07 Allocation	FY 2007-08 Allocation	FY 2008-09 Allocation
Programs contingent on the two-year statutory reserve			
Soil and Water Conservation (HB 06-1393)	\$450,000	\$450,000	\$450,000
Colorado Water Conservation Board - Water Projects (SB 06-179)	\$10,000,000	\$10,000,000	\$10,000,000
Programs contingent on the two-year statutory reserve and the LEAP reserve			
Low Income Energy Assistance (HB 06-1200)	\$11,000,000	\$12,000,000	\$13,000,000
Clean Energy Development Fund (HB 06-1322)	\$2,635,000	\$2,500,000	\$2,500,000
Colorado Water Resources Research Institute (SB 06-183)	\$500,000	\$0	\$0
Programs contingent on both reserve requirements and all other programs having been funded			
National Deep Underground Science Laboratory (SB 06-229)	\$0	\$1,000,000	\$5,000,000

State Expenditures

For each year between FY 2007-08 through FY 2011-12, the Department of Natural Resources is authorized to spend \$1 million on approved grant proposals. The Colorado Forest Service is authorized to use up to 3 percent of appropriated funds annually to administer the grant program. *Please note that the transfer of funds from the operational account is made based on a Legislative Council Staff forecast of severance tax collections. That forecast could indicate that collections are insufficient to allow the transfers proposed in this bill. In addition, if actual revenues are lower than what had been forecasted, the operational account may face a revenue shortfall in the future.* Because the amount collected is subject to global market forces, total collections can be volatile.

Local Government Impact

Additional wildfire-related resources will become available to those communities located in or near designated community wildfire protection areas.

State Appropriations

For FY 2007-08, the Department of Natural Resources will require a cash fund appropriation of \$1.0 million from the Operational Account of the Severance Tax Trust Fund.

Departments Contacted

Natural Resources