

Amendment 52



Colorado Legislative Council Staff
FISCAL IMPACT STATEMENT

Date: September 3, 2008

Fiscal Analyst: Marc Carey
303-866-4102

BALLOT TITLE: USE OF SEVERANCE TAX REVENUE FOR HIGHWAYS

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010	FY 2010-2011
State Revenue	\$0	\$0	\$0
State Transfers or Diversions Diversion from the Severance Tax Trust Fund to the Colorado Transportation Trust Fund*	(\$89.2 million)	(\$35.1 million)	(\$48.8 million)
State Expenditures Cash Funds Colorado Transportation Trust Fund*	\$89.2 million	\$35.1 million	\$48.8 million
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
Local Government Impact: Less money for local water projects.			

* A portion of this money would have been spent in the following fiscal year, but the fiscal note recognizes the expenditure impact in the same year as the revenue impact.

Summary of Measure

Amendment 52 amends the state constitution to change how severance tax revenue is allocated to certain state programs. Under current law, severance tax revenue is split evenly between the Department of Local Affairs (DOLA) and the Department of Natural Resources (DNR). Revenue credited to the DOLA is distributed to local governments that are impacted by the mineral extraction industry. Revenue credited to the DNR is split evenly between water projects and state programs related to mineral extraction, clean energy development, low-income energy assistance, wildlife conservation, and the control of invasive species like zebra mussels and pine bark beetles.

Beginning in budget year 2009, this measure caps the amount of revenue credited to the DNR and diverts any amounts received above the cap for transportation projects that relieve congestion on the Interstate 70 (I-70) corridor. The General Assembly is responsible for determining which transportation projects are funded. The measure also contains a provision that prevents the allocation to the DNR from being permanently lowered when severance taxes decline. The measure does not, however, affect the total amount of severance tax revenue collected.

State Transfers or Diversions

In budget years 2009, 2010, and 2011, the measure is expected to transfer \$89 million, \$35 million, and \$49 million, respectively, from the DNR to transportation projects. Table 1 illustrates the severance tax forecast, the cap on the allocation to the DNR, and the transfer to transportation projects.

Amendment 52 caps the amount of severance taxes allocated to the DNR by the prior year's amount multiplied by the Denver-Boulder-Greeley consumer price index. Thus, the DNR is projected to receive about \$92 million in budget year 2009, with \$89 million diverted to transportation projects. Similarly, the DNR will receive \$95 million in budget year 2010, with \$35 million going to transportation projects. The amount transferred in 2010 is lower than the prior year because severance tax revenue is expected to drop.

Table 1. Estimated Transfers Under Amendment 52 (Millions of Dollars)			
	FY 2008	FY 2009	FY 2010
Projected severance tax collections and interest	\$170	\$356	\$255
Current law allocation to the DNR	\$90	\$181	\$131
Applicable inflation rate		2.2%	3.5%
Allocation to the DNR under Amendment 52	\$90	\$92	\$95
Transfer for transportation projects	\$0	\$89	\$35

State Expenditures

Compared with current law, Amendment 52 is expected to reduce expenditures for water projects, existing state programs, and nonbudgeted programs by \$89 million in budget year 2009 and \$35 million in budget year 2010. State expenditures for transportation projects will correspondingly increase by \$89 million in budget year 2009 and \$35 million in budget year 2010. Money diverted from the DNR is assumed to be available in the same year to fund I-70 transportation projects.

Of the total shift in expenditures from the DNR programs to transportation projects, one-half of the money would have gone to pay for more water projects. In budget years 2009 and 2010, this amounts to \$45 million and \$17 million, respectively, based on the current revenue forecast. Existing state programs, such as low-income energy assistance, wildlife conservation, and renewable energy are expected to lose \$2 million in budget year 2009 and \$13 million in budget year 2010. Finally, all of the projected severance tax revenue has not been budgeted, so other state programs will be unable to use that revenue. The money will instead be diverted from other uses to transportation projects. In budget years 2009 and 2010, this amounts to \$42 million and \$5 million, respectively. Table 2 illustrates the change in expenditures in the DNR under Amendment 52.

Table 2. Estimated Change in DNR Spending Due to Amendment 52 (Millions of Dollars)					
	FY 2009	FY 2010	FY 2011	FY 2012	4-year Total
Change in spending for projects in the DNR	<u>-\$89</u>	<u>-\$35</u>	<u>-\$49</u>	<u>-\$52</u>	<u>-\$225</u>
Water projects*	-45	-17	-24	-26	-112
Existing state programs	-2	-13	-14	0	-29
Other nonbudgeted state programs	-42	-5	-11	-26	-84

* *Projected changes to water project funding appears in the year in which the money is received. Actual expenditure of this money occurs in the following year.*