

Severance Tax Trust Fund - Operational Account. Current law provides a mechanism for balancing spending from the Operational Account of the Severance Tax Trust Fund by making reductions to the account's Tier 2 programs when insufficient funds exist to fully fund the programs and the account's reserve. Tier 2 programs include water-related programs, agriculture-related programs, clean and renewable energy development, soil conservation, wildlife conservation, the control of invasive species, and low-income energy assistance. The Operational Account's Tier 1 programs include the following Department of Natural Resources programs: the Oil and Gas Conservation Commission; the Geological Survey; the Division of Reclamation, Mining, and Safety; the Water Conservation Board; the Division of Wildlife; and the Division of Parks and Outdoor Recreation.

The reductions to Tier 2 programs are made on a proportional basis. For example, if the funding for Tier 2 programs needs to be reduced by 10 percent to ensure the Operational Account is balanced, each Tier 2 program's funding level is reduced by 10 percent.

Under current law and based on the December 2009 Legislative Council Staff revenue forecast and expected expenditures from the account, no proportional reductions will be necessary for Tier 2 programs through FY 2011-12. However, legislation that increases funding from the Operational Account, either through adding programs or increasing funding to existing ones, could result in proportional reductions if the amount of additional funding authorized results in an insufficient amount of revenue to balance the account. This bill increases funding from the account starting in FY 2012-13. Because there are not projections for the account's FY 2012-13 revenue and expenditures, it is unknown whether this bill will result in proportional reductions for Tier 2 programs.

Transfers or Diversions

The bill authorizes transfers from the Operational Account of the Severance Tax Trust Fund of up to \$550,000 for FY 2012-13 through FY 2019-20 to the Water Efficiency Grant Program. The transfer is authorized to occur each fiscal year on or after July 1.

State Expenditures

This bill is assessed at no fiscal impact for FY 2010-11 because \$550,000 in spending is authorized under current law. This bill increases authorized expenditures of up to \$500,000 in FY 2011-12 and up to \$550,000 in FY 2012-13. Because of anticipated reductions in Tier 2 programs, actual expenditures are expected to be below the authorized funding.

For FY 2011-12 and FY 2012-13, up to \$500,000 will be expended by the program for water conservation-related grants. Because funding for grant administration is authorized under current law only until FY 2011-12, an additional \$50,000 in expenditures are authorized for FY 2012-13.

Local Government Impact

Local government entities that choose to apply for grants will incur costs associated with the application to implement water conservation programs. Those that receive grants will see increases in state support for the implementation of such programs.

Departments Contacted

Department of Natural Resources