# Colorado Legislative Council Staff Fiscal Note

# STATE and LOCAL FISCAL IMPACT

Rep. Baumgardner Fiscal Analyst: Lauren Ris (303-866-3264)

TITLE: CONCERNING THE LONG-TERM FUNDING OF THE WATER EFFICIENCY

GRANT PROGRAM.

Fiscal Impact Summary	FY 2010-11	FY 2011-12	FY 2012-13
State Revenue			
State Transfers or Diversions Transfer from the Operational Account of the Severance Tax Trust Fund to the Water Efficiency Grant Program Cash Fund			(up to \$550,000)
State Expenditures Cash Funds Water Efficiency Grant Program Cash Fund		up to \$500,000	up to \$550,000
FTE Position Change			
Effective Date: Upon signature of the Governor or up	on becoming lav	w without his sign	nature.

**Appropriation Summary for FY 2010-2011:** None required.

Local Government Impact: See Local Government Impact section.

#### **Summary of Legislation**

This bill extends the Water Efficiency Grant Program (program) until July 1, 2020, and authorizes up to \$550,000 of annual appropriations from the program cash fund. The program is currently scheduled to be repealed on July 1, 2012. The bill authorizes annual transfers of \$550,000 for FY 2012-13 through FY 2019-20 from the Operational Account of the Severance Tax Trust Fund to the program cash fund. Of this funding, \$50,000 is to be used for administrative costs. Any funds that remain in the cash fund on June 30, 2020, must be transferred to the Operational Account of the Severance Tax Trust Fund.

## **Background**

The Water Efficiency Grant Program. The Water Efficiency Grant Program is administered by the Colorado Water Conservation Board's Office of Water Conservation and Drought Planning in the Department of Natural Resources (DNR). The program provides financial assistance to communities, water providers, and eligible agencies for water conservation-related activities and projects. The program was created by HB 05-1254 and was expanded by SB 07-008 to allow any state or local governmental entity that provides water to retail customers to participate in the program.

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.

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## **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