HB11-1218

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 11-0534	**Date:**	February 10, 2011
Prime Sponsor(s):	Rep. Baumgardner Sen. White	**Bill Status:**	House Agriculture
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TITLE: CONCERNING A COUNTY POWER TO CREATE A FEDERAL MINERAL LEASE DISTRICT FOR PURPOSES OF RECEIVING MONEYS DISTRIBUTED BY THE DEPARTMENT OF LOCAL AFFAIRS FROM THE LOCAL GOVERNMENT MINERAL IMPACT FUND.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

The bill allows a county to create a Federal Mineral Lease (FML) district for purposes of receiving moneys distributed to the county by the Department of Local Affairs from the Local Government Mineral Impact Fund. The bill specifies requirements for the creation of the district, criteria for establishing the district's board of directors, and the board's powers and duties.

Background

Payments in Lieu of Taxes (PILT payments) are federal payments made from the Department of the Interior (DOI) to local governments that help offset losses to a local government property tax base from the existence of federal lands within county borders. PILT payments may be used to fund services such as firefighting, police protection, and public school and road construction.

When the PILT payment program was established, it was structured such that any FML money's received by counties would be deducted from the county's PILT payments. Although the General Assembly restructured the state's FML revenue distribution system through SB 08-218, available information indicates that counties receive the FML revenue under this new formula for matters that are their own responsibility and this revenue must be deducted from PILT payments.

The Government Accountability Office (GAO) opinions state that the only action that could avoid the funds triggering a PILT deduction would be if the state or county passed them along to a politically and financially independent school/special service district.

State Expenditures

Department of Local Affairs. Currently, the department is required to calculate and distribute FML revenue to counties, municipalities, and school districts. If a county decides to create an FML district, this bill requires that FML direct distributions be redirected from counties and municipalities to these districts. The department would need to make appropriate adjustments to its distribution mechanisms, given the following assumptions:

- any FML district's boundaries consists of all unincorporated areas within the county plus any member municipalities named in the authorizing resolution;
- counties and municipalities choosing to participate in the FML district direct their entire distribution to that district;
- a county forms and participates in only one FML district; and
- a municipality participates in only one FML district.

If all these assumptions hold, it is anticipated that the department can make the required administrative adjustments within existing appropriations. Otherwise, if adjustment costs increase, this fiscal note assumes that the issue will be addressed through the annual budget process.

Local Government Impact

For counties that choose to create an FML district, and assuming that the DOI subsequently determines that the district is independent of the county and that district use of the FML revenue is not for general county purposes, FML revenue will not be deducted from federal PILT payments and instead will augment such payments. This impact is conditional on both the district being created and the DOI determining independence.

Departments Contacted

Local Affairs