

Colorado Legislative Council Staff Fiscal Note

**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 12-0232  
**Prime Sponsor(s):** Rep. Gerou  
Sen. Steadman

**Date:** July 19, 2012  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Marc Carey (303-866-4102)

**TITLE:** CONCERNING THE CONTINUATION OF ENERGY-RELATED ASSISTANCE TO LOW-INCOME HOUSEHOLDS FROM THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>		
<b>State Transfers or Diversions*</b>		
Transfer from the Sev. Tax Trust Fund - Op. Acct. to DHS Low Income Energy Assistance Fund		<u>(\$6,015,834)</u>
EOC Low Income Energy Assistance Fund		(5,215,822)
GEO Low Income Energy Assistance Fund		(2,607,911)
STT Fund - Water Supply Reserve Account		(2,607,911)
Conservation District Grant Fund		1,975,659
Water Efficiency Grant Program Cash Fund		88,905
Species Cons. Trust Fund		108,661
Interbasin Compact Comm. Operations Fund		1,303,935
Aquatic Invasive Species**		147,200
		791,450
<b>State Expenditures</b>		
Cash Funds (Total)		<u>\$6,015,834</u>
DHS Low Income Energy Assistance Fund		5,215,822
EOC Low Income Energy Assistance Fund		2,607,911
GEO Low Income Energy Assistance Fund		2,607,911
STT Fund - Water Supply Reserve Account		(1,975,659)
Conservation District Grant Fund		(88,905)
Water Efficiency Grant Program Cash Fund		(108,661)
Species Cons. Trust Fund		(1,303,935)
Interbasin Compact Comm. Operations Fund		(147,200)
Aquatic Invasive Species**		(791,450)
<b>FTE Position Change</b>		
<b>Effective Date:</b> The bill was signed into law by the Governor and took effect May 24, 2012.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> None.		

\* Based on the December 2011 Legislative Council revenue forecast. Actual transfers are displayed as negatives and foregone transfers as positives.

\*\* This transfer is divided between the Division of Parks and Outdoor Rec. Aquatic Nuisance Species Fund and the Division of Wildlife Aquatic Nuisance Species Fund.

**Note: The appendix to this final fiscal note presents projected allocations for all Tier 2 programs funded from the Operational Account of the Severance Tax Trust Fund. These projections are based on the June 2012 Legislative Council Staff revenue forecast and the passage of the four bills (HB 12-1028, HB 12-1032, HB 12-1334 and HB 12-1353) during the 2012 legislative session that directly affected this account.**

### **Summary of Legislation**

This bill extends the funding from the Operational Account of the Severance Tax Trust Fund used for providing low-income energy-related assistance (LEAP) through direct bill payment assistance and home energy-efficiency improvements through FY 2018-19 at a level of \$13 million annually. Under current law, LEAP funding would sunset after FY 2012-13. The bill allocates LEAP funding as it is in current law, in the following proportions:

- 25 percent to the Department of Human Services;
- 25 percent to Energy Outreach Colorado; and
- 50 percent to the Governor's Energy Office.

### **Background**

The Operational Account of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. Money in the account is divided into two tiers. Tier 1 money is used to fund core programs, including staffing and operating costs, for six divisions within the Department of Natural Resources: the Oil and Gas Conservation Commission; the Division of Reclamation, Mining, and Safety; the Geological Survey; the Water Conservation Board; and the Division of Parks and Wildlife. Tier 2 money is spent on a variety of programs, including the Low-Income Energy Assistance program (LEAP), the Water Supply Reserve Account program, species conservation, forestry grants to address bark beetle infestation and other forest health problems, the Water Efficiency Grant program, and several smaller agricultural programs.

Current law provides a mechanism for balancing spending from the Operational Account by making reductions to the account's Tier 2 programs when insufficient funds exist to fully fund the programs and the account's reserve. 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.

Current law also requires the Operational Account to maintain a reserve equal to 100 percent of the current year's Tier 1 appropriations and an additional reserve equal to 15 percent of the current year's Tier 2 appropriations. Money may be transferred from the reserve to offset temporary reductions in funding for Tier 1 or Tier 2 programs.

Based on the December 2011 Legislative Council Staff revenue forecast and expected expenditures from the account, the entire Tier 2 reserve will need to be expended to minimize proportional reductions for Tier 2 programs in FY 2012-13. Even with this expenditure, transfers to Tier 2 programs will be proportionately reduced by roughly 30 percent in FY 2012-13. Under current law, however, the reserve would be rebuilt by the end of FY 2013-14. Any legislation that increases funding from the Operational Account, either by adding programs or increasing/extending funding to existing ones, could result in further proportional reductions if the additional obligation that is authorized results in an insufficient amount of revenue to balance the account. The additional obligation contained in this bill is projected to result in further proportional reductions of 20 percent for each Tier 2 program other than LEAP in FY 2013-14.

**State Transfers or Diversions**

Current law requires proportional reductions in the funding of Tier 2 programs when insufficient funds exist to fully fund the programs. Based on the December 2011 Legislative Council staff severance tax revenue forecast, the additional obligations included in this bill will result in insufficient funds to fully fund all of the Operational Account's Tier 2 programs in FY 2013-14. The actual transfer from the account resulting from the passage of HB 12-1028 is projected to be 20 percent less than the authorized amount.

**State Expenditures**

Extending the LEAP program reduces expenditures for all Tier II programs funded from the Operational Account of the Severance Tax Trust Fund by about \$7.0 million in FY 2013-14. Based on the December 2011 Legislative Council revenue forecast, actual LEAP funding in that year will be \$2.6 million less than authorized. Table 1 details the projected expenditure reductions from the Operational Account resulting from passage of HB 12-1028.

<b>Table 1. Expenditure Reductions Occurring Under HB 12-1028</b>		
<b>Transfer Impact</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Low-Income Energy Assistance*		(\$2,568,356)
Water Supply Reserve Account		(1,975,659)
Conservation District Grant Fund		(88,905)
Water Efficiency Grants Program Cash Fund		(108,661)
Species Conservation Trust Fund		(1,303,935)
Interbasin Compact Comm. Operations Fund		(147,200)
Aquatic Invasive Species		(791,450)
<b>TOTAL</b>	<b>\$0</b>	<b>(\$6,984,166)</b>

\* This total reflects the difference between projected actual transfers and the \$13 million authorized in HB12-1028.

***Low Income Energy Assistance.*** The bill will increase expenditures on low-income energy assistance by \$10.4 million in FY 2013-14, which is ***\$2.6 million less than authorized.*** Expenditure increases for the Governor's Energy Office, the Department of Human Services, and Energy Outreach Colorado are \$5.2 million, \$2.6 million, and \$2.6 million respectively. No appropriation is required as the three funds used to provide low-income energy assistance are continuously appropriated.

***Water Supply Reserve Account.*** The bill will reduce expenditures from this account by \$2.0 million in FY 2013-14. This account is continuously appropriated to the Colorado Water Conservation Board.

***Conservation District Grant Fund.*** The bill will reduce expenditures from this fund by \$88,905 in FY 2013-14. This fund is continuously appropriated to the Department of Agriculture.

***Water Efficiency Grant Program Cash Fund.*** The bill will reduce expenditures from this fund by \$108,661 in FY 2013-14. This fund is continuously appropriated to the Colorado Water Conservation Board.

***Species Conservation Trust Fund.*** The bill reduces expenditures from this fund by \$1.3 million in FY 2013-14. For FY 2013-14, expenditures from the capital and operation and maintenance accounts are reduced by \$889,046 and \$414,888 respectively. Expenditures from this fund are annually authorized by the General Assembly in the annual Species Conservation Trust Fund authorization.

***Interbasin Compact Commission Operations Fund.*** The bill will reduce expenditures from this fund by \$147,200 in FY 2013-14. This fund is continuously appropriated to the Colorado Water Conservation Board.

***Aquatic Invasive Species.*** The bill reduces expenditures from this program by \$791,450 in FY 2013-14. Money for this program is continuously appropriated to the Department of Natural Resources.

### **Departments Contacted**

Governor's Energy Office

Human Services

Natural Resources

**Appendix**

Table 2 presents the projected allocations for all Tier 2 programs funded from the Operational Account of the Severance Tax Trust Fund. These projections are based on the June 2012 Legislative Council Staff revenue forecast and the passage of four bills (HB 12-1028, HB 12-1032, HB 12-1334 and HB 12-1353) that directly affected this account.

<b>Table 2. Projected Tier 2 Program Allocations</b>		
<b>Transfer Impact</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Water Supply Reserve Account	\$3,245,361	\$7,812,211
Conservation District Grant Fund	146,041	351,549
Water Efficiency Grants Program Cash Fund	178,495	429,672
Species Conservation Trust Fund	1,298,145	5,156,059
Low Income Energy Assistance	4,295,525	10,142,262
Interbasin Compact Comm. Operations Fund	162,268	390,611
Forestry Grants/Bark Beetle	811,340	1,953,053
Aquatic Invasive Species	1,300,093	3,129,576
<b>TOTAL</b>	<b>\$11,679,070</b>	<b>(\$29,947,054)</b>
<b>Percent Authorization</b>	<b>32.7%</b>	<b>78.1%</b>

\* Based on the June 2012 Legislative Council revenue forecast.