


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 12-0184	Date: June 1, 2012
Prime Sponsor(s): Rep. Baumgardner Sen. Schwartz	Bill Status: Deemed Lost
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TITLE: CONCERNING METHANE GAS CAPTURED FROM ACTIVE AND INACTIVE COAL MINES.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
Cash Funds		
Severance Tax Trust Fund	potential revenue loss	potential revenue loss
Local Government Severance Tax Fund	potential revenue loss	potential revenue loss
State Expenditures		
FTE Position Change		
Effective Date: The bill is deemed lost since the Senate laid the bill over until May 10, 2012, during Second Reading on May 9, 2012.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill, adds coal mine methane (CMM) gas to the list of new energy technologies that is defined in Section 40-2-123 C.R.S. In addition, the amended bill specifies that, for facilities with a generating capacity of 30 megawatts or less, electricity generated from the combustion of CMM gas counts for purposes of complying with the state renewable portfolio standard (RPS). Finally, the bill specifies that CMM gas is exempt from the state's severance tax.

Background

CMM gas is methane that is naturally degassing from coals that have been disturbed by mining activities. CMM gas is emissions from active and abandoned coal mines, and is different from coalbed methane (CBM) gas, which results from the injection of fluids into virgin coal seams that have not or will not be mined. According to the U.S. EPA, there is currently an opportunity to utilize CMM gas for power generation at three operating coal mines in Colorado.

State Revenue

Exempting CMM gas from the state's severance tax will potentially result in a loss of revenue to the state as this gas would have been taxed under current law to the degree that it is produced. To date, CMM gas has not provided any severance tax revenue. Thus, the future revenue loss has not been quantified.

State Expenditures

Department of Regulatory Agencies, Public Utilities Commission. Adding captured methane gas to the list of new energy technologies and eligible energy resources will require a minor conforming rulemaking procedure by the PUC. Costs associated with this procedure are minimal and can be absorbed within existing appropriations.

Local Government Impact

Exempting CMM gas from the state's severance tax will potentially result in a loss of revenue to the state, as this gas would have been taxed under current law. Because a portion of severance tax revenue is distributed to local governments in the form of grants and direct distributions, local governments will potentially see a revenue reduction. However, local governments could see a potential increase in property tax revenue from captured CMM gas.

Departments Contacted

Regulatory Agencies