

Colorado Legislative Council Staff Fiscal Note

**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 12-0258

**Date:** May 11, 2012

**Prime Sponsor(s):** Rep. Acree

**Bill Status:** Postponed Indefinitely

**Fiscal Analyst:** Marc Carey (303-866-4102)

**TITLE:** CONCERNING ENERGY-RELATED ASSISTANCE TO LOW-INCOME HOUSEHOLDS.

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 GEO Low Income Energy Assistance Fund	\$4,572,129	\$5,215,822
EOC Low Income Energy Assistance Fund	2,286,065	2,607,911
DHS Low Income Energy Assistance Fund	(6,858,194)	(7,823,733)
<b>State Expenditures</b>		
Cash Funds (Total)		
GEO Low Income Energy Assistance Fund	(\$4,572,129)	(\$5,215,822)
EOC Low Income Energy Assistance Fund	(2,286,065)	(2,607,911)
DHS Low Income Energy Assistance Fund	6,858,194	7,823,733
<b>FTE Position Change</b>		
<b>Effective Date:</b> The bill was postponed indefinitely by the House Agriculture, Livestock, and Natural Resources Committee on April 23, 2012.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> None.		

\* Based on the December 2011 LCS revenue forecast. Transfers are displayed as negatives and foregone transfers as positives. This fiscal note will be updated after the LCS March 2012 revenue forecast..

\*\* Impacts in FY 2013-14 are conditional on reauthorization of Low-Income Energy Assistance funding through HB12-1028.

### Summary of Legislation

Under current law, a portion of Tier 2 moneys from the Operational Account of the Severance Tax Trust Fund are allocated to three separately managed programs that provide home energy assistance and efficiency improvements for low-income households:

- Governor's Energy Office (GEO) Weatherization program;
- Department of Human Services (DHS) Direct Bill Assistance program; and
- Energy Outreach Colorado (EOC) Direct Bill Assistance program.

This bill repeals the GEO and the EOC programs and redirects their funding to the DHS program. The bill restructures this funding whether or not overall Low-Income Energy Assistance funding is extended through passage of HB12-1028.

## **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 three Low-Income Energy Assistance (LEAP) programs mentioned above.

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.

## **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, transfers to Tier 2 programs will be reduced by roughly 30 percent in FY 2012-13. However under current law, these programs would be fully funded in FY 2013-14.

In FY 2012-13, this bill will reduce transfers by \$4.6 million to the GEO program and by \$2.3 million to the EOC program. The DHS program will see a corresponding transfer increase of \$6.9 million. If LEAP funding is extended through passage of House Bill 12-1028, this bill will result in a reduction in transfers in FY 2013-14 of \$5.2 million to the GEO program and \$2.6 million to the EOC program. The DHS program will see a corresponding transfer increase of \$7.8 million.

### **State Expenditures**

***Low Income Energy Assistance.*** Based on the December 2011 Legislative Council revenue forecast, actual LEAP funding in FY 2012-13 will total \$9.1 million. This bill will leave total funding unchanged, but redirect all funding from the GEO and EOC programs to the DHS program. In FY 2012-13, this will result in expenditure reductions of \$4.6 million for the GEO, \$2.3 million for EOC, and a corresponding expenditure increase of \$6.9 million for the DHS LEAP program. No appropriation is required as each of the three funds used to provide low-income energy assistance are continuously appropriated.

If LEAP funding is reauthorized for FY 2013-14 and beyond through passage of HB12-1028, this bill will result in an expenditure reduction in FY 2013-14 of \$5.2 million to the GEO program and \$2.6 million to the EOC program. The DHS program will see a corresponding expenditure increase of \$7.8 million.

### **Departments Contacted**

Governor's Energy Office

Human Services

Natural Resources