

**STATE CONDITIONAL
FISCAL IMPACT**

Drafting Number: LLS 14-0265
Prime Sponsor(s): Sen. Renfroe
Rep. Wright

Date: January 28, 2014
Bill Status: Senate SVMA
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SHORT TITLE: CEDE FEDERAL AGRICULTURAL PUBLIC LANDS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
State Revenue			\$89.9 million
Revenue Change			\$89.9 million
Cash Funds			
State Transfers			(\$45 million)
Cash Funds			\$45 million
State Expenditures	See State Expenditures section.		
FTE Position Change			327
Appropriation Required: None.			

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

Summary of Legislation

The bill requires the United States government to cede or otherwise extinguish title to all agricultural public lands on or before December 31, 2015, and transfer title to the state. The bill requires the State Land Board (SLB) in the Department of Natural Resources to manage the lands in a manner that produces reasonable and consistent income over time. If the SLB sells the lands, the federal government is entitled to receive 95 percent of the proceeds, with the remaining 5 percent of proceeds credited to the Internal Improvements Trust Fund, created in the bill. The bill requires the state treasurer to credit 50 percent of the interest and income earned on the trust fund to the State Education Fund at the end of each fiscal year. The General Assembly may annually appropriate the remaining 50 percent for water storage projects recommended by the Colorado Water Conservation Board. Only interest and income earned from investment of these sales can be used for these purposes.

The bill defines "agricultural public lands" as any lands within the boundaries of the state that are, or could be, used for agriculture, except for privately held land, land held in a trust by the state, a political subdivision, or an independent entity, including all land owned by the Colorado State Land Board. Other exemptions include national parks, land used for military purposes, and land belonging to an Indian, Indian tribe, or community that is held in trust by the United States.

Technical note. Both legal and practical questions arise regarding the state's ability to require that the federal government transfer title of all agricultural public lands to the state. As such, the bill is assessed as having a conditional fiscal impact.

Background

There are 66.1 million acres of land in Colorado, and 24.9 million of these acres are owned or managed by the federal government or are dedicated to two Indian tribes. Federal agencies with land in Colorado include the Department of the Interior; the Department of Defense; the National Park Service; the United States Forest Service, and the United States Fish and Wildlife Service, the Bureau of Reclamation, and the Bureau of Indian Affairs. Six Colorado counties have more than 1.0 million acres of federal land within their boundaries; four counties have no federal lands.

National Park Service lands, land used for military purposes, and lands belonging to an Indian or Indian tribe, or that are held in trust by the United States for the Indian community, are exempt from the provisions of the bill. These categories total 1.9 million acres, meaning that the bill applies to the remaining 23 million acres of federally owned land.

State Revenue

Potential state revenue of up to \$89.9 million per year beginning in FY 2015-16 may be received. This revenue is conditional on federal action to transfer title of all federal public agricultural lands to the state.

Department of Natural Resources (DNR). The SLB, managed by DNR, would potentially receive revenue from leases or sales.

If the federal government were to cede agricultural lands to the state, the SLB would have additional land available for lease. Currently SLB receives an average of \$3.89 per acre for agricultural leases. If the federal government ceded nearly 23 million acres, this could increase revenue by approximately \$89.9 million annually. This estimate remains speculative and does not include any sales of land. Potential revenue from sales of land, of which 95 percent of the proceeds would go to the federal government and the remaining 5 percent to the state, is unable to be estimated at this time.

Colorado Parks and Wildlife. The Colorado Parks and Wildlife Division currently leases certain lands from federal agencies for outdoor recreation, hunting, fishing, or wildlife viewing. In the event that these lands were declared "agricultural lands" and sold by the state, it is possible that the division would no longer be able to rent this land.

Other agencies, such as the Oil and Gas Conservation Commission and the Division of Mining Reclamation and Safety, regulate industries that work on federal land. If this current federal land were to be ceded to the state and sold, this land may no longer be able for these purposes. Although highly speculative at this time, a potential reduction in land available for oil and gas development in the state, may have other fiscal impacts to the state economy.

State transfers. Assuming lease revenue if \$89.9 million was received, approximately \$45 million would be transferred end year to the State Education Fund from the Internal Improvements Trust Fund, as created in the bill.

State Expenditures

If the federal government were to cede land rights to the state, the SLB would be responsible for managing an additional 23 million acres. Currently the State Land Board manages 2.8 million acres with an operating budget of approximately \$5.3 million (for FY 2013-14). The board has 40 full-time staff, meaning that each staff person is responsible for overseeing nearly 70,000 acres in the state. If this land were to be given to the state, DNR estimates that the State Land Board may require an operating budget enhancement of \$43.3 million and 327 new full-time staff to manage the land.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Agriculture
Property Tax

Natural Resources
Military and Veterans Affairs

Education