

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0254	Date: January 15, 2014
Prime Sponsor(s): Rep. Sonnenberg	Bill Status: House Local Government
Sen. Brophy	Fiscal Analyst: Marc Carey (303-866-4102)

SHORT TITLE: SEV TAX DISTRIBUTION TO LOCAL GOV LIMITS OIL & GAS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	<u>\$35,161</u>	<u>\$10,017</u>
Cash Funds - New Funding	\$33,013	\$8,372
Centrally Appropriated Costs**	\$2,148	\$1,645
FTE Position Change	0.2 FTE	0.2 FTE
Appropriation Required: \$33,013 - DOLA (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

One half of all severance tax revenue collected in Colorado is deposited into the Local Government Severance Tax Fund, administered by the Department of Local Affairs (DOLA). Moneys in this fund are used to provide:

- energy impact assistance (EIA) grants and loans to local governments impacted by the development, processing, or energy conversion of minerals and mineral fuels; and
- direct distributions to local governments based on factors related to oil and gas production.

This bill prohibits any local government with a moratorium or a permanent prohibition on the extraction of oil and gas within its boundaries from receiving more in energy impact assistance or direct distributions than it received in the fiscal year that the moratorium or prohibition was enacted.

State Expenditures

Restricting the eligibility of certain local governments to receive direct distributions or EIA grants will increase expenditures for DOLA by **\$33,013 and 0.2 FTE in FY 2014-15** and **\$8,372 and 0.2 FTE in FY 2015-16** from the Local Government Severance Tax Fund.

Department of Local Affairs, Division of Local Government. To implement the bill, the division will require annual certification from counties and municipalities with regard to the existence of moratorium or prohibition on oil and gas extraction. Failure to certify will result in the assumption that a moratorium or prohibition is in effect. Local governments will be notified each spring to certify their status by July 1st or lose their eligibility for the August 31st annual distribution. The division will be responsible for processing certification responses and follow-up with non respondents.

The division will also incur one time programming costs to the Severance Tax Distribution system and database that tracks direct distributions to the 333 eligible counties and municipalities. This adjustment will allow the identification and year enacted of moratoriums or prohibitions of oil and gas extraction by local governments. Programming changes will also be required to accommodate the reallocation of moneys that would otherwise have been distributed to those local governments. This required computer programming will be done by the Office of Information Technology (200 hours x \$103/hour). DOLA staff will assist with the validation/testing of the modified system. The expected costs are detailed in Table 1.

Table 1. Expenditures Under House Bill 14-1064		
Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$11,182	\$8,220
FTE	0.2	0.2
Operating Expenses and Capital Outlay Costs	1,231	152
Computer Programming	20,600	0
Centrally Appropriated Costs*	2,148	1,645
TOTAL	\$35,161	\$10,017

* Centrally appropriated costs are not included in the bill's appropriation.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under House Bill 14-1064*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,462	\$1,074
Supplemental Employee Retirement Payments	686	\$571
TOTAL	\$2,148	\$1,645

*More information is available at: <http://colorado.gov/fiscalnotes>

Local Government Impact

This bill will result in redistributions of severance tax moneys if at least one local government enacts a moratorium or permanent prohibition on the extraction of oil and gas within its boundaries. As a result, the money that some local governments receive will be restricted while the amount others will receive an increase. In FY 2012-13, local governments received \$22.3 million in direct distributions and \$10.7 million in Energy Impact Assistance grants.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the Division of Local Government in the Department of Local Affairs requires an appropriation of \$33,013 and 0.2 FTE from the Local Government Severance Tax Fund. Of this, the Office of Information Technology requires \$20,600 in reappropriated funds.

State and Local Government Contacts

Local Affairs

Municipalities

Counties