

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-1024
Prime Sponsor(s): Sen. Hodge; Schwartz

Date: April 21, 2014
Bill Status: Senate Agriculture
Fiscal Analyst: Marc Carey (303-866-4102)

SHORT TITLE: MINERAL EXTRACTION STUDY GROUP

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	<u>\$40,598</u>	<u>\$40,802</u>
General Fund	36,398	36,398
Centrally Appropriated Costs**	4,200	4,404
FTE Position Change	0.4 FTE	0.4 FTE
Appropriation Required: \$36,398 Legislative Department (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

The bill creates the mineral extraction study group to research and study matters relating to the imposition and allocation of the state severance tax and the distribution of federal mineral leasing revenues. The study group consists of members of the General Assembly and other stakeholders. At a minimum, the study group is required to evaluate:

- the existing severance tax structure for oil and gas including existing tax credits;
- severance tax rates and revenue on oil and gas in Colorado as compared to other regional states;
- trends by commodity based on such things as geography, timing, and net state revenues;
- the current allocation of revenue from the severance tax on oil and gas;
- whether the General Assembly's expressed legislative intent when the severance tax was enacted in 1977 is being met;
- the current allocation of federal mineral lease (FML) revenue, including direct distribution and impact grants; and
- how increased revenue to the state could benefit water infrastructure projects, education, or other opportunities.

The bill requires the study group to annually review its findings and make legislative recommendations to the Legislative Council. Recommended legislation is to be treated as legislation recommended by an interim committee for purposes of introduction deadlines or bill limits. Legislative service agencies are required to provide necessary staff assistance.

State Expenditures

Table 1 shows the costs that the study group created by this bill will incur for per diem and expense reimbursement for members and for staff support. Required staff support for the study group will be provided by Legislative Council Staff and the Office of Legislative Legal Services.

Table 1. Expenditures Under SB 14-198		
Cost Components	FY 2014-15	FY 2015-16
Personal Services <i>Research Associate II (0.3 FTE) and Staff Attorney (0.1 FTE)</i>	\$25,178	\$25,178
FTE	0.4	0.4
Legislator Per Diem (10 members x \$187 x 6 meetings)	\$11,220	\$11,220
Centrally Appropriated Costs*	\$4,200	\$4,404
TOTAL	\$40,598	\$40,802

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

The study group is charged with reviewing findings and making legislative recommendations for each of the next two years to the Legislative Council. Although the bill is silent regarding the number of required meetings, this fiscal note assumes that the group will meet six times during each of the next two years.

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 SB 14-198*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,452	\$2,452
Supplemental Employee Retirement Payments	1,748	1,952
TOTAL	\$4,200	\$4,404

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

Effective Date

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

State Appropriations

The Legislative Department will require a General Fund appropriation of \$36,398 and 0.4 FTE.

State and Local Government Contacts

Local Affairs
Legislative Council Staff

Natural Resources
Legislative Legal Services