

Second Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 14-1024.01 Esther van Mourik x4215

SENATE BILL 14-198

SENATE SPONSORSHIP

Hodge and Schwartz,

HOUSE SPONSORSHIP

(None),

Senate Committees

Agriculture, Natural Resources, & Energy

House Committees

A BILL FOR AN ACT

101 CONCERNING THE CREATION OF THE MINERAL EXTRACTION STUDY
102 GROUP.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill creates the mineral extraction study group (study group) to research and study matters relating to the imposition and allocation of, and credits available against, the severance tax and the distribution of federal mineral leasing revenues. The study group consists of members of the general assembly and stakeholder members of the public. To carry

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

out its duties, the study group, at a minimum, is required to:

- ! Evaluate the severance tax structure on oil and gas;
- ! Evaluate credits against the severance tax on oil and gas in current law;
- ! Compare severance tax rates and revenue on oil and gas from regional states;
- ! Evaluate trends by commodity based on such things as geography, timing, and net state revenues;
- ! Evaluate the distribution model for the severance tax on oil and gas;
- ! Evaluate whether the general assembly's legislative intent expressed when the severance tax was enacted in 1977 that a portion of the revenues derived from the severance tax be used by the state for public purposes, that a portion be held by the state in a perpetual trust fund, and that a portion be made available to local governments to offset the impact created by nonrenewable resource development is being met;
- ! Evaluate the distribution model for federal mineral lease revenues, including direct distribution and impact grants and contributions to the impact fund;
- ! Evaluate how increased revenue to the state could benefit water infrastructure projects, education, or other opportunities; and
- ! Review findings and make legislative recommendations each year.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** part 18 to article
3 3 of title 2 as follows:

4 **PART 18**

5 **MINERAL EXTRACTION STUDY GROUP**

6 **2-3-1801. Legislative declaration.** (1) THE GENERAL ASSEMBLY
7 HEREBY FINDS, DETERMINES, AND DECLARES THAT:

8 (a) THE ENERGY AND MINERAL INDUSTRY IS PROJECTED TO
9 CONTINUE ITS GROWTH IN COLORADO;

10 (b) THE ENERGY AND MINERAL INDUSTRY PROVIDES JOBS AND

1 OTHER ECONOMIC OPPORTUNITIES THROUGHOUT COLORADO AND IS
2 IMPORTANT TO THE ECONOMIC VITALITY OF COLORADO;

3 (c) THE ENERGY AND MINERAL INDUSTRY SIGNIFICANTLY IMPACTS
4 THE NATURAL RESOURCES OF COLORADO, AND IT IS NECESSARY AND
5 APPROPRIATE TO BALANCE INDUSTRY NEEDS WITH THE NEED TO CONSERVE
6 THE NATURAL RESOURCES OF COLORADO AND THE LONG-TERM ECONOMIC
7 BENEFITS TO THE STATE;

8 (d) WHEN THE SEVERANCE TAX WAS ENACTED IN 1977, IT WAS THE
9 GENERAL ASSEMBLY'S LEGISLATIVE INTENT THAT A PORTION OF THE
10 REVENUES DERIVED FROM THE SEVERANCE TAX BE USED BY THE STATE
11 FOR PUBLIC PURPOSES, THAT A PORTION BE HELD BY THE STATE IN A
12 PERPETUAL TRUST FUND, AND THAT A PORTION BE MADE AVAILABLE TO
13 LOCAL GOVERNMENTS TO OFFSET THE IMPACT CREATED BY
14 NONRENEWABLE RESOURCE DEVELOPMENT. THERE IS A NEED TO
15 EVALUATE WHETHER THAT LEGISLATIVE INTENT IS STILL BEING MET.

16 (e) THERE IS A NEED TO EVALUATE THE CURRENT SYSTEM OF
17 QUANTIFYING AND ADDRESSING LOCAL IMPACTS FROM THE ENERGY AND
18 MINERAL INDUSTRY; AND

19 (f) THE CURRENT SYSTEM OF FORECASTING AND DISTRIBUTING
20 SEVERANCE TAX AND FEDERAL MINERAL LEASING REVENUES NEEDS TO BE
21 REEVALUATED IN LIGHT OF SIGNIFICANT CHANGES IN OIL AND GAS
22 PRODUCTION STEMMING FROM AVAILABLE COMMODITIES, QUANTITIES,
23 AND GEOGRAPHIC LOCATIONS, AND IT IS THEREFORE TIME FOR AN
24 IN-DEPTH ASSESSMENT OF TAX RATES BY COMMODITY AND REVENUE
25 DISTRIBUTION.

26 (2) THE PURPOSE OF THIS PART 18 IS TO PROVIDE A FORUM
27 WHEREBY THE GENERAL ASSEMBLY CAN REVIEW STATE POLICIES

1 ADDRESSING THE ASSESSMENT OF THE SEVERANCE TAX, THE DISTRIBUTION
2 OF SUCH SEVERANCE TAX REVENUES, AND THE POLICIES RELATED TO THE
3 ALLOCATION OF FEDERAL MINERAL LEASE REVENUES.

4 **2-3-1802. Mineral extraction study group - creation - repeal of**
5 **part.** (1) (a) NOTWITHSTANDING THE REQUIREMENTS SET FORTH IN
6 SECTION 2-3-303.3, THERE IS HEREBY CREATED THE MINERAL EXTRACTION
7 STUDY GROUP, REFERRED TO IN THIS SECTION AS THE "STUDY GROUP", TO
8 RESEARCH AND STUDY MATTERS RELATING TO THE IMPOSITION AND
9 ALLOCATION OF, AND CREDITS AVAILABLE AGAINST, THE SEVERANCE TAX
10 ON OIL AND GAS AS SET FORTH IN ARTICLE 29 OF TITLE 39, C.R.S., AND THE
11 DISTRIBUTION OF FEDERAL MINING LEASING REVENUES AS SET FORTH IN
12 ARTICLE 63 OF TITLE 34, C.R.S.

13 (b) THE STUDY GROUP CONSISTS OF THE FOLLOWING MEMBERS:

14 (I) TEN MEMBERS OF THE GENERAL ASSEMBLY SELECTED IN
15 ACCORDANCE WITH DIVERSITY OF GEOGRAPHIC LOCATION, INCLUDING
16 MINERAL PRODUCING AREAS, AND EXPERTISE AS FOLLOWS:

17 (A) FIVE MEMBERS FROM THE SENATE, THREE APPOINTED BY THE
18 PRESIDENT OF THE SENATE AND TWO APPOINTED BY THE MINORITY LEADER
19 OF THE SENATE; AND

20 (B) FIVE MEMBERS FROM THE HOUSE OF REPRESENTATIVES, THREE
21 APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND
22 TWO APPOINTED BY THE MINORITY LEADER OF THE HOUSE OF
23 REPRESENTATIVES; AND

24 (II) THIRTEEN MEMBERS WHO ARE STAKEHOLDERS AND ARE
25 APPOINTED AS FOLLOWS:

26 (A) THREE MEMBERS OF THE OIL AND GAS INDUSTRY, TWO
27 APPOINTED BY THE COLORADO OIL AND GAS ASSOCIATION AND ONE

1 APPOINTED BY THE COLORADO PETROLEUM ASSOCIATION;

2 (B) TWO MEMBERS OF MUNICIPALITIES FROM AROUND THE STATE,
3 APPOINTED BY THE COLORADO MUNICIPAL LEAGUE;

4 (C) TWO MEMBERS REPRESENTING COLORADO'S COUNTIES,
5 APPOINTED BY COLORADO COUNTIES INCORPORATED;

6 (D) TWO MEMBERS FROM ORGANIZATIONS REPRESENTING THE
7 ENVIRONMENTAL COMMUNITY, ONE APPOINTED BY CONSERVATION
8 COLORADO AND ONE APPOINTED BY THE COLORADO CHAPTER OF THE
9 NATURE CONSERVANCY;

10 (E) ONE MEMBER APPOINTED BY THE COLORADO WATER
11 CONGRESS WITH EXPERTISE OR KNOWLEDGE IN WATER INFRASTRUCTURE
12 NEEDS;

13 (F) ONE MEMBER OF THE GENERAL PUBLIC KNOWLEDGEABLE
14 ABOUT MINERAL EXTRACTION, APPOINTED BY THE GOVERNOR;

15 (G) THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, OF THE
16 DEPARTMENT OF LOCAL AFFAIRS; AND

17 (H) THE EXECUTIVE DIRECTOR, OR HIS OR HER DESIGNEE, OF THE
18 DEPARTMENT OF NATURAL RESOURCES.

19 (c) APPOINTING AUTHORITIES SHALL MAKE THEIR ORIGINAL
20 APPOINTMENTS TO THE STUDY GROUP NO LATER THAN JUNE 1, 2014.
21 TERMS OF SERVICE ON THE STUDY GROUP ARE FOR TWO YEARS. MEMBERS
22 SERVE AT THE PLEASURE OF THE APPOINTING AUTHORITY AND CONTINUE
23 IN OFFICE UNTIL A SUCCESSOR IS APPOINTED.

24 (d) MEMBERS OF THE STUDY GROUP SERVE WITHOUT
25 COMPENSATION; EXCEPT THAT EACH MEMBER IS ENTITLED TO BE
26 REIMBURSED FOR NECESSARY EXPENSES IN CONNECTION WITH THE
27 PERFORMANCE OF HIS OR HER DUTIES. LEGISLATIVE MEMBERS RECEIVE

1 THE SAME PER DIEM AS OTHER MEMBERS OF INTERIM COMMITTEES IN
2 ATTENDANCE AT MEETINGS DURING THE INTERIM BETWEEN LEGISLATIVE
3 SESSIONS.

4 (2) TO CARRY OUT ITS DUTIES PURSUANT TO THIS SECTION, THE
5 STUDY GROUP, AT A MINIMUM, SHALL:

6 (a) EVALUATE THE SEVERANCE TAX STRUCTURE ON OIL AND GAS;

7 (b) EVALUATE CREDITS AGAINST THE SEVERANCE TAX ON OIL AND
8 GAS IN CURRENT LAW;

9 (c) COMPARE SEVERANCE TAX RATES AND REVENUE ON OIL AND
10 GAS FROM REGIONAL STATES;

11 (d) EVALUATE TRENDS BY COMMODITY BASED ON SUCH THINGS AS
12 GEOGRAPHY, TIMING, AND NET STATE REVENUES;

13 (e) EVALUATE THE DISTRIBUTION MODEL FOR THE SEVERANCE TAX
14 ON OIL AND GAS;

15 (f) EVALUATE WHETHER THE GENERAL ASSEMBLY'S LEGISLATIVE
16 INTENT EXPRESSED WHEN THE SEVERANCE TAX WAS ENACTED IN 1977
17 THAT A PORTION OF THE REVENUES DERIVED FROM THE SEVERANCE TAX
18 BE USED BY THE STATE FOR PUBLIC PURPOSES, THAT A PORTION BE HELD
19 BY THE STATE IN A PERPETUAL TRUST FUND, AND THAT A PORTION BE
20 MADE AVAILABLE TO LOCAL GOVERNMENTS TO OFFSET THE IMPACT
21 CREATED BY NONRENEWABLE RESOURCE DEVELOPMENT IS BEING MET;

22 (g) EVALUATE THE DISTRIBUTION MODEL FOR FEDERAL MINERAL
23 LEASE REVENUES, INCLUDING DIRECT DISTRIBUTION AND IMPACT GRANTS
24 AND CONTRIBUTIONS TO THE LOCAL GOVERNMENT MINERAL IMPACT FUND
25 CREATED IN SECTION 34-63-102, C.R.S.;

26 (h) EVALUATE HOW INCREASED REVENUE TO THE STATE COULD
27 BENEFIT WATER INFRASTRUCTURE PROJECTS, EDUCATION, OR OTHER

1 OPPORTUNITIES; AND

2 (i) REVIEW FINDINGS AND MAKE LEGISLATIVE RECOMMENDATIONS
3 EACH YEAR, IF APPROPRIATE, TO THE LEGISLATIVE COUNCIL IN
4 CONFORMANCE WITH RULE 24 OF THE JOINT RULES OF THE SENATE AND
5 HOUSE OF REPRESENTATIVES; EXCEPT THAT ONLY THE LEGISLATIVE
6 MEMBERS OF THE STUDY GROUP MAY VOTE TO RECOMMEND SUCH
7 LEGISLATION. RECOMMENDED LEGISLATION MUST BE TREATED AS
8 LEGISLATION RECOMMENDED BY AN INTERIM LEGISLATIVE COMMITTEE
9 FOR PURPOSES OF ANY INTRODUCTION DEADLINES OR BILL LIMITATIONS
10 IMPOSED BY THE JOINT RULES OF THE GENERAL ASSEMBLY.

11 (3) THE LEGISLATIVE SERVICE AGENCIES SHALL PROVIDE ANY
12 STAFF ASSISTANCE REQUIRED BY THE STUDY GROUP.

13 (4) THIS PART 18 IS REPEALED, EFFECTIVE JULY 1, 2019.

14 **SECTION 2. Safety clause.** The general assembly hereby finds,
15 determines, and declares that this act is necessary for the immediate
16 preservation of the public peace, health, and safety.