

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated February 24, 2015)

| | |
|--|---|
| Drafting Number: LLS 15-0211 | Date: March 4, 2015 |
| Prime Sponsor(s): Rep. Rankin; Becker K. Sen. Roberts; Donovan | Bill Status: House Appropriations |
| | Fiscal Analyst: Alex Schatz (303-866-4375) |

BILL TOPIC: FEDERAL LAND COORDINATION

| Fiscal Impact Summary* | FY 2015-2016 | FY 2016-2017 |
|---|------------------------|------------------------|
| State Revenue | | |
| State Expenditures | <u>\$45,734</u> | <u>\$22,790</u> |
| Reappropriated Funds | 32,369 | 14,861 |
| Centrally Appropriated Costs** | 13,365 | 7,929 |
| FTE Position Change | 0.3 FTE | 0.5 FTE |
| Appropriation Required: \$32,369 - Department of Local Affairs (FY 2015-16). | | |

* 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

This bill, **as amended by the House Local Government Committee**, requires certain officers and agencies of the executive branch in Colorado to provide technical and financial support to local governments that are affected by federal land management.

The Governor is required to provide technical support to local governments in cooperation with the executive directors of the Department of Local Affairs (DOLA) and the Department of Natural Resources (DNR) and the Commissioner of the Department of Agriculture (CDA). This technical support includes sharing information with federal land managers, developing local land use plans, hiring consultants, and entering into memoranda of understanding (MOU) or other cooperation with federal agencies. The Governor is also authorized, but not required, to establish an advisory committee that provides technical assistance related to specific federal land management decision-making processes.

The bill authorizes the use of the Local Government Mineral Impact Fund and the Local Government Severance Tax Fund (funds) for planning, analysis, public engagement, collaboration with federal land managers, and other local government activity related to federal land management. For three years, grant funding of \$1 million per year will be available to counties for these activities or for similar or related activities by local governments. By July 1, 2015, DOLA must notify all local governments of this grant initiative by letter and by posting the announcement on its website.

Background

Local Government Mineral and Energy Impact Assistance. The Local Government Mineral Impact Fund is composed of moneys from the state's severance tax and from federal mineral lease (FML) revenue (i.e., royalty and bonus payments under the federal Mineral Leasing Act). The fund is used by DOLA to provide grants to municipalities, counties, special districts, school districts, and certain other eligible entities who apply to the Energy and Mineral Impact Assistance Program. Under current law, an advisory committee provides recommendations on distributions from the fund, but the executive director of DOLA may make distributions at his or her discretion, including consideration of emergencies and initiatives articulated by the governor.

Payments in Lieu of Taxes. The federal Department of the Interior makes payments in lieu of taxes (PILT) to counties and other units of local government with territorial boundaries that include federally-managed lands. These payments are typically based on a per-acre formula and are intended to assist local governments in providing services otherwise funded through the local tax base, such as fire and emergency response, road maintenance, and school operations.

State Expenditures

The bill increases costs in DOLA by **\$45,734 and 0.5 FTE in FY 2015-16** and by **\$22,790 and 0.3 FTE in FY 2016-17**. In addition to increasing the workload of DOLA, the bill also increases workload for the Governor's Office, the DNR, and the CDA, though no new appropriations are required for these other state agencies. The effect of the bill on DOLA expenditures is summarized in Table 1.

| Cost Components | FY 2015-16 | FY 2016-17 |
|---|-------------------|-------------------|
| Personal Services | \$25,721 | \$14,861 |
| FTE | 0.5 | 0.3 |
| Grants to local governments affected by federal land management | 1,000,000 | 1,000,000 |
| Decreased expenditures for other Local Government Mineral Impact Fund grants* | (1,000,000) | (1,000,000) |
| Operating Expenses, Including Mailing | 1,945 | 0 |
| Capital Outlay Costs | 4,703 | 0 |
| Centrally Appropriated Costs** | 13,365 | 7,929 |
| TOTAL | \$45,734 | \$22,790 |

* Parentheses indicate a decrease in funds.

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

Assumptions. This analysis incorporates the following assumptions:

- Fiscal impacts under the bill begin in FY 2015-16. Notices to approximately 3,000 local governments are mailed on July 1, 2015.
- In each fiscal year, the Governor convenes an advisory committee to provide technical assistance in four local-federal processes.

- Administrative costs related to local government mineral and energy impacts, including FML, are covered by reappropriated funds from the Local Government Mineral and Energy Impact Grants and Disbursements line in DOLA.
- Applications for grants from the fund may be made by any local government impacted by federal land management.

DOLA. As a current provider of technical and financial assistance to local governments, DOLA will assume responsibility for similar functions under the bill. In FY 2015-16, additional staff will be required to develop specific grant and technical guidelines for the program. Operating costs are appropriated based on 0.5 FTE of total effort in the fiscal year, and one-time costs are incurred for mailed notices to all local governments. Sustained efforts under the bill, starting in FY 2015-16 and continuing in FY 2016-17 and future fiscal years, require approximately 600 hours of annual staff time dedicated to the extra technical complexity in federal land cases, including DOLA staff support for the advisory committee.

Recipients of grants from the Local Government Mineral Impact Fund will change under the bill. For three fiscal years, starting in FY 2015-16, the bill redirects \$1 million annually from the general pool of funding available to communities impacted by energy and mineral extraction, limiting eligibility for this money to communities impacted by federal land management issues. This is not expected to significantly affect the number of grant applications received by DOLA or the effort required to process those applications. This effect is also discussed in the Local Government Impact section.

Governor's Office. The Governor is responsible for coordinating activities under the bill. This results in a minimal increase in the workload of the Governor's Office. No new appropriations will be required for the Governor to designate specific responsibilities for technical assistance by executive branch agencies and determine which local-federal issues warrant an advisory committee.

DNR and CDA. The bill requires the DNR and CDA to advise the Governor and participate in technical assistance to local governments with federal land management issues. Under current law, the DNR is a cooperating agency with federal land management agencies, and the executive director of the DNR is also a current member of the Energy Impact Assistance Advisory Committee. The DNR will use its existing resources to implement the bill. Increased workload for the CDA is also expected to be minimal, with no need for new appropriations.

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. As with other expenditures under this bill, DOLA is the impacted agency, with associated indirect cost recoveries. 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 HB 15-1225* | | |
|--|-------------------|-------------------|
| Cost Components | FY 2015-16 | FY 2016-17 |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$4,015 | \$2,407 |
| Supplemental Employee Retirement Payments | 1,994 | 1,272 |
| Indirect Costs | 7,356 | 4,250 |
| TOTAL | \$13,365 | \$7,929 |

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

Local Government and School District Impact

The bill results in no net change in overall local government revenue or expenditures for the three fiscal years commencing July 1, 2015. However, in those years, the bill reduces by \$1 million the total amount available for energy and mineral impact grants to local governments and school districts. Counties, municipalities, and school districts that benefit from the Local Government Mineral and Energy Impact Assistance program will experience a proportional reduction in revenue and expenditures associated with those distributions. In the same three fiscal years, the bill increases local government revenue by up to \$1 million for counties, municipalities, and special districts that receive grants under the bill.

For local jurisdictions that receive PILT funds from the federal government, the bill potentially reduces federal funding to the local government. The Department of the Interior's PILT program accounts for FML revenue received by local governments through other sources, and a formulaic deduction of PILT payments, up to the total amount received through other sources, results from this accounting. This impact is mitigated or eliminated to the extent that grants to communities that receive PILT utilize only severance tax revenue, as authorized by the bill.

Effective Date

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

State Appropriations

For FY 2015-16, the Department of Local Affairs requires an appropriation of \$32,369 in reappropriated funds from Local Government Mineral and Energy Impact Grants and Disbursements.

State and Local Government Contacts

| | | |
|----------------|------------------------------|-------------------|
| Governor | Local Affairs | Natural Resources |
| Agriculture | Personnel and Administration | Higher Education |
| Law | Education | Counties |
| Municipalities | | |