Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

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BILL TOPIC: SEVERANCE TAX OPERATIONAL FUND TRANSFERS FOR MINE RECLAMATION

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	<u>\$0</u>	<u>\$0</u>
State Transfers Cash Funds Cash Funds	127,000 (127,000)	127,000 (127,000)
State Expenditures		
FTE Position Change		
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 provides funding for the Division of Reclamation, Mining, and Safety (DRMS) in the Department of Natural Resources (DNR) to conduct reclamation projects at mine sites with insufficient or failed bonds through an annual transfer of \$127,000 cash funds from Tier 2 of the Severance Tax Operational Fund to a special account in the General Fund established by the Mined Land Reclamation Board. The reclamation projects at forfeited mine sites are currently funded as a Tier 1 program, and this bill will fund it as a Tier 2 program.

Background

Producers of gas, oil, coal, metals, and molybdenum pay a severance tax which is deposited into the Severance Tax Trust Fund of which the Operational Fund receives 25 percent. Money in the Operational Fund is divided into two tiers. Tier 1 money is used to fund core programs, including staffing and operating costs, for six divisions within the DNR: the Oil and Gas Conservation Commission; the Division of Reclamation, Mining, and Safety; the Geological Survey; the Water Conservation Board; and the Division of Parks and Wildlife. Tier 2 money is spent on a variety of programs, including the Low-Income Energy Assistance program (LEAP), the Water Supply Reserve Account program, species conservation, forestry grants to address bark beetle infestation and other forest health problems, the Water Efficiency Grant program, and several smaller agricultural programs.

Current law provides a mechanism for balancing spending from the Operational Fund by making reductions to the Operational Fund's Tier 2 programs when insufficient funds exist to fully fund the programs and the fund's reserve. The reductions to Tier 2 programs are made on a proportional basis. For example, if the funding for Tier 2 programs needs to be reduced by 10 percent to ensure the Operational Fund is balanced, each Tier 2 program's funding level is reduced by 10 percent.

Current law also requires the Operational Fund to maintain a reserve equal to 100 percent of the current year's Tier 1 appropriations and an additional reserve equal to 15 percent of the current year's Tier 2 appropriations. Money may be transferred from the reserve to offset temporary reductions in funding for Tier 1 or Tier 2 programs.

Based on the December 2014 Legislative Council Staff revenue forecast and expected expenditures from the Operational Fund, there is no need for proportional reductions to Tier 2 programs expected for the next three fiscal years.

Funding for Tier 2 programs is disbursed in three installments over the course of the year: 40.0 percent in July, 30.0 percent in January, and the remaining 30.0 percent in April. If mid-year projections indicate there will be insufficient Operational Fund revenue to support authorized expenditures for Tier 2 programs, the funds transferred in this bill will be subject to proportional reductions.

State Revenue

State transfers. This bill establishes an annual transfer of \$127,000 cash funds from Tier 2 of the Operational Fund to the Reclamation Warranty Forfeiture Fund account in the General Fund beginning in FY 2015-16. Spending authority for these funds will be appropriated to the DRMS in the Reclamation of Forfeited Mine Sites Long Bill line item, and remain available for a period of three years. With the 15 percent reserve requirement for Tier 2 programs, the total impact of this bill to the Operational Fund is \$146,050 cash funds annually which includes a reserve of \$19,050. This is a reduction from the Tier 1, 100 percent reserve requirement of \$127,000.

Effective Date

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

State and Local Government Contacts

Natural Resources

Joint Budget Committee Staff