

Colorado Legislative Council Staff
STATE and STATUTORY PUBLIC ENTITY
FINAL FISCAL IMPACT

(replaces fiscal impact dated March 6, 2006)

Drafting Number: LLS 06-0848

Date: May 5, 2006

Prime Sponsor(s): Rep. Buescher
 Sen. Tapia

Bill Status: Signed into Law

Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING SUPPORT FOR THE DEVELOPMENT OF CLEAN ENERGY RESOURCES USING PROCEEDS OF THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2006/07	FY 2007/08	FY 2008/09
State Revenues			
Cash Funds (Transfers/Appropriations)			
Operational Account of Severance Tax Trust Fund*	(\$2,635,000)	(\$2,500,000)	(\$2,500,000)
Cash Funds Exempt			
Agricultural Value-Added Cash Fund	500,000	500,000	500,000
State Expenditures			
Cash Funds			
Operational Account of Severance Tax Trust Fund	\$135,000		
Cash Funds Exempt			
Agricultural Value-Added Cash Fund	500,000	500,000	500,000
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
Effective Date: The Governor signed the bill into law on June 6, 2006.			
Appropriation Summary for FY 2006/07:			
Colorado Renewable Energy Authority	\$2,000,000	CFE	
Department of Agriculture	500,000	CFE	
Department of Public Health and Environment	135,000	CF	
Local Government Impact: None.			

* \$2,000,000 of this amount is appropriated to a statutory public entity, the Colorado Renewable Energy Authority.

Summary of Legislation

This revised bill, provides funding for existing and new renewable energy programs. Provided that sufficient funds exist, moneys from the Operational Account of the Severance Tax Trust Fund are appropriated to the following three entities:

- the Colorado Renewable Energy Authority is created and appropriated \$2,000,000 to support the development of renewable energy technologies;
- the Department of Agriculture's Colorado Agricultural Value-Added Development Board is appropriated \$500,000 to support agricultural energy related projects and research; and
- the Department of Public Health and Environment is appropriated \$135,000 to fund studies related to greenhouse gas emission reduction.

Department of Public Health and Environment. The bill requires the Department of Public Health and Environment to administer a program to award the following grants:

- a \$50,000 grant to Colorado State University to study the potential of terrestrial carbon sequestration as a technique for mitigating greenhouse gas emissions in the state;
- a \$50,000 grant to the Colorado School of Mines to study the potential of geologic carbon sequestration as a technique for mitigating greenhouse gas emissions in the state; and
- a \$35,000 grant to a public university to study emerging international and domestic markets in greenhouse gas emissions and private firms in various economic sectors that are reducing greenhouse gas emissions.

Results of the above research are to be reported to the agriculture committees of the Senate and House of Representatives by March 15, 2007.

Department of Agriculture. The Colorado Agricultural Value-Added Development Board will have \$500,000 to promote agricultural energy related projects and research.

Colorado Renewable Energy Authority. The bill creates the Colorado Renewable Energy Authority as a body corporate and a political subdivision of the state. However, the authority is not a state agency, nor subject to the direction of any state agency. The authority is managed by a board of directors composed of 5 members in the first year (FY 2006-07) and up to 7 members thereafter. It is to work with a consortium consisting of the Colorado School of Mines, Colorado State University, the University of Colorado, and the National Renewable Energy Laboratory.

The authority is to use the money to provide matching state funds for consortium research and development of advanced clean oil technologies, renewable energy, and energy conservation. In addition to providing grants, the authority is to become a regional resource in renewable energy that will transfer new technologies to the private sector to promote renewable energy businesses, will assist in developing educational and research programs, and will provide information to the public and engineering fields.

From FY 2006-07 to FY 2008-09, the authority is appropriated \$2.0 million annually from the Operational Account of the Severance Tax Trust Fund. If, by June 30, 2012, there are unexpended state funds for which matching federal moneys have not been received, the balance will revert to the Severance Tax Trust Fund. The bill also requires a certain percentage of any revenues generated from licensing or transfer of technologies to be credited to the Severance Tax Trust Fund.

Each year, the authority must submit a report to the Business Affairs and Labor Committee of the House and the Business, Labor, and Technology Committee of the Senate a report summarizing the projects being supported.

State Revenues

No new revenues are anticipated under HB06-1322. In FY 2006-07, the bill requires \$2,635,000 be transferred or appropriated from the Operational Account of the Severance Tax Trust Fund to the Colorado Renewable Energy Authority (\$2,000,000), the Department of Public Health and Environment (\$135,000), and the Department of Agriculture (\$500,000). In FY 2007-08 and FY 2008-09, the bill requires \$2,500,000 be transferred from the Operational Account of the Severance Tax Trust Fund to the Colorado Renewable Energy Authority (\$2,000,000) and the Department of Agriculture (\$500,000). Note that the moneys transferred to the Colorado Renewable Energy Authority are not actually considered revenues to a state entity.

State Expenditures

State expenditures of \$635,000 are required in FY 2006-07. In FY 2007-08 and FY 2008-09, state expenditures of \$500,000 are required.

Department of Public Health and Environment. The bill requires the department to administer 3 grants as specified above. It is anticipated that any administrative costs associated with administering these grants will be minimal and may be absorbed within existing budgetary resources.

Department of Agriculture. The bill requires the department to manage \$500,000 to promote agricultural energy related projects and research. It is anticipated that any administrative costs associated with administering these grants will be minimal and may be absorbed within existing budgetary resources.

Statutory Public Entity

HB06-1322 creates a new statutory entity, the Colorado Renewable Energy Authority. As mentioned above, the authority receives an appropriation of \$2,000,000 from the Operational Account of the Severance Tax Trust fund in FY 2006-07, FY 2007-08, and FY 2008-09. The authority is created to act as both an informational resource and a source of grant moneys towards the research and development on renewable and clean energy technologies.

State Appropriations

For FY 2006-07, the Department of Public Health and Environment will require a cash funds appropriation of \$135,000 for the moneys transferred from the Severance Tax Trust Fund. The bill also requires a \$2,000,000 appropriation to the Colorado Renewable Energy Authority from the Operational Account of the Severance Tax Trust Fund. Finally, the Department of Agriculture will require a cash funds exempt appropriation of \$500,000 from the Agriculture Value-Added Cash Fund for the moneys transferred from the Operational Account of the Severance Tax Trust Fund.

Departments Contacted

Governor's Office
State Treasurer
Revenue

Natural Resources
Local Affairs
Agriculture