

*Colorado Legislative Council Staff Fiscal Note*

**STATE and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated March 5, 2010)

<b>Drafting Number:</b> LLS 10-0451	<b>Date:</b> March 25, 2010
<b>Prime Sponsor(s):</b> Sen. Schwartz Rep. Massey; Scanlan	<b>Bill Status:</b> House Local Government <b>Fiscal Analyst:</b> Lauren Ris (303-866-3264)

**TITLE:** CONCERNING THE REGULATION OF THE DEVELOPMENT OF GEOTHERMAL RESOURCES.

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>
<b>State Revenue</b> Cash Funds Geothermal Resource Leasing Fund	See State Revenue Section.	
<b>State Expenditures</b> Cash Funds Geothermal Resource Leasing Fund	See State Expenditures Section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
<b>Appropriation Summary for FY 2010-2011:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

*The reengrossed bill* makes 6 key changes to the regulation of geothermal resource development.

**Geothermal Resource Leasing Fund.** The bill authorizes federal mineral lease revenues derived from geothermal resource development on federal lands to be used to provide grants to state agencies, school districts, and political subdivisions affected by geothermal development and production. Grants are to be awarded by the Department of Local Affairs primarily for planning and services necessitated by geothermal development and production, and secondarily to promote geothermal energy resource development.

**Groundwater ownership.** The bill specifies that in cases where geothermal resources are "severed," or separated from the land and sold or leased, the bill provides the geothermal resource owner the right to reasonably access these resources.

***Permits.*** The bill requires that the state engineer deny applications to appropriate groundwater for geothermal purposes if the appropriation will change the water temperature in a way that affects a valid, prior geothermal right.

***Property taxation.*** The bill specifies that geothermal energy facilities must be valued for property taxes in the same manner in which wind and solar energy facilities are valued. These facilities are valued using the income approach, where the value is based on the projected gross revenue of these facilities.

***Local government planning.*** The bill allows municipalities and counties to designate the use of geothermal resources as an activity of state interest under House Bill 74-1041.

***New energy technologies.*** The bill allows the Public Utilities Commission, at a utility's request, to give the fullest possible consideration to the cost-effective implementation of new energy technologies for geothermal energy generation.

## **State Revenue**

The bill earmarks future federal geothermal lease revenue for appropriation to the Department of Local Affairs. There are currently no geothermal leases in Colorado, but the federal Bureau of Land Management (BLM) has nominated 3 parcels of land for geothermal lease sales. However, the sales have been postponed and the parcels are undergoing environmental assessments. While there will likely be revenue generated from federal geothermal leases in the near future, the amount of revenue generated will depend on the following:

- the total acreage available for lease (which will not be determined until environmental assessments are complete),
- the final number of parcels nominated, and
- the price paid through a competitive bidding process per acre (the average price the BLM has received per acre from the last three years is \$143).

## **State Expenditures**

There will likely be expenditures to the Department of Local Affairs in the future associated with establishing the Geothermal Resource Leasing Fund and grant management, however because there are currently no geothermal leases in Colorado, there is no revenue stream for the fund. This fiscal note assumes that there will not be sufficient revenue generated to establish the lease fund and grant program in FY 2010-11 or FY 2011-12.

Additionally, modifying the method for valuing geothermal facilities could affect property taxes, which would change the need for General Funds for school finance.

**Local Government Impact**

Grants awarded through the Geothermal Resource Leasing Fund would benefit school districts and political subdivisions that receive funding.

**Departments Contacted**

Natural Resources  
Property Taxation

Local Affairs  
Governor's Energy Office