

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0255
Prime Sponsor(s): Rep. Hamner
 Sen. Nicholson

Date: July 19, 2012
Bill Status: Signed into Law
Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING CONTINUATION OF FORESTRY-RELATED PROGRAMS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

| Fiscal Impact Summary | FY 2012-2013 | FY 2013-2014 |
|---|--------------------|----------------------------|
| State Revenue | | |
| State Transfers or Diversions* | | |
| Transfer from the Sev. Tax Trust Fund - Op. Acct. to Forestry Grants/Bark Beetle** | \$0 (1,642,364) | \$2,500,000 (2,500,000) |
| DHS Low Income Energy Assistance Fund | 150,991 | |
| EOC Low Income Energy Assistance Fund | 150,991 | |
| GEO Low Income Energy Assistance Fund | 301,981 | |
| STT Fund - Water Supply Reserve Account | 464,587 | |
| Conservation District Grant Fund | 20,906 | |
| Water Efficiency Grant Program Cash Fund | 25,552 | |
| Species Conservation Trust Fund | 306,627 | |
| Interbasin Compact Comm. Operations Fund | 34,615 | |
| Aquatic Invasive Species*** | 186,114 | |
| State Expenditures | | |
| Cash Funds (Total) | \$0 | \$2,500,000 |
| Forestry Grants/Bark Beetle** | 1,642,364 | \$2,500,000 |
| DHS Low Income Energy Assistance Fund | (150,991) | |
| EOC Low Income Energy Assistance Fund | (150,991) | |
| GEO Low Income Energy Assistance Fund | (301,981) | |
| STT Fund - Water Supply Reserve Account | (464,587) | |
| Conservation District Grant Fund | (20,906) | |
| Water Efficiency Grant Program Cash Fund | (25,552) | |
| Species Conservation Trust Fund | (306,627) | |
| Interbasin Compact Comm. Operations Fund | (34,615) | |
| Aquatic Invasive Species*** | (186,114) | |
| FTE Position Change | | |
| Effective Date: The bill was signed into law by the Governor and took effect May 24, 2012. | | |
| Appropriation Summary for FY 2012-2013: See State Appropriations section. | | |
| Local Government Impact: None. | | |

* Based on the December 2011 LCS revenue forecast. Actual transfers are displayed as negatives and foregone transfers as positives.

** This transfer is divided between the Forest Restoration Program Cast Fund, the Healthy Forests and Vibrant Communities Fund and the Wildland-Urban Interface Training Fund.

*** This transfer is divided between the Division of Parks and Outdoor Rec. Aquatic Nuisance Species Fund and the Division of Wildlife Aquatic Nuisance Species Fund.

Note: The appendix to this final fiscal note presents projected allocations for all Tier 2 programs funded from the Operational Account of the Severance Tax Trust Fund. These projections are based on the June 2012 Legislative Council Staff revenue forecast and the passage of the four bills (HB 12-1028, HB 12-1032, HB 12-1334 and HB 12-1353) during the 2012 legislative session that directly affected this account.

Summary of Legislation

This bill extends the funding from the Operational Account of the Severance Tax Trust Fund for the Forest Restoration program through FY 2017-18 at a level of \$2.5 million annually. Under current law, the program would sunset after FY 2011-12.

Background

The Operational Account of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. Money in the account is divided into two tiers. Tier 1 money is used to fund core programs, including staffing and operating costs for six divisions within the Department of Natural Resources: 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 Account by making reductions to the account's Tier 2 programs when insufficient funds exist to fully fund the programs and the account'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 Account is balanced, each Tier 2 program's funding level is reduced by 10 percent.

Current law also requires the Operational Account 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 2011 Legislative Council Staff revenue forecast and expected expenditures from the account, the entire Tier 2 reserve will need to be expended to minimize proportional reductions for Tier 2 programs in FY 2012-13. Even with this expenditure, transfers to Tier 2 programs will be proportionately reduced by roughly 30 percent in FY 2012-13. Under current law, however, the reserve would be rebuilt by the end of FY 2013-14. Any legislation that increases funding from the Operational Account, either by adding programs or increasing/extending funding to existing ones, could result in further proportional reductions if the additional obligation that is authorized results in an insufficient amount of revenue to balance the account. The additional obligation contained in this bill is projected to result in further proportional reductions of 5 percent for each Tier 2 program other than the Forest Restoration program in FY 2012-13.

State Transfers or Diversions

Current law requires proportional reductions in the funding of Tier 2 programs when insufficient funds exist to fully fund the programs. Based on the December 2011 Legislative Council Staff severance tax revenue forecast, the additional obligations included in this bill will result in insufficient funds to fully fund all of the Operational Account's Tier 2 programs in FY 2012-13. The actual transfer from the account resulting from the passage of HB 12-1032 is projected to be 5 percent less than the authorized amount.

State Expenditures

Extending the Forest Restoration program reduces expenditures for all Tier II programs funded from the Operational Account of the Severance Tax Trust Fund by about \$2.5 million in FY 2012-13. Based on the December 2011 Legislative Council revenue forecast, actual forest restoration funding in FY 2012-13 will be \$857,636 less than authorized. Table 1 details the projected expenditure reductions from the Operational Account resulting from passage of HB 12-1032.

| Table 1. Expenditure Reductions Occurring Under HB 12-1032 | | |
|---|--------------------|-------------------|
| Transfer Impact | FY 2012-13 | FY 2013-14 |
| Forestry Grants/Bark Beetle* | (\$857,636) | |
| Low-Income Energy Assistance | (603,963) | |
| Water Supply Reserve Account | (464,587) | |
| Conservation District Grant Fund | (20,906) | |
| Water Efficiency Grants Program Cash Fund | (25,552) | |
| Species Conservation Trust Fund | (306,627) | |
| Interbasin Compact Comm. Operations Fund | (34,615) | |
| Aquatic Invasive Species | (186,114) | |
| TOTAL | \$2,500,000 | \$0 |

** This total reflects the difference between projected actual transfers and the \$2.5 million authorized in HB12-1032.*

Forest Restoration Program. The bill will increase expenditures for forest restoration by \$1.6 million in FY 2012-13, which is \$0.9 million less than authorized. These funds will be divided between the Forest Restoration Program Cash Fund, the Healthy Forests and Vibrant Communities Fund and the Wildland-Urban Interface Training Fund. In the case of the first two funds, no appropriation is required as these funds are continuously appropriated to the Department of Higher Education and the Governor's Office, respectively. The Wildland-Urban Interface Training Fund requires an annual appropriation of up to \$50,000 to the Department of Public Safety, Office of Preparedness, Security and Fire Safety.

Low Income Energy Assistance. The bill will reduce expenditures on low-income energy assistance by \$0.6 million in FY 2012-13. Expenditure reductions for the Governor's Energy Office, the Department of Human Services, and Energy Outreach Colorado are \$301,981, \$150,991, and \$150,991 respectively. No appropriation is required as the three funds used to provide low-income energy assistance are continuously appropriated.

Water Supply Reserve Account. The bill will reduce expenditures from this account by \$464,587 million in FY 2012-13. This account is continuously appropriated to the Colorado Water Conservation Board.

Conservation District Grant Fund. The bill will reduce expenditures from this fund by \$20,906 in FY 2012-13. This fund is continuously appropriated to the Department of Agriculture.

Water Efficiency Grant Program Cash Fund. The bill will reduce expenditures from this fund by \$25,552 in FY 2012-13. This fund is continuously appropriated to the Colorado Water Conservation Board.

Species Conservation Trust Fund. The bill reduces expenditures from this fund by \$306,627 in FY 2012-13. For FY 2012-13, expenditures from the capital and operation and maintenance accounts are reduced by \$209,064 and \$97,563 respectively. Expenditures from this fund are annually authorized by the General Assembly in the annual Species Conservation Trust Fund authorization.

Interbasin Compact Commission Operations Fund. The bill will reduce expenditures from this fund by \$34,615 in FY 2012-13. This fund is continuously appropriated to the Colorado Water Conservation Board.

Aquatic Invasive Species. The bill reduces expenditures from this program by \$186,114 in FY 2012-13. Money for this program is continuously appropriated to the Department of Natural Resources.

State Appropriations

The Department of Public Safety, Office of Preparedness, Security and Fire Safety requires an annual appropriation of up to \$50,000 from the Wildland-Urban Interface Training Fund.

Departments Contacted

Higher Education

Natural Resources

Appendix

Table 2 presents the projected allocations for all Tier 2 programs funded from the Operational Account of the Severance Tax Trust Fund. These projections are based on the June 2012 Legislative Council Staff revenue forecast and the passage of four bills (HB 12-1028, HB 12-1032, HB 12-1334 and HB 12-1353) that directly affected this account.

| Table 2. Projected Tier 2 Program Allocations | | |
|--|---------------------|-----------------------|
| Transfer Impact | FY 2012-13 | FY 2013-14 |
| Water Supply Reserve Account | \$3,245,361 | \$7,812,211 |
| Conservation District Grant Fund | 146,041 | 351,549 |
| Water Efficiency Grants Program Cash Fund | 178,495 | 429,672 |
| Species Conservation Trust Fund | 1,298,145 | 5,156,059 |
| Low Income Energy Assistance | 4,295,525 | 10,142,262 |
| Interbasin Compact Comm. Operations Fund | 162,268 | 390,611 |
| Forestry Grants/Bark Beetle | 811,340 | 1,953,053 |
| Aquatic Invasive Species | 1,300,093 | 3,129,576 |
| TOTAL | \$11,679,070 | (\$29,947,054) |
| Percent Authorization | 32.7% | 78.1% |

* Based on the June 2012 Legislative Council revenue forecast.