

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0878
Prime Sponsor(s): Rep. Becker
 Sen. Hodge

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

TITLE: CONCERNING THE EXTENSION OF SEVERANCE TAX FUNDING FOR THE PROMOTION OF AGRICULTURAL ENERGY-RELATED PROJECTS, 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 Agricultural Energy Projects	\$0 (224,408)	\$0 (385,247)
Low Income Energy Assistance Program	77,073	132,314
Soil Conservation District Grant Fund	2,668	4,580
Water Efficiency Grant Program Cash Fund	3,261	5,598
Water Supply Reserve Account	59,287	101,780
Species Cons. Trust Fund	39,130	67,175
Interbasin Compact Comm. Operations Fund	4,417	7,583
Aquatic Invasive Species**	23,750	40,773
Forestry Grants	14,822	25,445
State Expenditures		
Cash Funds (Total)	\$0	\$0
Agricultural Energy Projects	224,408	385,247
Low Income Energy Assistance Program	(77,073)	(132,314)
Soil Conservation District Grant Fund	(2,668)	(4,580)
Water Efficiency Grant Program Cash Fund	(3,261)	(5,598)
Water Supply Reserve Account	(59,287)	(101,780)
Species Cons. Trust Fund	(39,130)	(67,175)
Interbasin Compact Comm. Operations Fund	(4,417)	(7,583)
Aquatic Invasive Species**	(23,750)	(40,773)
Forestry Grants	(14,822)	(25,445)
FTE Position Change		
Effective Date: The bill was signed into law by the Governor on May 24, 2012, and took effect July 1, 2012.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

* Based on the March 2012 Legislative Council revenue forecast. Actual transfers are displayed as negatives and foregone transfers as positives.

** 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 used to promote agricultural energy related projects through FY 2016-17 at a level of \$500,000 annually. Under current law, this funding 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 March 2012 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 both FY 2012-13 and FY 2013-14. Even with this expenditure, transfers to Tier 2 programs will be proportionately reduced by roughly 55 percent in FY 2012-13 and 22 percent in 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 0.6 percent and 1.1 percent for each Tier 2 program other than the promotion of agricultural energy related projects in FY 2012-13 and FY 2013-14, respectively.

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 March 2012 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 both FY 2012-13 and FY 2013-14. The actual transfer from the account resulting from the passage of HB 12-1334 is projected to be 0.6 percent less in FY 2012-13 and 1.1 percent less in FY 2013-14 than the authorized amount.

State Expenditures

Extending the program to promote agricultural energy projects leaves overall expenditures for Tier II programs funded from the Operational Account of the Severance Tax Trust Fund unchanged in FY 2012-13 and FY 2013-14. The additional expenditure for this program is exactly offset by the cumulative reductions to other Tier II programs. The following is a brief description of the expenditure impact for each program and information on the appropriations status of each cash fund involved.

Agricultural Energy Related Projects. The bill increases expenditures from the Agriculture Value Added Cash Fund by \$224,408 in FY 2012-13 and \$385,247 in FY 2013-14. No appropriation is required as the fund is continuously appropriated.

Low Income Energy Assistance. The bill reduces expenditures on low-income energy assistance by \$77,073 in FY 2012-13 and \$132,314 FY 2013-14. No appropriation is required as the three funds used to provide low-income energy assistance are continuously appropriated.

Water Supply Reserve Account. The bill reduces expenditures from this account by \$59,287 in FY 2012-13 and \$101,780 in FY 2013-14. This account is continuously appropriated to the Colorado Water Conservation Board.

Soil Conservation District Grant Fund. The bill reduces expenditures from this fund by \$2,668 in FY 2012-13 and \$4,580 in FY 2013-14. This fund is continuously appropriated to the Department of Agriculture.

Water Efficiency Grant Program Cash Fund. The bill reduces expenditures from this fund by \$3,261 in FY 2012-13 and \$5,598 in FY 2013-14. This fund is continuously appropriated to the Colorado Water Conservation Board.

Species Conservation Trust Fund. The bill reduces expenditures from this fund by \$39,130 in FY 2012-13 and \$67,175 in FY 2013-14. 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 reduces expenditures from this fund by \$4,417 in FY 2012-13 and \$7,583 in FY 2013-14. This fund is continuously appropriated to the Colorado Water Conservation Board.

Aquatic Invasive Species. The bill reduces expenditures for this program by \$23,750 in FY 2012-13 and \$40,773 in FY 2013-14. Money for this program is continuously appropriated to the Department of Natural Resources.

Forestry Grant Program. The bill reduces expenditures on forestry grants by \$14,822 in FY 2012-13 and \$25,445 in FY 2013-14. No appropriation is required as two of the funds under this program are continuously appropriated and the third received an appropriation through the enactment of HB12-1032.

It should be noted that, based on the March 2012 Legislative Council revenue forecast, actual program funding in FY 2012-13 and FY 2013-14 will be \$21.1 million and \$8.8 million ***less than authorized***, respectively. For informational purposes, Table 1 details the projected programmatic expenditure reductions from the authorized amounts assuming HB 12-1334 is enacted.

Table 1. Expenditure Reductions from Authorized Amounts with Passage of HB 12-1334		
Transfer Impact	FY 2012-13	FY 2013-14
Agricultural Energy Related Projects	(\$275,592)	(\$114,753)
Low-Income Energy Assistance	(7,165,381)	(\$2,983,579)
Water Supply Reserve Account	(5,511,832)	(2,295,061)
Conservation District Grant Fund	(248,032)	(103,278)
Water Efficiency Grants Program Cash Fund	(303,151)	(126,228)
Species Conservation Trust Fund	(3,637,809)	(1,514,740)
Interbasin Compact Comm. Operations Fund	(410,668)	(170,997)
Forestry Restoration Program	(1,377,958)	(573,765)
Aquatic Invasive Species	(2,208,043)	(919,402)
TOTAL	(\$21,138,466)	(\$8,801,804)

Departments Contacted

Agriculture

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.