

Out-of-the-Box State Fiscal Solutions

SEVERANCE TAX: LEGISLATIVE SOLUTIONS TO IMPACTS ON TIER II
PROGRAMS, AND BALLOT MEASURES

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Colorado Water Congress

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THE LEADING VOICE OF COLORADO'S WATER COMMUNITY

The mission of the Colorado Water Congress is to bring about institution and advancement of programs for the conservation, development, administration, and protection of the water resources of the State of Colorado.

The purpose of the Colorado Water Stewardship Project (CWSP) is to ensure that the Colorado Water Congress members and water stakeholders from around the state are prepared for any ballot initiatives that might be of interest to Colorado's water community.

CWC State Affairs Committee will advocate to the administration, JBC and General Assembly:

Colorado either find alternative or additional revenue sources to support water projects and programs or implement fiscal management structures that both protect current revenues for their statutorily intended uses and that accommodate more consistent and predictable annual appropriations.

- All water-related projects and programs should be evaluated on a common and consistent basis (i.e., **eliminate the current, uncertain and erratic Tier II funding category**).
- The current **Tier II funded water programs**, Native Species Conservation Trust, Aquatic Nuisance Species prevention and mitigation, and Water Supply Reserve Account (WRSA) **are each too important to leave reliant on severance tax surpluses** (Tier II). Each should be removed from Tier II and **prioritized the same as and along with other CWCB severance tax funded programs**.
- **LEAP should be funded from a source other than DNR's severance tax revenues.**

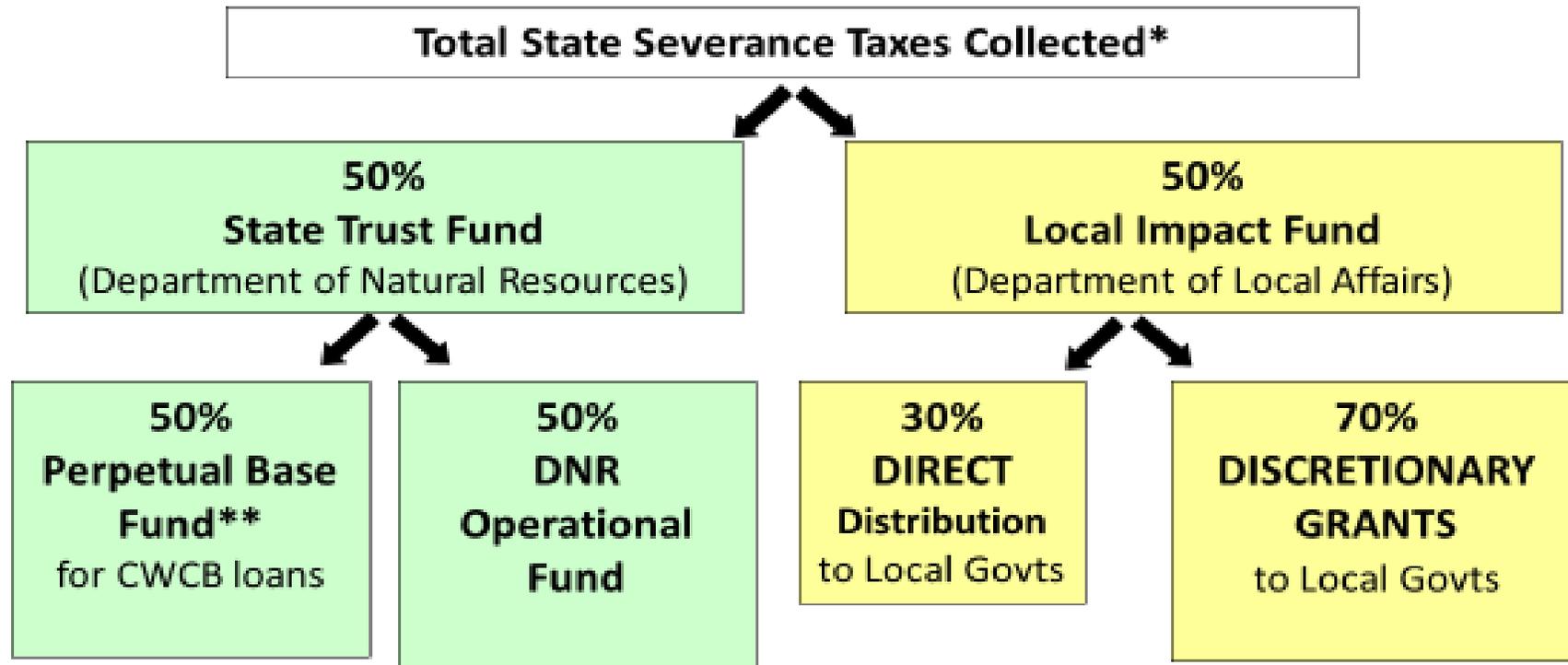
What is Severance Tax?

Severance Tax is a tax on nonrenewable minerals as they are “severed” from the earth.

There are separate severance taxes on oil and gas, coal, metals, and oil shale

Severance tax revenue from Oil and Gas development has generated 95% of the severance tax revenue over the last five years.

How is Severance Tax Distributed?



* \$1.5 Million of severance tax is taken "off-the-top" and deposited into the Innovative Energy Fund

** If Perpetual Base Account revenues exceed \$50M; next \$10M flows to CDPHE's Small Communities Water and Wastewater Grant Fund.

SB17-259 General Fund Transfers Protect Natural Resources

K. Lundberg / B. Rankin

3/31/2017 Introduced In House - Assigned to Appropriations

This was one of the “orbital bills” passed in conjunction with SB 17-254 (the state budget). It aims to provide funding for three programs previously receiving Tier 2 severance tax money.

Severance tax money was taken from the state’s Operational Fund in SB16-218 to repay the General Fund for severance tax refund claims, thus depleting Tier 2.

SB17-259 General Fund Transfers Protect Natural Resources

On July 1, 2017, the bill requires the state treasurer to transfer money **from the general fund** as follows:

- \$2,272,727 million to the **forest restoration and wildfire risk mitigation grant program cash fund**;
- \$4,090,909 million to the **species conservation trust fund**;
- \$2,452,193 million to the; and **division of parks and outdoor recreation aquatic nuisance species fund**
- \$1,184,171 million to the **division of wildlife aquatic nuisance species fund**.

HB17-1321 CPW Financial Sustainability

Section 23 requires a person to purchase an aquatic nuisance species sticker to operate or use a vessel on the waters of the state or possess a vessel at a vessel staging area. The fees collected on the sale of aquatic nuisance species stickers are credited to the division of parks and wildlife aquatic nuisance species fund to help fund inspections of vessels and associated conveyances for the presence of aquatic nuisance species, decontamination of vessels or conveyances with the presence of aquatic nuisance species, lake monitoring for the presence of aquatic nuisance species, and outreach efforts.

(Arndt, Wilson, introduced on 4/5)

HB17-1321 CPW Financial Sustainability

Section 19 establishes that a violation of the requirement to obtain an aquatic nuisance species sticker is a class 2 petty offense, punishable by a fine equal to twice the cost of a nonresident motorboat or sailboat aquatic nuisance species sticker.

Section 20 repeals the division of wildlife aquatic nuisance species fund and renames the division of parks and outdoor recreation aquatic nuisance species fund as the division of parks and wildlife aquatic nuisance species fund, combining the 2 existing funds into one fund. Sections 5 and 26 make conforming amendments regarding the combining of the 2 funds into one renamed fund.

Severance Tax Ballot Initiatives

Initiative 13 Status:

Review and Comment Hearing Held: 3/24/2017 at 1:30pm

Date Filed: 3/10/2017

Initiative 20 Status:

Pending Review and Comment Hearing: [4/7/2017](#) at 10:00am in SCR 352

Date Filed: 3/24/2017

Initiative #20

The major purposes of the proposed amendment to the Colorado Revised Statutes appear to be:

- Increase the oil and gas severance tax rate;
- Eliminate the severance tax credit that is based on property taxes paid;
- Eliminate the stripper well exemption; and
- Require some portion of the severance tax revenues to be used for specified purposes.

Initiative #20

The tax for oil and gas shall be increased at the following rates of the gross income:

- Under \$25,000 7%
- \$25,000 and under \$100,000 8%
- \$100,000 and under \$300,000 9%
- \$300,000 and over 10%

#20 Shall be used for the following purposes:

- Establishing an all day kindergarten in Colorado public schools, and increased funding for public elementary and secondary schools.
- Scholarships for students attending state colleges and universities
- Renewable and clean energy projects
- Medical care and treatment for people suffering negative health impacts caused by oil and gas production in those communities impacted by production.
- Community drinking water and wastewater treatment grants.

* Programs currently funded by severance tax programs not be adversely impacted by the distribution of additional revenue generated by the changes potentially made by this initiative.