

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0759  
**Prime Sponsor(s):** Rep. Fischer  
 Sen. Kefalas

**Date:** April 3, 2013  
**Bill Status:** House Health, Insurance and  
 Environment  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING ADDITIONAL FINANCIAL RESOURCES FOR LOCAL GOVERNMENTS TO ADDRESS IMPACTS CAUSED BY NEW OIL AND GAS DEVELOPMENT.

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b>	See State Revenue section.	
<b>State Expenditures</b>		
Cash Funds		
Oil and Gas Conservation and Environmental Response Fund	\$53,774	\$7,227
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2013-2014:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

This bill requires oil and gas operators to pay a local government designee fee to the Colorado Oil and Gas Conservation Commission (COGCC) when applying for a permit to drill. The COGCC will allocate the fee equally to each local government that has a registered local government designee within whose boundaries the oil and gas facility to be permitted is located. The bill allows local governments to collect an impact fee or development charge when issuing a development permit to offset the costs for environmental or public health and welfare oversight on new oil and gas development. The bill also repeals the prohibition on local governments charging a tax or fee for conducting inspections or monitoring of oil and gas operations.

**State Revenue**

This bill will increase revenue to the COGCC to be dispersed to local governments where new oil and gas wells are being permitted to fund their local government designees. The amount of funding for these positions is not known and the COGCC is expected to consult with local governments to determine the amount of revenue that needs to be raised and the fees required to meet local government cost estimates.

**State Expenditures**

**This bill increases expenditures from the Oil and Gas Conservation and Environmental Response Fund by \$53,774 in FY 2013-14 and \$7,227 in FY 2014-15 and thereafter.** The fiscal note assumes that the fund has sufficient reserves to fund this bill without an increase in the mill levy charged on the market value of produced oil and gas at the well. Costs are shown in Table 1 and detailed below.

<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services (194 hours x \$37.25)	\$7,227	\$7,227
Computer Programming	41,440	
Rulemaking Hearing Expenses	4,180	
Legal Services (12 hours x \$77.25)	927	
<b>TOTAL</b>	<b>\$53,774</b>	<b>\$7,227</b>

**Department of Natural Resources.** The COGCC will establish the local government designee fee and disbursement procedures by rule. This will require a 1-day rulemaking hearing at cost of \$4,180 plus \$927 in legal services from the Department of Law.

To collect and disburse the fees from oil and gas operators, the COGCC will work with the Governor's Office of Information and Technology to automate the process at a cost of \$41,440. This will allow operators to submit their fees through the Statewide Internet Portal Authority payment portal. Part-time contract staff will oversee the collections and disbursements to an estimated 64 local jurisdictions where new well permits are being requested, at a cost of \$7,227 annually.

**Department of Public Health and Environment.** The fiscal note assumes that the Department of Public Health and Environment will serve as a resource to local governments for consultation on environmental and public health and welfare oversight. This is expected to be addressed within existing appropriations, but if the demand for consultation becomes significant the department may request additional funding through the annual budget process.

**Local Government Impact**

Local governments that use the authority of the bill to expend funds for environmental or public health and welfare oversight of new oil and gas development will have a fiscal impact. The bill allows local government to collect an impact fee or development charge to offset the costs of inspections, monitoring, personnel and equipment. The fiscal impact will depend on the amount of new oil and gas development in an area and what action the local government chooses take. As such, the amount of fiscal impact has not been estimated.

**State Appropriations**

For FY 2013-14, the Department of Natural Resources requires an appropriation of \$53,774 from the Oil and Gas Conservation and Environmental Response Fund. Of this, \$41,440 is reappropriated to the Office of Information Technology, and \$927 is reappropriated to the Department of Law.

**Departments Contacted**

Counties  
Municipalities  
Public Health and Environment

Local Affairs  
Natural Resources