

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.

State Transfers

Currently, the Colorado Energy Office (CEO) gets a single annual severance tax allocation on July 1 for its LEAP program. Similarly, the Department of Human Services (DHS) program gets a single allocation on January 4 and the Energy Outreach Colorado (EOC) program gets a single allocation on April 1. This schedule can create significant disparities in the reductions absorbed by these three programs (and also non-LEAP Tier 2 programs) if the quarterly severance tax revenue forecasts change significantly.

The FY 2012-13 allocations clearly illustrate this issue. The June 2012 Legislative Council Staff severance tax revenue projection resulted in a 64 percent cut to Tier 2 programs. Because the CEO LEAP program receives its funding July 1, it fully absorbed this cut. Since the FY 2012-13 severance tax forecast improved with the September and December projections, the proportional reduction to the January 4 installment was reduced to 28 percent, and the DHS LEAP program absorbed a much lower proportional funding reduction. If the March forecast does not change substantially from December's, the April 1 installment will be fully funded at authorized levels meaning the EOC LEAP program will not have to absorb any reductions in FY 2012-13.

By changing the timing of the severance tax allocation for the three LEAP programs from one lump-sum payment to three proportional allocations, this bill equalizes any future proportionate reductions these programs must absorb. However, in FY 2012-13 and FY 2013-14, this bill will impact transfers from the Operational Account for Tier 2 programs as detailed below.

Table 1. Allocation Changes Occurring Under HB 13-1185		
Transfer Impact	FY 2012-13	FY 2013-14
DHS Low-Income Energy Assistance Fund	\$537	(\$48,865)
EOC Low Income Energy Assistance Fund	(\$902,099)	\$853,771
CEO Low Income Energy Assistance Fund	\$706,410	(\$803,066)
Water Supply Reserve Account	\$85,777	(\$726)
Soil Conservation District Grant Fund	\$3,860	(\$33)
Water Efficiency Grant Program Cash Fund	\$4,718	(\$40)
Species Conservation Trust Fund	\$34,311	(\$479)
Agriculture Value Added Cash Fund	\$4,289	(\$36)
Interbasin Compact Comm. Operations Fund	\$6,391	(\$54)
Forestry Grants	\$21,444	(\$181)
Aquatic Invasive Species	\$34,362	(\$291)
TOTAL	\$0	\$0

State Expenditures

Severance Tax Trust Fund. This bill changes the amount available for expenditure from several programs supported by from the Operational Account of the Severance Tax Trust Fund in FY 2012-13 and FY 2013-14. This money is continuously appropriated.

Departments Contacted

Human Services

Natural Resources

Colorado Energy Office