

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0831 **Date:** March 16, 2015
Prime Sponsor(s): Rep. Saine **Bill Status:** House Finance
 Sen. Neville T. **Fiscal Analyst:** Clare Pramuk (303-866-2677)

BILL TOPIC: STATE ENGINEER DAM SAFETY REVIEW FEES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	\$348,500	\$348,500
General Fund	348,500	348,500
State Expenditures		
TABOR Set Aside	\$348,500	\$348,500
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

This bill, **recommended by the Legislative Audit Committee**, increases the fees charged by the State Engineer in the Department of Natural Resources (DNR) for dam project design review and adds a fee for the annual inspection of dams subject to storage restrictions.

The fee for dam project design review is increased from \$3 to \$6 per \$1,000 of the estimated project cost. The cap on this fee is raised from \$3,000 to \$30,000 per project.

Dams on which the State Engineer has imposed water storage restrictions must be inspected annually in addition to the regular inspection schedule. These dams are subject to a \$2,000 per year fee to begin in the second year that storage restrictions are in place. The State Engineer may waive the fee if the owner or operator has taken reasonable steps to correct the issues that lead to the storage restrictions.

Background

Dams are classified according to the risk to life and property if they fail, not on the condition of the dam. Failure of a high hazard dam can result in loss of life and property, while failure of a significant hazard dam can result in property losses. The failure of a low hazard dam is not expected to result in a loss of life or significant property damage while failure of a no public hazard dam has the potential to cause only damage to the property of the dam owner. The risk classification of a dam may change, particularly if development occurs around it.

High hazard dams and dams on storage restrictions are inspected annually, significant hazard dams every two years, and low hazard dams every six years. Dams classified as no public hazard are not inspected. The Division of Water Resources oversees over 1,800 non-federally owned dams.

When the State Engineer identifies safety issues with a dam, he can levy a fine or impose a storage restriction to immediately reduce the risk of failure until the safety issues can be corrected. There are currently 121 dams with storage restrictions longer than two years. Of these, 14 significant hazard and 91 low hazard dams will be subject to the fee included in the bill. High hazard dams are already assessed an annual fee for required inspections.

State Revenue

This bill will increase annual state revenue by an estimated \$348,500 to the General Fund annually beginning in FY 2015-16.

Fee Impact on Dam Owners. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. Because the fees for design review will depend on the number and size of projects submitted for review, the revenue estimate is based on a 5-year average. Table 1 shows the estimated fee impact of the bill. Dams owned by Colorado Parks and Wildlife are not subject to the fees.

Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Design Review Fee Revenue (based on 5-year average)	44,300	182,800	138,500	N/A	138,500
Restricted Dam Inspection Fee	0	2,000	2,000	105	210,000
TOTAL					\$348,500

TABOR Impact

This bill will increase state revenue from fees, which will increase the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

Local Government and Statutory Public Entity Impact

To the extent that local governments and statutory public entities submit plans for design review or own a dam under storage restrictions, those entities will have an increase in fees. The amount of fee increase depends on a number of factors and is not estimated for this analysis.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Natural Resources