HB 20-1045

Legislative Council Staff

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FISCAL NOTE

Drafting Number:	LLS 20-0253	**Date:**	January 15, 2020
Prime Sponsors:	Rep. Kennedy	**Bill Status:**	House Energy & Environment
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Bill Topic: **ENERGY EFFICIENCY IMPROVEMENT PROGRAMS FUNDING**

Summary of Fiscal Impact:

☐ State Revenue
☐ State Expenditure
☒ State Transfer *(conditional)*
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

For five years beginning in FY 2020-21, the bill establishes conditional transfers from the General Fund to the Energy Outreach Colorado and Colorado Energy Office Low-income Energy Assistance Funds, which are triggered if severance tax revenue to either fund falls below $1.0 million in a given year.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill, as recommended by the Investor-owned Utility Review Interim Study Committee.

Summary of Legislation

Beginning in FY 2020-21, the bill establishes conditional annual transfers from the General Fund to the following two funds: the Energy Outreach Colorado (EOC) Low-income Energy Assistance Fund and the Colorado Energy Office (CEO) Low-income Energy Assistance Fund. The transfers take place if the amount of severance tax revenue transferred to either fund in a given year falls below $1.0 million. The amount transferred to either fund is 75 percent of the difference between $1.0 million and the amount of severance tax received for the year. The conditional General Fund transfers are authorized for five years starting in FY 2020-21 and are repealed on September 1, 2024.

Background

Severance Tax Operational Fund. The Severance Tax Operational Fund receives 25 percent of state severance tax receipts. The fund is used for core departmental programs in the Department of Natural Resources (DNR) and natural resource and energy grant programs. Core departmental programs are prioritized in the fund and include operations for the Oil and Gas Conservation Commission; the Geological Survey; the Avalanche Information Center; the Division of Reclamation, Mining and Safety; the Water Conservation Board; the Division of Parks and Wildlife; and the fund's statutory reserve. Natural resource and energy grant programs include water-related programs; soil conservation; the control of invasive species; the Species Conservation Trust Fund; forestry and wildfire prevention grants; and three low-income energy assistance programs, two of which are addressed in this bill. Transfers to these programs take place on August 15 each year. Current law provides a mechanism for balancing spending from the operational fund by making proportional reductions to all natural resource and energy grant programs when insufficient funds exist to fully fund those programs and still meet the fund's statutory reserve requirement.

Low-income energy assistance programs. Under current law, up to $13.0 million is annually authorized for low-income energy assistance programs and divided between the following programs:

Direct bill assistance (50 percent). To provide energy bill assistance to low-income families year-round, two programs operate in the state:

- *Department of Human Services (25 percent).* The Department of Human Services (DHS) oversees the Low-income Energy Assistance Program (LEAP) which operates during the heating season in accordance with the federal Low Income Home Energy Assistance Program funded by the U.S. Department of Health and Human Services. LEAP applications are accepted from November through April. County offices and Goodwill deliver the direct service.

- *Energy Outreach Colorado (25 percent).* The Colorado-based nonprofit Energy Outreach Colorado provides direct bill payment assistance to low-income households when DHS is not accepting LEAP applications. The money is appropriated to the CEO and passed through to the EOC Low-income Energy Assistance Fund. Bill payments are made directly to utilities outside of the heating season.

Weatherization Assistance (50 percent). The CEO, using funds in the CEO Low-income Energy Assistance Fund, works through nonprofit and local government entities to provide energy-efficiency services to income qualified Colorado residents. The purpose of the program is to increase the energy-efficiency of the dwellings owned or occupied by low-income persons to reduce energy expenditures and improve health and safety in their homes.

Assumptions

Transfer estimates are sensitive to severance tax revenue forecasting as well as future DNR core departmental program expenditures from the Severance Tax Operational Fund, which influence how much money remains for natural resource and energy grant programs. The severance tax revenue transfers are estimated relative to the expectations published in the December 2019 Legislative Council Staff forecast. Core departmental program expenditures have not yet been appropriated for FY 2020-21 or beyond; the fiscal note assumes that these expenditures will reflect the department budget request as submitted for FY 2020-21 and grow 1.3 percent in FY 2021-22. Following these assumptions, projected severance tax transfers to CEO and EOC under current law are shown in Table 2 below.

Table 2
Projected Energy Assistance Transfers Under Current Law

	FY 2020-21	FY 2021-22
CEO Low-income Energy Assistance Fund	$3,679,920	$2,148,708
EOC Low-income Energy Assistance Fund	$1,839,960	$1,074,354

State Transfers

Based on the projected transfers shown above, the fiscal note estimates that severance tax revenue to both programs will exceed $1.0 million in each year of the forecast period, meaning no General Fund transfers will be triggered through FY 2021-22.

Transfers in the three subsequent years are not estimated; they may be as low as zero and as high as $0.75 million per fund ($1.5 million cumulatively) per year, which is the range permitted under the bill. Transfers will primarily depend on actual severance tax collections in FY 2019-20 through FY 2023-24.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office   Human Services   Natural Resources