



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1165: GEOLOGIC STORAGE ENTERPRISE & GEOTHERMAL RESOURCES

Prime Sponsors:

Rep. Paschal; Soper
Sen. Simpson; Kipp

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Fiscal note status: The revised fiscal note reflects the reengrossed bill, as amended by the Senate Transportation and Energy Committee.

Summary Information

Overview. The bill creates an enterprise to support geologic storage operations and updates regulations for certain geothermal resources.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- TABOR Refunds
- Minimal State Workload

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$7,600	-\$9,600
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	-\$7,600	-\$9,600
Change in State FTE	0.0 FTE	0.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Water Resources Cash Fund	-\$11,520	-\$11,520
Well Inspection Cash Fund	\$3,920	\$1,920
Total Revenue	-\$7,600	-\$9,600

Summary of Legislation

Geologic Storage Enterprise

The bill creates the Geologic Storage Stewardship Enterprise in the Department of Natural Resources (DNR) to fund the long-term stewardship of geologic storage facilities. The enterprise's board consists of representative of DNR and individuals with experience in geologic storage, environmental protection, and wellbore monitoring.

The enterprise establishes a stewardship fee to be paid by operators of geologic storage facilities by April 30 of each year, beginning in 2026. The fee is due for each ton of injection carbon dioxide injected. Fee revenue accrues to the new Geologic Storage Stewardship Enterprise Cash Fund, which is continuously appropriated to the enterprise. Fees may not exceed \$100 million in the first five years of enterprise operation.

When a geologic storage facility closes, DNR must verify that the operator has paid sufficient fees to the enterprise to cover the long-term stewardship of the facility. If so, the enterprise takes control of the facility and responsibilities for its management. Violation of a geologic storage regulation is an unclassified misdemeanor.

Geothermal Resources

The bill expands the authority of the State Engineer in DNR to regulate certain geothermal operations, aligning the regulation of wells for these purposes with those for water wells. A well permit is not required for withdrawing nontributary groundwater if the withdrawal is permitted as a deep geothermal operation and is used only to extract or use heat. The State Engineer must maintain a list of registered geothermal operations, including commercial geothermal hot springs, for notification purposes.

The bill changes the name of the State Board of Examiners of Water Well Construction and Pump Installation Contractors to the State Board of Examiners of Water Well and Ground Heat Exchanger Contractors and adds one member to the board with experience related to ground heat exchangers. The board's authority expands to include the construction and abandonment of ground heat exchangers. Permitting and licensure requirements for well construction are extended to ground heat exchangers.

Under current law, a permit from the State Engineer in DNR is required for the construction or reworking of a well for geothermal operations, or for the use of geothermal resources. The bill changes the fee charged to ground each exchange contractors and directs fee revenue to the Well Inspections Cash Fund, which the State Engineer uses to inspecting well construction and installation. The bill continuously appropriates the fund to the State Engineer.

Background

Geologic storage is a form of carbon capture and sequestration, a climate change mitigation strategy that involves storing greenhouse gases to prevent them from reaching or persisting in the atmosphere. Geologic storage, as used in the bill, refers to storing carbon dioxide in porous rocks deep underground via a Class VI injection well. [House Bill 24-1346](#) authorized DNR to pursue Class VI injection well primacy from the federal Environmental Protection Agency. The enterprise's operations are expected to be minimal until the department receives this authority.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates the new offense of violating a Class VI rule, regulation, permit, or order, an unclassified misdemeanor. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of conducting a weather modification operating without a license as a comparable crime. From FY 2021-22 to FY 2023-24, zero offenders have been sentenced and convicted for this existing offense; therefore, the fiscal note assumes that there will be minimal or no additional case filings or convictions for the new offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice-related expenditures or revenue at the state or local levels, these potential impacts are not discussed further in this fiscal note.

State Revenue

The bill affects state revenue through changes to the how permits are administered for geothermal wells and, eventually, for fees on geologic storage operators. Additionally, it may increase revenue from gifts, grants, or donations.

Fee Impact on Ground Heat Exchanger Contractors

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The bill changes the fees that apply to ground heat exchanger contractors so that they match the fees paid by well construction contractors. The bill also extends an existing registration fee to ground heat exchanger installation. These fee amounts are established by statute. Permit fee revenue is subject to TABOR. The table below identifies the fee impact of this bill.

Table 2A
Fee Impact on Ground Heat Exchanger Contractors
FY 2025-26

Type of Fee	Fee Change	Number Affected	Total Fee Impact
Existing Permit Fee	-\$480	24	-\$11,520
New In-State Permit Fee	\$70	20	\$1,400
New Out-of-State Permit Fee	\$450	4	\$1,800
Ground Heat Exchanger Rig	\$10	72	\$720
Total Fee Revenue – FY 2025-26			-\$7,600

Table 2B
Fee Impact on Ground Heat Exchanger Contractors
FY 2026-27

Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
Existing Annual Permit Fee	-\$480	24	-\$11,520
New Renewal Fee	\$50	24	\$1,200
Ground Heat Exchanger Rig	\$10	72	\$720
Total Fee Revenue – FY 2026-27			-\$9,600

Fee Impact on Geologic Storage Operators

Geologic storage operations will pay a fee to the enterprise for each ton of carbon dioxide injected. The amount of the fee will be determined administratively by the enterprise to cover its current and future operating costs. Because there are currently no geologic storage operations active in the state, the fiscal note cannot estimate the amount of the fee, which accrues to the Geologic Storage Stewardship Enterprise Cash Fund. Fee collection is estimated to begin in FY 2027-28.

Gifts, Grants and Donations

The bill potentially increases state revenue to the Geologic Storage Stewardship Enterprise Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Expenditures

Department of Natural Resources

The bill increases expenditures in DNR to operate the enterprise. In the short term, this is primarily for expenses related to the board and any associated rulemaking. This is expected to be minimal until the department receives Class VI injection well primacy from the EPA. During this time, expenditures will be covered from an existing federal grant that also covers other start-up expenses related to regulating geologic storage operations. Once geologic storage operations are underway, expenditures will increase, including for staff and legal services, which are provided by the Department of Law. These expenditures are paid from the Geologic Storage Stewardship Enterprise Cash Fund.

The bill increases expenditures in the Division of Water Resources to increase the size of its board and to update rules related to the regulation and fee scheduled for ground heat exchange contractors. Workload also increases for the State Engineer to map existing geothermal operations. These workload impacts are expected to be minimal and no change in appropriations is required.

Governor's Office

Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointment under the bill. This work can be accomplished within existing appropriations.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Governor's Office

Natural Resources

Information Technology

Personnel

Law

Treasury

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).