



DEPARTMENT OF LOCAL AFFAIRS

*FY 2011-12 Cash Fund Transfer
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Todd Saliman
Director
Office of State Planning and Budgeting

Susan Kirkpatrick
Executive Director
Department of Local Affairs

Transfer Local Government Mineral Impact Grant Program Funds

Name of Fund: **The Local Government Severance Tax Fund -- #152**
 The Local Government Mineral Impact Fund -- #153

Purpose of Funds: To provide direct distribution and grant opportunities for localities affected by mineral development. Such funds shall also be distributed to political subdivisions to compensate them for loss of property tax revenue resulting from the deduction of severance taxes paid in the determination of the valuation for assessment of producing mines.

Table 1: Cash Fund Balance with Recommended Transfer for FY 2011-12

	The Local Government Severance Tax Cash Fund #152	The Local Government Mineral Impact Cash Fund #153
Projected End of Year Balance FY 2010-11	\$38,164,780	\$21,921,660
Beginning Projected Balance, July 1 FY 2011-12	\$38,164,780	\$21,921,660
Plus Projected Revenue ¹	\$96,600,000	\$56,211,600
Less Projected Mandatory Expenditures ²	(\$55,510,055)	(\$52,383,826)
Equals Cash Balance Before Future Commitments	\$79,254,725	\$25,749,434
Less Future Commitments	(\$48,087,000)	(\$6,863,830)
Equals Proposed Projected End of Year "Cash Out" Balance	\$31,167,725	\$18,885,604
Recommended Transfer November 2010	(\$27,000,000)	(\$15,000,000)
Projected End of Year Balance with Transfer	\$4,167,725	\$3,885,604

¹Revenue estimates for Fund #152 are equal to one-half of the Severance Tax revenue as estimated by Legislative Council in its September 2010 economic forecast. Estimates for Fund #153 are based on Leg Council September 2010 forecast, pursuant to section 34-63-102 (5.4) (b), C.R.S. (2010) which establishes the distribution of federal mineral lease revenues.

²This amount includes \$10 million from Severance Tax and \$10 million from Federal Mineral Lease revenues to be made available for grants in FY 2011-12. This amount includes the full amount of Direct Distribution payments to be made by August 31, 2011. See Table 2 for more detail.

³These amounts include the statutorily mandated set-aside for Uranium Mill Trailing Remediation Action Program fund from Fund #152 as well as estimates for the amounts needed to cover encumbered contracts that have not yet been paid in full from both funds. See Table 3 for more detail.

Impact of Recommended Reduction:

This proposal would transfer \$27.0 million in cash funds from the Local Government Severance Tax cash fund to the General Fund in FY 2011-12 for balancing purposes. In addition, the proposal will transfer \$15 million from the Local Government Mineral Impact Fund into the General Fund in FY 2011-12. Requested amounts for transfer are based upon the September 2010 revenue forecast prepared by the Colorado Legislative Council. These revenue estimates could change in a future forecast. Therefore, the requested amounts available for transfer could be reduced commensurately in the event that future revenue forecasts for this area decline.

The proposed plan will result a curtailment of the Mineral and Energy Impact grant program for FY 2011-12, assuming revenue assumptions are accurate. If Severance Tax revenues are less than forecasted in September, than available grants will be adjusted accordingly downward. The requested transfers will not impact direct distribution from these fund sources as dispersed to eligible counties on August 31, 2011.

In combination with previously enacted cash transfers, this proposal will allow small, liquid balances of about \$4.2 million in the Local Government Severance Tax cash fund and \$3.9 in the Local Government Mineral Impact Fund. This will permit the Department of Local Affairs some flexibility to account for variations in actual revenue received.

Assumptions:

The proposed transfers are based on the following assumptions:

- Revenue projections for both severance tax and Federal Mineral Lease are per the Legislative Council September 2010 economic forecast.

The calculation for Projected Mandatory Expenditures in FY 2011-12 for both funds are shown in Table 2 below.

Table 2: Projected Mandatory Expenditures for FY 2011-12

	The Local Government Severance Tax Cash Fund #152	The Local Government Mineral Impact Cash Fund #153
Transfer to Wildfire Preparedness Fund pursuant to C.R.S. 34-63-102(5)(a)(I) 2009 (applies only to the Local Government Mineral Impact Fund #153)	\$0	\$0
Payment of prior year direct distribution	\$25,575,000	\$26,235,300
Payments related to prior year encumbrances	\$13,963,876	\$8,168,000
New contracts encumbered	\$10,000,000	\$10,000,000
Encumbrances payable in future years	\$2,348,128	\$6,169,000
Administrative expenditures	\$3,623,051	\$1,811,526
Total	\$55,510,055	\$52,383,826

The calculation for Future Commitments in FY 2011-12 for both affected funds is shown in Table 3 below.

Table 3: Projected Future Commitments for FY 2011-12

	The Local Government Severance Tax Cash Fund #152	The Local Government Mineral Impact Cash Fund #153
Roll-forward of Encumbrances	\$39,947,000	\$4,363,830
Uranium Mill Trailing Remediation Action Program Set-aside (applies only to Fund #152)	\$5,140,000	\$0
Anticipated Payables (applies only to Fund #153)	\$0	\$1,500,000
Written Offers Not Contracted	\$3,000,000	\$1,000,000
Total	\$48,087,000	\$6,863,830

Current Statutory Authority or Needed Statutory Change:

Section 39-29-110 (1) (a), C.R.S. (2010) – Local government severance tax fund – creation – administration – definitions. There is hereby created in the department of local affairs a local government severance tax fund. In accordance with section [39-29-108](#), portions of the state severance tax receipts shall be credited to the local government severance tax fund. Except as otherwise provided in section [39-29-109.5](#), all income derived from the deposit and investment of the moneys in the local government severance tax fund shall be credited to the local government severance tax fund. After making direct distribution disbursements, the executive director of the department of local affairs shall distribute any remaining moneys and make loans from such fund in accordance with the purposes and priorities provided in paragraph (b) of this subsection (1).

Section 39-29-110 (1) (b) (I) and (II), C.R.S. (2010) - Seventy percent of the funds from the local government severance tax fund shall be distributed to those political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to taxation under this article and used for the planning, construction, and maintenance of public facilities and for the provision of public services. The executive director of the department of local affairs shall consider the economic needs of a political subdivision for purposes of making distributions pursuant to this subparagraph (I). The executive director may distribute moneys or make loans, or any combination thereof, to such political subdivisions for the planning, design, construction, erection, building, acquisition, alteration, modernization, reconstruction, improvement, or expansion of domestic wastewater treatment works or potable water treatment facilities.

Section 39-29-110 (1) (c) (I), C.R.S. (2010) Establishes the 30% direct distributions to impacted communities.

Section 39-29-110 (1) (A), C.R.S. (2010) – Allocates moneys to the uranium mill tailings remedial action program fund in accordance with the provisions of section [39-29-116](#) (3).

Section 39-29-110 (7) (a), C.R.S. (2010) – instructs the State Treasurer to deduct \$10 million from the Local Government Severance Tax Fund for transfer to the General Fund on June 30, 2010.

Section 34-63-102 (5.4) (b), C.R.S. (2010) – Dictates that for each quarter commencing during the 2008-09 fiscal year or during any succeeding fiscal year, forty percent of all non-bonus federal mineral lease revenue shall be credited to the local government mineral impact fund. These funds shall be distributed by the executive director of the department equally between direct distribution to counties and grants for communities impacted by energy development.

The proposal will require statutory change in order to allow transfer of the funds to the General Fund for balancing purposes.