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# FEDERAL MINERAL LEASE AND STATE SEVERANCE TAX DIRECT DISTRIBUTION

## FREQUENTLY ASKED QUESTIONS

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**Department of Local Affairs**



*Strengthening Colorado Communities*

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### **FINANCIAL ASSISTANCE**

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Department of Local Affairs  
1313 Sherman St., Rm 521  
Denver CO 80203  
303-866-2156  
[dola.colorado.gov](http://dola.colorado.gov)

# FEDERAL MINERAL LEASE AND STATE SEVERANCE TAX DIRECT DISTRIBUTION FREQUENTLY ASKED QUESTIONS

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Division of Local Government  
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<http://dola.colorado.gov/directdistribution>

## INTRODUCTION

The following document is intended to offer information about the State Severance Tax and Federal Mineral Lease Direct Distributions to Counties, Municipalities, and School Districts. These Frequently Asked Questions (FAQ's) are intended as information to the general public and as a guide to local government and mineral industry officials involved with the Direct Distribution process.

These FAQs are a supplement to the Department of Local Affairs (DOLA) *Federal Mineral Lease and State Severance Tax Direct Distribution Program Guidelines* and also to DOLA's instructions for the *Colorado Employee Residency Report (CERR)* form.

To assist users, the answer to each question in this FAQs document includes a reference to the relevant Colorado Revised Statute (C.R.S.), *Program Guidelines*, or *CERR* report instructions where applicable.

For additional information please see the Department's Direct Distribution website at: <http://dola.colorado.gov/directdistribution>

Questions in this technical assistance guide are arranged according to the following outline:

- **Direct Distribution In General**
- **Distribution Formula, Factors/Metrics**
- **Colorado Employee Residency Report (CERR) In General**
- **CERR Reporting by Industry**
- **CERR Challenging by Local Governments**

## **DIRECT DISTRIBUTION - GENERAL**

### **1. What is the Direct Distribution?**

The Direct Distribution of Federal Mineral Lease proceeds and State Severance Tax revenues is mandated by Colorado statute and conducted by the Department of Local Affairs. Two separate statutes allocate state proceeds generated from the production of mineral resources in Colorado to local governments. Portions of the distribution are allocated based on formulaic calculations and result in the “Direct Distributions” to Colorado counties, municipalities, and school districts.

C.R.S. § 39-29-110(1)(b); 34-63-102(5.4)(c)

### **2. What local governments are eligible to receive the Direct Distribution?**

County and Municipal governments located within counties that have resident energy industry employees, mining and well permits, or mineral production, receive individual distributions from both Federal Mineral Lease proceeds and State Severance Tax revenues.

School Districts located in counties with resident energy industry employees and mineral production from federal lands may receive distributions from Colorado’s Federal Mineral Lease proceeds.

DOLA’s 2009 Federal Mineral Lease and  
State Severance Tax  
Direct Distribution Program Guidelines

### **3. When are the Direct Distributions made?**

State statute directs DOLA to distribute by August 31<sup>st</sup> annually.

C.R.S. § 39-29-110(1)(c)(V); 34-63-102(1)(a)(I)

### **4. What can local governments use the Direct Distribution for?**

Counties and Municipalities generally may use the Severance Direct Distribution for the purposes of capital expenses and general operating expenses and Federal Mineral Lease Direct Distributions for planning, construction, and maintenance of public facilities and for public services.

C.R.S. § 39-29-110(1)(c)(V); 34-63-102(1)(a)(I)

## **DIRECT DISTRIBUTION FORMULA, FACTORS/METRICS, AMOUNTS**

### **5. What are the Direct Distribution formulas?**

The formulas for the Direct Distribution are complex. For an illustration of the formulas and a presentation of the “flow” of funds, please see DOLA’s Direct Distribution website at:

[www.dola.colorado.gov/directdistribution](http://www.dola.colorado.gov/directdistribution)

### **6. What are the factors or measures of impact used for the Direct Distribution?**

Generally described, the factors used in the distribution are measures of resident energy employees, mining and well permits, amount of mineral production, population, miles of road. For more details please see the Direct Distribution website at:

[www.dola.colorado.gov/directdistribution](http://www.dola.colorado.gov/directdistribution)

### **7. How much is the next distribution going to be?**

DOLA does not know what your county, municipality, or school district is going to receive. We are receiving and processing the data used for the factors in July before the August distribution. In addition, because the Federal Mineral Lease proceeds and State Severance Tax revenues to be distributed are for the State’s fiscal year, the accounting end-of-year statements determine the dollars to be distributed and the accounting statements are not made final until approximately the 2<sup>nd</sup> week of August. There is some information from last year on the Direct Distribution web site that may help you estimate.

### **8. I’m working on my local government’s budget for next year, is there anything to help me estimate the distribution?**

DOLA provides 5 years of trend data for some of the factors used for the Direct Distribution. However, because of the complexity and variability of the data used for the factors, budgeting for these revenues is expected to be difficult.

[www.dola.colorado.gov/directdistribution](http://www.dola.colorado.gov/directdistribution)

### **9. Where can I get the data used in the factors?**

DOLA will provide the factor information on the Direct Distribution web site when the funds are distributed at the end of August. In the future, past data used for prior distributions will also be available.

[www.dola.colorado.gov/directdistribution](http://www.dola.colorado.gov/directdistribution)

## **COLORADO EMPLOYEE RESIDENCY REPORT (CERR) – GENERAL**

### **10. Who submits CERR reports?**

Energy industry companies considered “reporting parties” under state statute are required to annually report information regarding the residence and counts of eligible Colorado employees. The counts of these employees reported on the CERR are used as one of the factors used to calculate the Direct Distributions to impacted communities and are therefore important to the counties and municipalities in which these employees reside.

C.R.S. § 39-29-110(1)(d); 34-63-102(5.4)(b)(I)(B)

## **CERR REPORTING BY INDUSTRY**

### **11. Will any information from the CERR be made public?**

The Reporting Party (company) information is public. The employee information is not public except in aggregate totals listed by local government, not by Reporting Party.

### **12. What does employee residence mean?**

As cited in statute, residence is the “actual residence as reported by the employee.” DOLA understands this is the address as reported by the employee while working for the Reporting Party.

C.R.S. 39-29-110

### **13. What about temporary living quarters?**

Temporary living quarters are accepted if the reporting party reports that address as the employee’s address.

DOLA’s instructions for the CERR form

### **14. How do I amend my company’s report?**

You will need to call DOLA. Staff will “reject” your current report which then makes it available to you to make changes/edits.

DOLA’s instructions for the CERR form

### **15. Can I report an employee address as a P.O. Box?**

P.O. Boxes are not accepted for reporting employee residence. A physical address is required in order for a local government to review and submit a challenge. If you can not obtain an address, submit the address as “Not Available” in the address field of the report, HOWEVER, the report must still identify a municipality or county of residence for the employee.

**16. We do not feel comfortable providing our employee addresses. What do I do?**

The employee address may be reported as "Deemed Confidential", HOWEVER, the report must still identify a municipality or county of residence for the employee.

**17. The employee lives in a municipality that is not available for selection from the list of Colorado Municipalities, what do I report?**

If a municipality does not exist then the address is attributed to the county of residence. Only Colorado incorporated municipalities are listed. Please check the Direct Distribution website for a list of unincorporated communities and the counties in which they are located.

**CERR CHALLENGING BY LOCAL GOVERNMENTS**

**18. What kinds of documents are necessary to submit with an address challenge?**

A current map or property tax record showing the address is within the municipal limits or located in unincorporated county territory may be used. In addition, a letter from both the municipality and the county agreeing to the address location may be used.