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FISCAL NOTE

Drafting Number: LLS 18-1071
Prime Sponsors: Sen. Sonnenberg

Date: April 20, 2018
Bill Status: Senate SVMA
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Bill Topic: LEASES PUBLIC LANDS STATE BOARD LAND COMMISSIONERS

**Summary of
Fiscal Impact:**

- | | |
|---|--|
| <input checked="" type="checkbox"/> State Revenue | <input checked="" type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

This bill changes how fees are assessed by the State Board of Land Commissioners (state land board) when an agricultural lessee assigns his or her lease to a third party. It also eliminates state land board review of such a lease reassignment. The bill will reduce state revenue and expenditures.

**Appropriation
Summary:** No appropriation is required.

**Fiscal Note
Status:** This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 18-256

		FY 2018-19	FY 2019-20
Revenue	Cash Funds	up to (\$125,000)	up to (\$125,000)
Expenditures	Cash Funds	up to (\$125,000)	up to (\$125,000)
Transfers		-	-
TABOR Refund	General Fund	up to (\$125,000)	up to (\$125,000)

Summary of Legislation

The bill prohibits the state land board from denying the reassignment of an agricultural lease from one lessee to another on public land managed by the state land board. It also limits the authority of the state land board to require certain reporting as part of a lease application. Finally, it limits the fees the state land board can assess when a lease is reassigned from one lessee to another.

Background

When a current lessee assigns a lease to a third party, the state land board charges a \$100 assignment fee and a consideration fee equal to 50 percent of the current year's rent or 50 percent of the amount paid for the lease, whichever is greater. Under the bill, the state land board will no longer be permitted to charge a consideration fee.

Under current law, the state land board reviews a third party to whom a lease is being assigned to determine his or her ability to care for public land and make lease payments. The bill requires that a lessee notify the state land board if it plans to assign a lease to a third party, but under the bill, the state land board does not have the authority to deny such an assignment.

Finally, the state land board requires some reporting such as specific yields, production, income, or expenses associated with land use in its lease applications and uses this data to set agricultural lease rates. These reporting requirements are eliminated by the bill.

State Revenue

The bill will decrease state revenue to the state land board from the collection of consideration fees when a lessee assigns a lease to a third party by up to \$125,000 a year. The bill may also change the amount of revenue the state land board collects from lease payments because the bill directs the state land board to rely on county averages or other publicly available data rather than productivity-based reporting.

Rental income from public lands managed by the state land board is allocated as follows: 50 percent to the Building Excellent Schools Today (BEST) program (capped at 35 percent of the gross income on public land managed by the state land board), a share for state land board operations, and the remaining moneys to the Public School Fund (or Permanent Fund). The Permanent Fund is inviolate and only interest and income earned on investments may be expended. Income from the fund is used to support K-12 education through the School Finance Act.

TABOR Refund

This bill reduces state cash revenue from consideration fees, which will reduce the amount of money required to be refunded under TABOR for FY 2018-19 and FY 2019-20.

Since the bill reduces the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will increase by an identical amount.

State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

To the extent that the bill reduces the amount of state revenue collected from consideration fees or agricultural leases, state expenditures on behalf of the BEST program, state land board operations, and school finance will also decrease by up to \$125,000.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Natural Resources