



**Colorado
Legislative
Council
Staff**

HB17-1285

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-1074	Date: March 28, 2017
Prime Sponsor(s): Rep. Mitsch Bush; Lawrence Sen. Cooke; Jahn	Bill Status: House Health, Insurance and Environment
	Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: REFINANCE WATER POLLUTION CONTROL PROGRAM

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$1,087,261</u>	<u>\$1,087,261</u>
General Fund		
Cash Funds	1,083,261	1,083,261
State Expenditures	<u>\$1,208,007</u>	<u>\$1,208,007</u>
General Fund	443,042	443,042
Cash Funds	774,965	774,965
TABOR Impact	\$1,087,261	\$1,087,261
Appropriation Required: \$1,208,007 - Public Health and Environment (FY 2017-18).		
Future Year Impacts: Ongoing expenditure and fee revenue impacts.		

Summary of Legislation

Under current law, the water pollution control program administered by the Colorado Department of Public Health and Environment (CDPHE) is funded by a mix of General Fund and fees from regulated entities. This bill increases the fee portion of funding for these programs. Before the General Assembly adjusts the fees again, the department is required to engage in a stakeholder process to determine the adequate and appropriate fee levels, and the total funding for the state's discharge permit system. The bill establishes goals for the ratio of fee revenue to General Fund revenue for each sector of the program.

For FY 2017-18, the bill appropriates a total of \$1,208,007 to the CDPHE. Of this amount, \$433,042 is from the General Fund, and \$774,965 is from multiple cash funds within the department.

Background

Legislation passed in the 2016 session (House Bill 16-1413) repealed the single fund used by CDPHE to deposit water pollution control fees and replaced it with multiple cash funds dedicated to each sector in the water pollution control program. That law also transferred the unreserved

balance of \$1,208,007 from the Water Quality Improvement fund to the General Fund. For FY 2016-17, the transferred balance was appropriated back to the separate cash funds in amounts calculated to support each sector. That appropriation was intended as a one-time General Fund transfer to support the program due to insufficient fee revenue. The CDPHE was required to conduct a stakeholder process regarding fee setting and report to the Joint Budget Committee (JBC) prior to the 2017 legislative session.

The additional appropriations contained in this bill will allow the department to maintain water quality control operations at current levels. The funding addresses a revenue shortfall. Without this additional funding, the department estimates it will be unable to maintain current levels of operation through FY 2017-18 and beyond. If this occurs, the estimated reduction in fee revenue and expenditures is equivalent to the appropriation contained in the bill, \$1,208,007, and a corresponding reduction of approximately 9.5 FTE.

State Revenue

For FY 2017-18 and FY 2018-19, the bill increases cash funds revenue from fees by \$1,087,261 per year. Fees are increased for multiple permitting functions across several sectors of the clean water program. Table 1 estimates the percentage and dollar increase for the sectors with fee increases for the next two fiscal years.

Table 1. Fee Revenue Under HB 17-1285 FY 2017-18 and FY 2018-19		
Clean Water Sector	Total Percent Fee Increase	Annual Dollar Amount Fee Increase*
Commerce and Industry	61%	\$602,129
Construction	0%	0
Municipal Storm Sewer	30%	42,923
Pesticides	2%	213
Public and Private Utilities	22%	437,996
Water Quality Certification	2%	4,000
TOTAL		\$1,087,261

Fee calculations are estimated with incomplete information contained in the CDPHE's FY2017-18 budget request. This table will be updated as complete information is obtained.

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. TABOR refund obligations are not expected for FY 2016-17.

Since the bill increases 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 decrease by an identical amount.

State Expenditures

For FY 2017-18, the bill increases state expenditures by \$1,208,007, and changes the ratio of General Fund to cash fund revenue necessary to support the water pollution control program. Table 2 identifies the cash funds and General Fund financing of the sectors in the water pollution control program, and the difference between the current fiscal year and FY 2017-18.

Table 2. Refinanced State Expenditures under HB 17-1285					
Sector	Percent General Fund/ Cash Fund	Total Funding with HB 17-1285		Difference between FY2016-17 and FY2017-18	
		General Fund	Cash Funds	General Fund	Cash Funds
Administration		\$485,895	\$442,134	(\$62,569)	\$62,569
Commerce and Industry	50/50	869,437	869,438	182,228	143,565
Construction	20/80	260,203	1,056,306	(74,878)	49,126
Municipal Sewer Systems	50/50	103,026	103,025	40,558	22,480
Pesticides	94/6	95,543	5,816	95,543	(11,784)
Public and Private Utilities	50/50	1,346,442	1,346,442	243,120	598,858
Water Quality Certifications	5/95	9,040	183,246	9,040	(19,849)
Total		\$3,169,586	\$4,006,407	\$433,042	\$774,965

Effective Date

The bill takes effect July 1, 2017.

State Appropriations

For FY 2017-18, the bill appropriates a total of \$1,208,007 to the CDPHE. Of this amount, \$443,042 is General Fund and \$774,965 is Cash Funds.

State and Local Government Contacts

Public Health And Environment

Joint Budget Committee Staff