



Fiscal Note
Legislative Council Staff
Nonpartisan Services for Colorado’s Legislature

SB 25-040: FUTURE OF SEVERANCE TAXES & WATER FUNDING TASK FORCE

Prime Sponsors: Sen. Roberts; Simpson Rep. McCormick; Martinez	Fiscal Analyst: John Armstrong, 303-866-6289 john.armstrong@coleg.gov
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Fiscal note status: The fiscal note reflects the introduced bill, as amended by the Senate Agriculture and Natural Resources Committee. The bill was recommended by the Water Resources and Agricultural Review Interim Committee.

Summary Information

Overview. The bill creates a task force to explore the impact of severance taxes on water resources.

Types of impacts. The bill is projected to affect the following areas through FY 2026-27:

- State Expenditures

Appropriations. For FY 2025-26, the bill requires an appropriation of \$198,592 to the Department of Natural Resources.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures (Cash Funds)	\$198,592	\$29,718
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill creates the Future of Severance Taxes and Water Funding Task Force in the Department of Natural Resources (DNR). The 9-member task force will hire a contractor to conduct a study and develop recommendations. The contractor must explore options to continue funding water needs for the state while severance tax revenue is expected to decrease.

Appointments to the task force must be made by September 1, 2025. Members of the task force may conduct meetings as necessary to oversee and revise the contractor's work. The contractor must submit a draft report to the task force by January 15, 2026, and a final report from the task force is due to the Water Resources and Agriculture Review committee by July 15, 2026.

State Expenditures

The bill increases state expenditures in the DNR by \$199,000 in FY 2025-26 and \$30,000 in FY 2026-27. These costs, paid from the Severance Tax Operation Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Revenue and the Governor's Office.

Table 2
State Expenditures
Department of Natural Resources

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Third-Party Contract	\$175,000	\$25,000
Meeting Expenses and Support	\$23,592	\$4,718
Total Costs	\$198,592	\$29,718
Total FTE	0.0 FTE	0.0 FTE

Department of Natural Resources

Third-Party Contract

As required by the bill, the DNR will hire a contractor to provide policy, economic, and financial analysis for the study. The total estimate for the contract is \$200,000, which is based on similar analysis completed in the DNR. Of this, \$175,000 is expected to be expensed in the first year and the remaining \$25,000 will be spent in the second year.

Meeting Expenses and Support

Members of the task force serve without compensation, but can be reimbursed for any meeting expenses. Overall, the task force is expected to meet a total of six times between September 2025 and July 2026. Some members of the commission will require hotels, mileage

reimbursement and per-diem expenses for any in person meetings, which is estimated to total \$8,636. Additionally, DNR will hire a temporary contract Program Assistant to prepare for each of the six meetings, process reimbursements, transcribe meeting notes and conform with accessibility standards. In total, DNR is expected to require 580 hours of temporary contract program assistance at \$33.92 per hour, resulting in \$19,674 in administrative support expenses. Approximately 75 percent of these expenses will occur in the budget year, with the remainder occurring in the out-year.

Other Agency Impacts

Governor's Office of Boards and Commissions

The Governor's Office will spend approximately 20 hours to identify the appropriate representatives to serve on the task force. This additional workload can be accomplished within existing resources.

Department of Revenue

The Division of Taxation in the Department of Revenue will support the task force with information on severance taxes and gathering the required data requested from the third party. This additional workload can be accomplished within existing resources.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$198,592 from the Severance Tax Operation Fund to the Department of Natural Resources.

State and Local Government Contacts

Agriculture	Natural Resources
Counties	Revenue
Governor's Office of Boards and Commissions	