



Memorandum

To: Joint Budget Committee Members
From: Kelly Shen, JBC Staff (303-866-5434)
Date: April 1, 2026
Subject: LLS 26-0990 Severance Tax Fund Expenditures

This bill includes the following changes to align with the severance tax restructure proposed by the Committee:

- Adds the species conservation trust fund as an allowable use for the severance tax perpetual base fund, allowing an annual transfer of no more than \$3.0 million from the severance tax perpetual base fund to the species conservation trust fund.
- Adds an annual transfer of \$14,200,000 from the severance tax operational fund to the General Fund on June 30 every year.

Staff is concerned about a situation in which there is not adequate severance tax revenue to support the full transfer and/or existing programs (for example, in FY 24-25, severance tax operational fund revenue was approx. \$2.65 million). Staff and the Office of State Planning and Budgeting have discussed, and propose the following:

High-level concept

- For new revenue every year, revenue first goes to fully support operational fund programs (approx. \$20 million). This includes:
 - the Energy and Carbon Management Commission,
 - the Colorado Avalanche Information Center,
 - the Colorado Geological Survey,
 - Division of Reclamation, Mining, and Safety,
 - A small amount in the Colorado Water Conservation Board,
 - Multiple grant programs – aquatic nuisance species, soil conservation (in the Department of Agriculture), and the Colorado Strategic Wildfire Action Plan (COSWAP)
- Of the remaining new revenue, up to \$14.2 million is transferred to the General Fund.
- After \$14.2 million is transferred, the remaining amount remains in the reserve or spills over to the Perpetual Base Fund.

If the committee is not comfortable with the above, the committee could consider:

1. Make the transfer before all or some of the operational fund programs
2. Make the transfer after operational fund programs and/or some portion of the reserve is filled

Current transfer mechanism/details

Beginning April 2027, and every April thereafter, the executive director of the Department of Natural Resources evaluates (1) forecasted revenue based on the March forecast aligning with the forecast that the JBC balances to, (2) the amount needed for operational fund programs, and (3) the remaining amount leftover.

The executive director calculates the amount leftover after operational fund programs are fully funded. This calculated as:

(total forecasted revenue) minus (amount needed for operational programs).

- If the above amount is negative (appropriations needed are greater than revenue) –
 - Transfer amount is \$0
- If the above amount is positive, the lesser of the following is transferred –
 - \$14,200,000 million
 - The amount leftover after subtracting necessary appropriations from forecasted revenue

For example, if forecasted revenue is \$30 million, and operational programs need \$20 million, the difference between the forecast and amount needed is \$10 million. This amount is less than \$14.2 million. Thus, the transfer amount would be \$10 million.

Proposed Refinances

The proposal also included various operational fund refinances totaling approximately \$14.2 million during the JBC's motion on March 30, 2026. Staff recommends that the transfer amount stay at \$14.2 million, since that is the amount currently accounted for in balancing. The amounts listed below are slightly lower than the initial estimate due to common policy adjustments that the Committee on Monday, and will adjust slightly based on the Committee's final common policy decisions.

The current proposal is to include the majority of these refinances in the Long Bill. This includes moving the following operational fund appropriations to:

- For the Energy and Carbon Management Commission (ECMC) - \$5,000,000 to the ECMC Cash Fund
- For the Colorado Water Conservation Board (CWCB) – \$1,205,000 to the CWCB Construction Fund
- For state park operations – approx. \$2,417,324 to the Parks Cash Fund
- For soil conservation grants in the Department of Agriculture - \$400,000 to the Agricultural Management Fund
- For species conservation trust fund (SCTF) – approx. \$2,000,000 to the Wildlife Cash Fund

Within LLS 26-0990, staff proposes the following appropriations adjustment. This is because in order for SCTF to be an allowable use of the severance tax perpetual base fund, it requires a statutory change.

- For the species conservation trust fund – reduction of \$3,000,000 from the severance tax operational fund. There is no need for an additional appropriation from the severance tax perpetual base fund, since it is continuously appropriated.

These refinances also lower the reserve target by approximately \$28.4 million.

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STATE OF COLORADO

REDRAFT

3/31/26

Double underlining
denotes changes from
prior draft

DRAFT

LLS NO. 26-0990.01 Pierce Lively x2059

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Severance Tax Fund Expenditures

A BILL FOR AN ACT

101 **CONCERNING THE EXPENDITURE OF MONEY FROM THE SEVERANCE TAX**
102 **TRUST FUND, AND, IN CONNECTION THEREWITH, ALLOWING THE**
103 **STATE TREASURER TO TRANSFER MONEY FROM THE SEVERANCE**
104 **TAX PERPETUAL BASE FUND TO THE SPECIES CONSERVATION**
105 **TRUST FUND AND ESTABLISHING AN ANNUAL TRANSFER FROM**
106 **THE SEVERANCE TAX OPERATION FUND TO THE GENERAL FUND.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

Joint Budget Committee. Section 2 of the bill allows the

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

Colorado water conservation board to direct the state treasurer to transfer money from the severance tax perpetual base fund to the species conservation trust fund. **Section 1** allows the species conservation trust fund to receive money that the state treasurer transfers to the fund from the severance tax perpetual base fund.

Section 3 directs the state treasurer to, beginning on June 30, 2027, annually transfer the lesser of \$14.2 million or the difference between the amount of severance tax revenue projected to be deposited in the operational fund in the current fiscal year and the amount appropriated from the operational fund for certain programs in the same fiscal year.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 24-33-111, **amend** (2)(a)(I)(A) as follows:

24-33-111. Conservation of native species - fund created - repeal.

(2) **Species conservation trust fund - creation.**

(a) (I) (A) There is created in the state treasury the species conservation trust fund, which is subject to annual authorization by the general assembly to carry out the purposes of this section. The fund consists of all money transferred by the treasurer as specified in subsection (2)(a)(I)(B) of this section AND SECTION 39-29-109 (2)(a)(II.5)(E) and all money appropriated to the fund pursuant to section 39-29-109.3 (1)(g)(I). At the end of any fiscal year, all unexpended money in the fund remains in the fund and shall not be credited or transferred to the general fund or any other fund. To the maximum extent practical, only interest from the fund shall be expended for activities pursuant to this section.

SECTION 2. In Colorado Revised Statutes, 39-29-109, **amend** (2)(a)(II.5)(B) and (2)(a)(II.5)(C); and **add** (2)(a)(II.5)(E) as follows:

39-29-109. Severance tax trust fund - created - administration

1 **- distribution of money - legislative declaration - repeal.**

2 (2) State severance tax receipts must be credited to the severance
3 tax trust fund as provided in section 39-29-108. All income derived from
4 the deposit and investment of the money in the fund must be credited to
5 the fund. At the end of any fiscal year, all unexpended and unencumbered
6 money in the fund remains in the fund and must not be credited or
7 transferred to the general fund or any other fund. All money in the fund
8 is subject to appropriation by the general assembly for the following
9 purposes:

10 (a) **The severance tax perpetual base fund.** (II.5) The board
11 shall use the money in the fund:

12 (B) To direct the state treasurer to transfer amounts to the water
13 supply reserve fund created in subsection (2)(c) of this section; ~~and~~

14 (C) To direct the state treasurer to transfer amounts to the
15 interbasin compact committee operation fund created in section
16 37-75-107; AND

17 (E) TO DIRECT THE STATE TREASURER TO ANNUALLY TRANSFER NO
18 MORE THAN THREE MILLION DOLLARS TO THE SPECIES CONSERVATION
19 TRUST FUND CREATED IN SECTION 24-33-111 (2)(a)(I).

20 **SECTION 3.** In Colorado Revised Statutes, 39-29-109.3, **amend**
21 (1) introductory portion; and **add** (13) as follows:

22 **39-29-109.3. Severance tax operational fund - core reserve -**
23 **grant program reserve - definitions - repeal.**

24 (1) The executive director of the department of natural resources
25 shall submit with the department's budget request for each fiscal year a
26 list and description of the programs the executive director recommends
27 to be funded from the severance tax operational fund created in section

1 39-29-109 (2)(b), referred to in this section as the "operational fund".
2 Except as otherwise provided in subsections (10), ~~and~~ (11), (12), AND
3 (13) of this section, the general assembly may appropriate money from
4 the total money available in the operational fund to fund recommended
5 programs as follows:

6 (13) (a) BEGINNING IN APRIL 2027, AND EVERY APRIL
7 THEREAFTER, THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF NATURAL
8 RESOURCES SHALL DETERMINE _____ AN AMOUNT EQUAL TO THE
9 DIFFERENCE OF:

10 (I) THE AMOUNT PROJECTED BY THE MARCH REVENUE FORECAST
11 RELIED ON BY THE GENERAL ASSEMBLY IN SETTING THE STATE BUDGET
12 FOR THE NEXT STATE FISCAL YEAR AS THE AMOUNT OF TOTAL STATE
13 SEVERANCE TAX RECEIPTS THAT THE STATE TREASURER WILL TRANSFER
14 TO THE OPERATIONAL FUND FOR THE CURRENT STATE FISCAL YEAR; AND
15 (II) THE AMOUNT APPROPRIATED BY THE GENERAL ASSEMBLY FOR
16 THE PROGRAMS DESCRIBED IN SUBSECTION (1)(a) THROUGH (1)(g) OF THIS
17 SECTION IN THE CURRENT YEAR.

18 ~~(b) BEGINNING IN APRIL 2027, AND EVERY APRIL THEREAFTER,~~
19 ~~AFTER MAKING THE DETERMINATION PURSUANT TO SUBSECTION (13)(a) OF~~
20 ~~THIS SECTION, THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF~~
21 ~~NATURAL RESOURCES SHALL REPORT AN AMOUNT EQUAL TO THE GREATER~~
22 ~~OF ZERO OR THE AMOUNT DETERMINED BY THE EXECUTIVE DIRECTOR~~
23 ~~PURSUANT TO SUBSECTION (13)(a) OF THIS SECTION.~~

24 (c) ON JUNE 30, 2027, AND EACH JUNE 30 THEREAFTER, THE STATE
25 TREASURER SHALL TRANSFER FROM THE OPERATIONAL FUND TO THE
26 GENERAL FUND AN AMOUNT EQUAL TO THE LESSER OF FOURTEEN MILLION
27 TWO HUNDRED THOUSAND DOLLARS OR THE AMOUNT REPORTED TO THE

1 STATE TREASURER PURSUANT TO SUBSECTION (13)(b) OF THIS SECTION.

2 **SECTION 4. Safety clause.** The general assembly finds,
3 determines, and declares that this act is necessary for the immediate
4 preservation of the public peace, health, or safety or for appropriations for
5 the support and maintenance of the departments of the state and state
6 institutions.