



**Colorado  
Legislative  
Council  
Staff**

**HB17-1285**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated April 13, 2017)

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

**Drafting Number:** LLS 17-1074  
**Prime Sponsor(s):** Rep. Mitsch Bush; Lawrence  
Sen. Cooke; Jahn

**Date:** May 1, 2017  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** Josh Abram (303-866-3561)

**BILL TOPIC:** REFINANCE WATER POLLUTION CONTROL PROGRAM

<b>Fiscal Impact Summary</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>State Revenue</b>	<b>\$0</b>	<b>\$1,087,261</b>
<b>State Transfers</b>		
Cash Funds	(809,107)	
Cash Funds	809,107	1,087,261
<b>State Expenditures</b>	<b>\$1,258,007</b>	<b>\$1,258,007</b>
General Fund	433,042	433,042
Cash Funds	824,965	824,965
<b>TABOR Impact</b>		<b>\$1,087,261</b>
<b>Appropriation Required:</b> \$1,258,007 - Public Health and Environment (FY 2017-18).		
<b>Future Year Impacts:</b> Ongoing expenditure and revenue increase.		

**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.

Beginning with FY 2018-19, this *reengrossed* 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 transfers a total of \$809,107 from the Water Quality Improvement Fund to various cash funds dedicated to each sector in the water pollution control program at CDPHE.

For FY 2017-18, the bill makes multiple adjustments to appropriations to the Water Quality Control Division in CDPHE, resulting in a total increase in appropriations totaling \$1,258,007. Of this amount, \$433,042 is from the General Fund, and \$824,965 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Legislation passed in the 2016 session (House Bill 16-1413) repealed the single fund used by CDPHE to deposit water pollution control fees and replaced it with multiple cash funds dedicated to each sector in the Water Pollution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 prior to the 2017 legislative session.

**State Revenue**

***Beginning with 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.

<b>Table 1. Fee Revenue Under HB 17-1285 For FY 2018-19</b>		
<b>Clean Water Sector</b>	<b>Total Percent Fee Increase</b>	<b>Annual Dollar Amount Fee Increase*</b>
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
<b>TOTAL</b>		<b>\$1,087,261</b>

*Fee calculations are estimated with incomplete information contained in the CDPHE's FY 2017-18 budget request. This table will be updated as complete information is obtained.*

**State Transfers**

For FY 2017-18, the bill transfers \$809,107 from the Water Quality Improvement Fund to the General Fund, and then transfers the following amounts from the General Fund to cash funds dedicated to each sector in the water pollution control program at CDPHE:

- \$152,772 to the Commerce and Industry Sector Fund;
- \$23,046 to the Municipal Separate Store Sewer Sector Fund; and
- \$633,289 to the Public and Private Utilities Sector Fund.

### **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 2018-19. TABOR refunds are paid out of the General Fund. 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 \$1,258,007.*** The additional transfers and appropriations contained in this bill will allow the CDPHE to maintain water quality control operations at current levels. The funding described in the State Transfers and State Appropriations sections of this fiscal note address a current revenue shortfall in the department. 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 (and the estimate of State Expenditures) contained in the bill, \$1,258,007, and a corresponding reduction of approximately 9.5 FTE.

### **Effective Date**

The bill takes effect July 1, 2017, except the authorized fee increases, which take effect July 1, 2018.

### **State Appropriations**

For FY 2017-18, the bill appropriates a total of \$1,258,007 to the CDPHE. Of this amount, \$443,042 is General Fund and \$824,965 is Cash Funds.

### **State and Local Government Contacts**

Public Health And Environment      Joint Budget Committee Staff