



March 30, 2015

The Honorable Kevin Grantham, Chairman
Senate Appropriations Committee
136 State Capitol
Denver, CO 80203-1792

Dear Senator Grantham:

Associated Governments of Northwest Colorado (AGNC) oppose SB15-255 proposing the transfer of \$20 million from severance tax funds to the general fund. The use of severance tax funds to offset TABOR requirements saying they have served to trigger refunds is overreaching. In the last fiscal year, sales tax revenue has increased 26%, and income tax revenue is up 39% in comparison to the last 5 years; the hospital provider fee didn't exist 5 years ago yet it generated \$567 million in revenue last year. Severance taxes are DOWN 20% over the last 5 years; how can that drive TABOR refunds?

It is our understanding that an anticipated TABOR refund of approximately \$125 million will be required and that \$50 million from the general fund, specifically education, has been identified to address the shortage as has a portion of the funding from SB10-228 funding for transportation and, once again \$20 million from severance taxes.

The statutes set forth various purposes for which severance tax is to be expended, including the operation of various state programs, water development, and support to local communities which generate the tax and experience the impacts of mineral development. In the past during times of economic crisis that money has been diverted to the General Fund to balance the state budget. It is a bitter pill for rural communities to have a resource redirected during difficult times for the state; it is even more difficult to support this strategy when rural Colorado lags the state in economic recovery and are further disadvantaged as they are look to for balancing the budget during good times for the state.

We wonder, too, why the significant income and cash account related to the hospital provider fees are not pointed to as a trigger for TABOR refunds. Why isn't that fund looked to for assistance in balancing the state budget?

We all know energy development is cyclical in nature. A major purpose of severance tax is to help communities impacted by energy development to overcome the troughs in those cycles by developing infrastructure and working to diversify their economies using

severance tax funds. By taking severance tax funds to consistently backfill the General Fund, the state further disadvantages communities that cannot replace severance tax revenues through property tax measures. Communities in the AGNC region are facing a potential “triple” dip recession as dynamics in the energy industry are likely to result in less production, i.e. less tax revenue at all levels including severance tax over the next few years. How are those communities to overcome these concerns if funding resources needed to address these cyclical downturns are continually raided?

We ask that you look at all the income sources that impact the requirement for TABOR refunds – including the hospital provider fee – in determining where to find funding for TABOR refunds. Thank you for considering the concerns of rural Colorado as you evaluate taking one more resource from our communities and citizens. The budget resolution you seek needs to be a statewide solution and not one that leaves rural Colorado bearing a disproportionate share of the burden for balancing the state’s budget.

Sincerely,



Mike Samson
Chairman
Garfield County



Jeff Eskelson
Vice-Chairman
Rio Blanco County

Copies to: Rural Legislative Caucus
Senate Appropriations Committee Members