



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1387: SEVERANCE TAX FUND EXPENDITURES

Prime Sponsors:

Rep. Brown; Taggart
Sen. Bridges; Kirkmeyer

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Fiscal note status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as a part of its FY 2026-27 budget package.

Summary Information

Overview. The bill modifies severance tax transfers by allowing up to \$3 million annually to be transferred to the Species Conservation Trust Fund and up to \$14.2 million to be transferred to the General Fund.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Transfers

Appropriations. For FY 2026-27, the bill includes a \$3 million reduction in appropriations from the Severance Tax Operational Fund to the Species Conservation Trust Fund in the Department of Natural Resources.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	up to \$17.2 million	up to \$17.2 million
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Fund sources for this impact are shown in the tables below.

**Table 1A
 State Transfers**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$14.2 million	up to \$14.2 million
Species Conservation Trust Fund	up to \$3.0 million	up to \$3.0 million
Severance Tax Perpetual Base Fund	up to -\$3.0 million	up to -\$3.0 million
Severance Tax Operational Fund	-\$14.2 million	up to -\$14.2 million
Net Transfer	\$0	\$0

Summary of Legislation

The bill allows the Colorado Water Conservation Board to direct transfers of up to \$3 million annually to the Species Conservation Trust Fund from the Severance Tax Perpetual Base Fund. Additionally, the bill requires a transfer of up to \$14.2 million each fiscal year from the Severance Tax Operational Fund to the General Fund as determined by the Department of Natural Resources based on forecast revenue projections for the Operational Fund and annual appropriations to programs from the Operational Fund as determined by the General Assembly. Specifically, the department will calculate the remaining amount of projected revenue to the Operational Fund according to the March revenue forecast selected for state budgeting after accounting for appropriations to the:

- Energy and Carbon Management Commission;
- Colorado Geological Survey;
- Colorado Avalanche Information Center;
- Colorado Water Conservation Board;
- Colorado Parks and Wildlife;
- Species Conservation Trust Fund;
- Aquatic Nuisance Species Fund;
- Conservation District Grant Fund; and
- Wildfire Mitigation Capacity Development Fund.

The transfer will equal the remaining revenue up to \$14.2 million. Transfers to the General Fund from the Operational Fund begin in FY 2026-27.

Background

Severance Tax Distributions

The state’s severance tax is imposed on the production or extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal. Severance tax revenue is subject to TABOR.

Revenue is distributed to several cash funds under current law as follows:

- increased revenue attributable to a temporary decrease in allowable ad valorem credits for tax years 2024 to 2026 is diverted to the Decarbonization Tax Credits Administration (DTCA) Fund;
- increased revenue attributable to the phase-out and elimination of certain coal tax exemptions and credits is diverted to the Just Transition Cash Fund (JTCF); and
- after distributions to the DTCA and JTCF:
 - 50 percent of revenue is credited to the Severance Tax Trust Fund in the Department of Natural Resources (DNR); and
 - 50 percent of revenue is credited to the Local Government Severance Tax Fund in the Department of Local Affairs (DOLA).

Revenue credited to the Severance Tax Trust Fund is split equally between the Perpetual Base Fund and the Operational Fund. The continuously appropriated Perpetual Base Fund is used to finance loans for state water projects administered by the Colorado Water Conservation Board. The Operational Fund supports programs administered by the Colorado Energy and Carbon Management Commission; the Avalanche Information Center; the Colorado Geological Survey; the Division of Reclamation, Mining, and Safety; the Colorado Water Conservation Board; and the Division of Parks and Wildlife, subject to annual appropriations decisions by the General Assembly.

For FY 2026-27, based on decisions of the Joint Budget Committee, some of the programs typically funded each year by the Operational Fund are not expected to receive an appropriation in the Long Bill budget package.

Species Conservation Trust Fund

The [Species Conservation Trust Fund](#) in DNR is utilized for studies and programs dedicated to recovering species listed as threatened and endangered under state law, recovering and protecting federal candidate species, conducting scientific studies related to listing or delisting species, and other evaluations. The DNR produces annual recommendations for appropriation that will support these programs to the General Assembly in coordination with the Water Conservation Board and Colorado Parks and Wildlife. Under current law, up to \$5 million may be appropriated to the fund from the Operational Fund after other program priorities are met.

State Transfers

The bill allows up to \$3 million annually to be transferred to the Species Conservation Trust Fund from the Perpetual Base Fund at the discretion of the Water Conservation Board, as shown

in Table 1A. Based on the March 2026 Legislative Council Staff (LCS) forecast, \$46.8 million will be credited to each of the Operational Fund and the Perpetual Base Fund in FY 2026-27 and \$47.6 million in FY 2027-28. About \$21 million is expected to be appropriated to existing programs from the Operational Fund in FY 2026-27 and future years. Based on the forecast for revenue and expenditures, the analysis assumes the full \$14.2 million allowable will be transferred to the General Fund from the Operational Fund in each of FY 2026-27 and FY 2027-28.

State Expenditures

The bill minimally increases workload in the DNR to determine and report annual transfers from the Severance Tax Operational Fund to the General Fund each year.

The fiscal note assumes that state expenditures from the Species Conservation Trust Fund via the Operational Fund in the department will not decrease due to provisions of the bill. In FY 2026-27 and future years, reduced appropriations to the fund from the Operational Fund are assumed to be offset by transfers from the Perpetual Base Fund. Money in the Perpetual Base Fund is continuously appropriated to the Water Conservation Board.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. However, section 4 only takes effect if the 2026 Long Bill becomes law, with this section taking effect on the effective date of this bill or of the Long Bill, whichever is later.

State Appropriations

For FY 2026-27, the bill includes a \$3 million reduction in appropriations from the Severance Tax Operational Fund to the Species Conservation Trust Fund in the Department of Natural Resources. In addition, the bill includes technical language making the reduction in appropriations conditional on sufficient appropriations being available in the applicable line item in the FY 2026-27 Long Bill.

State and Local Government Contacts

Joint Budget Committee Staff

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).