Initiative 45

Legislative
Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Summary

Date:	May 2, 2023	**Fiscal Analyst:**	Josh Abram (303-866-3561)

LCS TITLE: DISCONTINUE ISSUANCE OF NEW OIL AND GAS PERMITS

Fiscal Summary of Initiative 45

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State expenditures and revenue. The measure requires that the Department of Natural Resources adopt rules to discontinue the issuance of new oil and gas permits and transition to a primary mission of monitoring, plugging, and remediating existing oil and gas facilities. On net, the measure is not anticipated to immediately change the workload or costs of the department. Once all new permitting ends, revenue from permitting fees and associated expenditures will decrease. Any fixed costs that are no longer supported with permitting fees will require an appropriation of state funds.

The measure is expected to reduce state revenue from severance taxes as a result of reduced oil and gas production in the future. Severance taxes will continue to be collected on existing wells, however at a diminishing rate. The state aid requirement for total program funding for school finance will increase because the local share, which is dependent on property taxes, including from oil and gas producing property, will decline.

Local government impact. Once all state permitting is discontinued, any local government with regulatory programs related to siting oil and gas development will have reduced expenditures and fee revenue. Local property tax revenue on oil and gas producing property will decrease as existing wells cease production. In addition, local governments receiving a distribution of severance tax revenue will have less revenue as this funding source diminishes over time.

Economic impacts. Ending oil and gas production removes a significant sector of the economy from commercial activity. As industry activity winds down, the measure is likely to reduce capital investment, employment, investment income, and business profits attributable to the oil and gas industry and related upstream and downstream industries. Economic impacts will be distributed unevenly across the state, with the greatest impacts in areas with significant oil and gas production, including the northern Front Range, the western slope, southwest Colorado, and portions of the eastern plains. The measure may also promote additional activity in other energy production industries beyond what would arise under current law, partially mitigating its other economic effects.