Abstract of Initiative 20: Severance Taxes on Oil and Gas

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of April 2017, identifies the following impacts:

The abstract includes estimates of the fiscal impact of the initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

State expenditures. The measure increases state spending on local government impact grants, water related programs, clean and renewable energy development, soil conservation, and invasive species control programs by $104.3 million in FY 2017-18. The measure expands the programs that receive oil and gas severance tax revenue in FY 2018-19 to include K-12 education, higher education scholarships, healthcare, and clean water. State spending will increase by $377.3 million in FY 2018-19.

State revenue. Oil and gas severance tax revenue will increase by $138.9 million in FY 2018-19 and $438.0 million in FY 2019-20. The measure includes a distribution of the revenue to various programs across the state.

Local government revenue, expenditures, taxes, or fiscal liabilities. Several of the programs that receive additional revenue under the measure increase grants to local government agencies.

Economic impacts. This measure increases severance taxes paid by the oil and gas industry, which increases the cost of oil and gas development in Colorado by the amount of the tax increase. To the extent the tax increase limits oil and gas development, there will be less oil and gas employment, less demand for associated services, reduced rent and royalty income to mineral owners, and reduced profits for oil and gas companies. The new tax revenue will be spent on state and local government services, including K-12 education, scholarships for higher education, and treatment of medical conditions. The additional spending may increase access to these services and may reduce the amount of money households need to budget for these services. To the extent that households have more money available in their budgets, they can purchase other household goods, increase savings, or increase investments.