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Be It Enacted by the People of the State of Colorado:

SECTION 1, Title 22, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW ARTICLE to read:

22 - 51.5 - 101. Creation of the public school improvement fund-composition.

THERE IS HEREBY CREATED IN THE OFFICE OF THE STATE TREASURER A FUND, SEPARATE FROM THE GENERAL FUND, TO BE KNOWN AS THE PUBLIC SCHOOL IMPROVEMENT FUND. THE FUND SHALL BE COMPOSED OF ALL REVENUE CREDITED TO THE FUND PURSUANT TO SECTION 39-29-108, C.R.S., AND SUCH ADDITIONAL MONEYS AS MAY BE APPROPRIATED BY THE GENERAL ASSEMBLY.

22 - 51.5 - 102. Distribution of moneys in the fund.

(1) EACH STATE FISCAL YEAR THE LESSER OF ALL MONEYS IN THE PUBLIC SCHOOL IMPROVEMENT FUND OR THIRTY MILLION DOLLARS IN STATE FISCAL YEAR 2007-08, ADJUSTED EACH SUBSEQUENT STATE FISCAL YEAR FOR INFLATION, SHALL BE USED TO PROVIDE LOW INCOME CHILDREN THE OPPORTUNITY TO ATTEND VOLUNTARY QUALITY PRESCHOOL PROGRAMS SO THEY ARE ABLE TO BEGIN SCHOOL READY TO LEARN.

(2) EACH STATE FISCAL YEAR THE STATE TREASURER SHALL TRANSFER TO THE CAPITAL CONSTRUCTION EXPENDITURES RESERVE CREATED BY SECTION 22-54-117 (1.5) THE LESSER OF ALL MONEYS IN THE PUBLIC SCHOOL IMPROVEMENT FUND THAT ARE UNEXPENDED AND UNENCUMBERED PURSUANT TO SUBSECTION (1) OF THIS SECTION OR ONE HUNDRED TWENTY MILLION DOLLARS IN STATE FISCAL YEAR 2007-08, ADJUSTED EACH SUBSEQUENT STATE FISCAL YEAR FOR INFLATION, TO PROVIDE FUNDING FOR PRESCHOOL THROUGH TWELFTH GRADE PUBLIC SCHOOL BUILDINGS TO REPAIR, MAINTAIN, MAKE SAFE AND REPLACE DETERIORATING BUILDINGS, TO PROVIDE ADDITIONAL CLASSROOM SPACE FOR CHILDREN IN TEMPORARY STRUCTURES, TO PROVIDE ADEQUATE TECHNOLOGY, TO CONSTRUCT NEW BUILDINGS OR TO PROVIDE FOR THE ADMINISTRATION OF THESE PROGRAMS. PRIORITY SHALL BE GIVEN TO RURAL SCHOOLS AND DISTRICTS AND TO SCHOOLS AND DISTRICTS THAT ARE NOT ABLE TO RAISE SUFFICIENT REVENUE LOCALLY TO ADDRESS THEIR SCHOOL BUILDING NEEDS; AND PRIORITY SHALL BE PLACED ON THE USE OF THESE CAPITAL CONSTRUCTION FUNDS TO ADDRESS IMMEDIATE STUDENT HEALTH AND SAFETY NEEDS IN SCHOOL BUILDINGS, TO ENSURE COMPLIANCE WITH ALL RELEVANT FEDERAL, STATE, AND LOCAL LAWS, CODES, AND STANDARDS FOR SCHOOL BUILDINGS, AND TO RENOVATE OR REPLACE BUILDINGS THAT ARE FORTY YEARS OR OLDER.

(3) NO MORE THAN ONE PERCENT OF MONEYS RECEIVED BY THE SCHOOL IMPROVEMENT FUND IN THE STATE FISCAL YEAR MAY BE SPENT TO DEFRAY THE COSTS RELATED TO THE ADMINISTRATION AND IMPLEMENTATION OF THIS ARTICLE 51.5.

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39 - 29 - 105. Tax on severance of oil and gas.¶

(2) (b) With respect to oil and gas, there shall be allowed, as a credit against the tax computed in accordance with the provisions of paragraph (b) of subsection (1) of this section for each taxable year commencing on or after January 1, 2000, an amount equal to ~~eighty-seven and one-half~~ FORTY-FOUR percent of all ad valorem taxes assessed during the taxable year in the case of accrual basis taxpayers or paid during the taxable year in the case of cash basis taxpayers upon oil and gas leaseholds and leasehold interests and oil and gas royalties and royalty interests for state, county, municipal, school district, and special district purposes, except such ad valorem taxes assessed or paid for such purposes upon equipment and facilities used in the drilling for, production of, storage of, and pipeline transportation of oil and gas. However, no credit shall be allowed for ad valorem taxes paid or assessed on oil and gas production that is exempt from the state severance tax pursuant to subsection (1) of this section. ¶

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(3) THE PROCEEDS OF THIS TAX ... [1]

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(a) AS USED IN THIS SECTION, "INFLATION" MEANS THE ANNUAL ... [2]

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(4) AT THE END OF EACH STATE FISCAL YEAR, ANY UNEXPENDED AND UNENCUMBERED BALANCE REMAINING IN THE PUBLIC SCHOOL IMPROVEMENT FUND, SHALL BE TRANSFERRED TO THE PUBLIC SCHOOL FUND CREATED BY SECTION 3 OF ARTICLE IX OF THE COLORADO CONSTITUTION.

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(5) AS USED IN THIS SECTION, "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, CONSUMER PRICE INDEX FOR DENVER-BOULDER, ALL ITEMS, ALL URBAN CONSUMERS, OR ITS SUCCESSOR INDEX.

22 - 51.5 - 103. Public report.

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BY AUGUST 15 EACH YEAR, LEGISLATIVE COUNCIL STAFF SHALL PREPARE AND MAKE AVAILABLE TO THE PUBLIC A REPORT ON THE USE OF ALL MONEYS DEPOSITED IN AND EXPENDED FROM THE PUBLIC SCHOOL IMPROVEMENT FUND IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.

22 - 51.5 - 104. Directive to the general assembly.

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THE GENERAL ASSEMBLY IS HEREBY DIRECTED TO MAKE ANY CONFORMING AMENDMENTS REQUIRED BY THE PASSAGE OF THIS AMENDMENT.

SECTION 2. 39-29-105 (2) (b), Colorado Revised Statutes, is amended, and the said 39-29-105 is further amended BY THE ADDITION OF A NEW SUBSECTION:

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39 - 29 - 105. Tax on severance of oil and gas.

(2) (b) With respect to oil and gas, there shall be allowed, as a credit against the tax computed in accordance with the provisions of paragraph (b) of subsection (1) of this section for each taxable year commencing on or after January 1, 2000, an amount equal to ~~eighty-seven and one-half~~ FORTY-FOUR percent of all ad valorem taxes assessed during the taxable year in the case of accrual basis taxpayers or paid during the taxable year in the case of cash basis taxpayers upon oil and gas leaseholds and leasehold interests and oil and gas royalties and royalty interests for state, county, municipal, school district, and special district purposes, except such ad valorem taxes assessed or paid for such purposes upon equipment and facilities used in the drilling for, production of, storage of, and pipeline transportation of oil and gas. However, no credit shall be allowed for ad valorem taxes paid or assessed on oil and gas production that is exempt from the state severance tax pursuant to subsection (1) of this section.

(3) THE PROCEEDS OF THE TAX ESTABLISHED IN SUBSECTION (2) OF THIS SECTION AND INVESTMENT INCOME THEREON SHALL BE COLLECTED AND SPENT BY THE STATE AS A VOTER-APPROVED REVENUE CHANGE WITHOUT REGARD TO ANY SPENDING LIMITATION CONTAINED WITHIN SECTION 20 OF ARTICLE X OF THIS CONSTITUTION, OR ANY OTHER

LAW, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUE THAT MAY BE COLLECTED AND SPENT BY THE STATE; EXCEPT THAT REVENUE COLLECTED FROM THIS TAX SHALL NOT BE INCLUDED IN THE EXCESS STATE REVENUES CAP PURSUANT TO 24-77-103.6, C.R.S.

SECTION 3. 39-29-108 (2), Colorado Revised Statutes, is amended to read:

39 - 29 - 108. Allocation of severance tax revenues.

(2) Of the total gross receipts realized from the severance taxes imposed on minerals and mineral fuels under the provisions of this article after ~~June 30, 1981,~~ ~~fifty~~ JULY 1, 2007 TWENTY-FIVE percent shall be credited to the state severance tax trust fund created by section 39-29-109, THIRTY PERCENT SHALL BE CREDITED TO THE PUBLIC SCHOOL IMPROVEMENT FUND CREATED BY SECTION 22-51.5-101, C.R.S., and ~~fifty~~ FORTY-FIVE percent shall be credited to the local government severance tax fund created by section 39-29-110. THE DISTRIBUTION OF MONEYS FROM THE LOCAL GOVERNMENT SEVERANCE TAX FUND SHALL GIVE PRIORITY TO DIRECT DISTRIBUTION TO IMPACTED COUNTIES AND MUNICIPALITIES.

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