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Colorado Secretary of State

S.WARD 2:30 P.M.

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

SECTION 1. In Colorado Revised Statutes, add article 116 to title 24 as follows: Title 24, is amended by the addition of a new Article:

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ARTICLE 116

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FAIR DISTRIBUTION OF OIL AND GAS REVENUE

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24-116-101. PURPOSE. (1) TEMPORARY OR PERMANENT PROHIBITIONS ON RESPONSIBLE ENERGY DEVELOPMENT NEGATIVELY IMPACT THE FINANCIAL HEALTH OF THE STATE OF COLORADO AND ITS CITIZENS. AS A MATTER OF FAIRNESS AND EQUITY, A LOCAL GOVERNMENT THAT BANS RESPONSIBLE OIL AND GAS DEVELOPMENT SHOULD NOT CONTINUE TO RECEIVE TAX REVENUES FROM THE ACTIVITIES IT PROHIBITS.

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(2) A LOCAL GOVERNMENT THAT BANS OR PROHIBITS ENERGY DEVELOPMENT SHOULD NOT BE ELIGIBLE TO RECEIVE STATE TAX REVENUES THAT COME FROM THOSE ACTIVITIES IN OTHER PARTS OF THE STATE WHERE DEVELOPMENT IS ALLOWED. IF A LOCAL GOVERNMENT LIFTS A BAN OR PROHIBITION ON ENERGY DEVELOPMENT, THE LOCAL GOVERNMENT'S SHARE OF TAX REVENUE OR BENEFITS SHOULD BE RESTORED.

(3) A LOCAL GOVERNMENT THAT CONTINUES TO ALLOW RESPONSIBLE OIL AND GAS DEVELOPMENT ACTIVITIES REGULATED UNDER STRINGENT STATE LAWS SHOULD CONTINUE TO RECEIVE TAX REVENUES AND BENEFITS FROM THOSE ACTIVITIES.

24-116-102. FAIR DISTRIBUTION OF OIL AND GAS REVENUE. (1) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, BEGINNING JULY 1, 2015, ANY LOCAL GOVERNMENT, INCLUDING ANY COUNTY, MUNICIPALITY, SPECIAL DISTRICT, OR OTHER DISTRICT OR POLITICAL SUBDIVISION, HAVING A SUSPENSION, MORATORIUM, OR BAN ON, OR EFFECTIVELY PROHIBITING ANY METHOD OF THE PRODUCTION OF OIL AND GAS OR PERMITTING OF OIL AND GAS DEVELOPMENT, INCLUDING BUT NOT LIMITED TO THE USE OF HYDRAULIC FRACTURING, SHALL NOT BE ELIGIBLE TO RECEIVE OIL AND GAS FUNDS REVENUES ADMINISTERED BY THE STATE THAT ARE DERIVED FROM THOSE PROHIBITED ACTIVITIES.

(2) FOR PURPOSES OF THIS SECTION, "OIL AND GAS FUNDS REVENUES" SUBJECT TO THIS RESTRICTION INCLUDE BUT ARE NOT LIMITED TO SEVERANCE TAX FUNDS, GRANTS AND LOANS ADMINISTERED UNDER SECTIONS 22-43.7-104, 39-29-109 AND 39-29-110. C.R.S. COLORADO REVISED STATUTES 22-43.7-104, 39-29-109 AND 39-29-110, FEDERAL MINERAL LEASE REVENUES, REVENUES FROM STATE LANDS, AND ANY OTHER STATE ADMINISTERED FUNDS OR BENEFITS DERIVED FROM THE PROHIBITED ACTIVITIES.

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(3) IF A LOCAL GOVERNMENT LIFTS A SUSPENSION, MORATORIUM OR BAN ON THE PRODUCTION OR PERMITTING OF OIL AND GAS DEVELOPMENT, OR OTHERWISE ALLOWS THE PRODUCTION OR

PERMITTING OF OIL AND GAS DEVELOPMENT TO RESUME, THE LOCAL GOVERNMENT'S SHARE OF TAX REVENUE OR BENEFITS SHALL BE RESTORED.

(4) A LOCAL GOVERNMENT PROHIBITED FROM RECEIVING FUNDS REVENUES UNDER THIS SECTION SHALL NOT RECEIVE OFFSETTING STATE FUNDS REVENUES FROM OTHER SOURCES TO CIRCUMVENT THE RESTRICTIONS SET FORTH IN THIS SECTION.

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(5) SPECIAL DISTRICTS SHALL NOT BE ORGANIZED OR USED TO CIRCUMVENT THE FUNDING RESTRICTIONS SET FORTH IN THIS SECTION. IF THE BOUNDARIES OF A SPECIAL DISTRICT, AS FILED IN ACCORDANCE WITH COLORADO REVISED STATUTES 32-1-104, INCLUDE ANY PORTION OF A LOCAL GOVERNMENT THAT IS INELIGIBLE TO RECEIVE FUNDS REVENUES PURSUANT TO THIS SECTION, ANY DISTRIBUTION OF THE OIL AND GAS FUNDS REVENUES TO THE SPECIAL DISTRICT SHALL BE REDUCED PROPORTIONALLY TO REFLECT THE PERCENTAGE OF THE INELIGIBLE LOCAL GOVERNMENT'S PROPERTY WITHIN THE SPECIAL DISTRICT.

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(6) IF OIL AND GAS FUNDS REVENUES ARE COMINGLED WITH OTHER REVENUE SOURCES, THE EXECUTIVE DEPARTMENT SHALL IMPLEMENT RULES, AS PROVIDED IN SECTION 24-116-103, TO ENSURE THAT LOCAL GOVERNMENTS DO NOT RECEIVE THE INELIGIBLE PORTION OF ANY DISTRIBUTION THAT WOULD OCCUR IF THE LOCAL GOVERNMENT WERE NOT INELIGIBLE FOR FUNDS REVENUES UNDER THIS SECTION. THE FUNDS REVENUES WITHHELD FROM INELIGIBLE LOCAL GOVERNMENTS UNDER THIS SECTION SHALL BE DISTRIBUTED TO ALL OTHER ELIGIBLE LOCAL GOVERNMENTS.

24-116-103. IMPLEMENTATION. (1) THE EXECUTIVE DEPARTMENT OF THE STATE MAY ADOPT RULES TO ENSURE THAT THIS ARTICLE IS IMPLEMENTED IN A REASONABLE, EQUITABLE AND EFFECTIVE MANNER, CONSISTENT WITH THE PURPOSE OF PROHIBITING LOCAL GOVERNMENTS FROM RECEIVING STATE FUNDS REVENUES DERIVED FROM OIL AND GAS ACTIVITIES THAT THE LOCAL GOVERNMENT HAS PROHIBITED.

(2) ALL PROVISIONS OF THIS ARTICLE ARE SELF-EXECUTING, SEVERABLE, AND SHALL SUPERSEDE CONFLICTING STATE AND LOCAL PROVISIONS.

(3) IF ANY PROVISION OF THIS ARTICLE IS HELD INVALID, THE REMAINING PROVISIONS SHALL REMAIN UNIMPAIRED.

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SECTION 2. THIS ARTICLE SHALL BE EFFECTIVE JULY 1, 2015.