



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 22-0306	Date:	April 11, 2022
Prime Sponsors:	Rep. Froelich; Caraveo Sen. Winter	Bill Status:	House Energy & Environment
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Bill Topic: **OVERSIGHT OF CHEMICALS USED IN OIL & GAS**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires that oil and gas operators, and the manufacturers and distributors of chemicals used in underground oil and gas operations, disclose specified information to the Department of Natural Resources. The department must use the data to create a web-based chemical disclosure list. The bill increases state expenditures beginning in FY 2022-23, and are ongoing.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$61,500 to the Department of Natural Resources.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 22-1348**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$61,500	\$293,721
	Centrally Appropriated	-	\$56,383
	Total Expenditures	\$61,500	\$350,104
	Total FTE	-	3.2 FTE
Transfers		-	-
Other Budget Impacts		-	-

Summary of Legislation

The bill requires that oil and gas operators, and the manufacturers and distributors of chemicals used in underground oil and gas operations, disclose specified information to the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR). The bill sets deadlines for compliance for both existing and new operators and manufacturers.

Manufacturers and distributors must disclose the trade name of chemical products, a list of the chemical names and abstract service numbers, the estimated amount of each chemical used in the product, and a description of the intended use. The disclosures must be accompanied by a written declaration that the chemical product contains no intentionally added perfluoroalkyl or polyfluoroalkyl (PFAS) chemicals. A manufacturer may decline the disclosure and file a trade secret claim with supporting evidence to the COGCC. The COGCC must review the claim and determine if the manufacturer has to disclose the chemical information.

Oil and gas operators using chemicals in downhole operations must disclose the date operations commence, the county of the well site, the unique well identifier assigned by the American Petroleum Institute, the trade names and quantities of chemicals used, and a written declaration that chemical products used contain no intentionally added PFAS chemicals. Operators must also provide the chemical disclosure list to all parties within a specified setback from the well site, to all public water providers within specified distances or geographic features, and to the Division of Parks and Wildlife in the DNR for well sites with proximity to high priority habitat or state wildlife areas.

The COGCC must use the information to create a chemical disclosure list for each applicable well site. The list must include the names and chemical abstract service numbers and the total estimated amount of each chemical in use at each well site. The list must be posted on a website accessible to the public in a searchable and downloadable format. By July 31, 2023, the COGCC must adopt rules and standards for the disclosure of chemical information to state or federal officials, contractors, health care professionals, and scientists and researchers at institutions of higher education. The COGCC must also prepare annual legislative reports to the General Assembly.

State Expenditures

The bill increases state expenditures in the Department of Natural Resources by \$61,500 in FY 2022-23 and \$350,104 in FY 2023-24 from the Colorado Oil and Gas Conservation and Environmental Response Cash Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 22-1348

	FY 2022-23	FY 2023-24
Department of Natural Resources		
Personal Services	-	\$270,801
Operating Expenses	-	\$4,320
Capital Outlay Costs	-	\$18,600
Office of Information Technology	\$61,500	-
Centrally Appropriated Costs ¹	-	\$56,383
Total Cost	\$61,500	\$350,104
Total FTE	-	3.2 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

For FY 2022-23, the DNR will develop the infrastructure necessary to make a publically available website of chemical disclosure information. The website will report data from the Colorado Oil & Gas Information System, and interface with the COGCC Geographic Information Services Online Interactive Map Tool. The Governor's Office of Information Technology (OIT) will have about 500 hours of development hours to create and configure the database tables and reporting data entry forms. This one-time cost for the OIT in FY 2022-23 is estimated at \$61,500.

For FY 2023-24, the DNR will add staff support for website maintenance, processing data, forms submission and review, compliance inspections, enforcement, and reporting. Staff will have ongoing workload to develop and maintain disclosure forms, and to ensure data integrity and website functionality. Based on data analyzed in an existing national chemical registry for hydraulic fracturing, it is estimated that registering manufacturers and distributors, collecting disclosure information, and evaluating and determining trade secret claims will require about 4,500 hours of staff time, or about 2.2 FTE. Compliance inspections and enforcement are expected to require an additional 0.4 and 0.6 FTE, respectively.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$61,500 to the Department of Natural Resources from the Oil and Gas Conservation and Environmental Response Fund. This amount is then reappropriated to the Governor's Office of Information Technology.

State and Local Government Contacts

Information Technology

Law

Natural Resources