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Fiscal Note

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Prime Sponsors: Rep. Hamrick; Velasco Bill Status: House Energy & Environment
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Bill Topic: PUBLIC NOTIFICATION OF HAZARDOUS CHEMICAL RELEASES

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [X] Local Government
[X] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill creates notification procedures and other means of accessing information about hazardous chemical releases. It increases state and local expenditures, and may increase state revenue, beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires appropriations totaling \$851,587 to multiple state agencies.

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

Table 1
State Fiscal Impacts Under HB 24-1359

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill creates notification procedures for hazardous chemical releases, creates a committee and website to share public information, and establishes a penalty for violations of these notification requirements.

Notification procedures. Under current law, an oil and gas operator must notify the Energy and Carbon Management Commission (ECMC) in the Department of Natural Resources (DNR) of any spill or release of a hazardous chemical. The bill requires the operator to also notify:

- the Department of Public Health and Environment (CDPHE) for an incident involving air emissions or water contaminations, the Department of Transportation (CDOT) for an incident involving public conveyances, and the Department of Public Safety (CDPS) for an incident resulting from sabotage, vandalism, or terrorist activity; and
- certain other community stakeholders of the well site where the incident occurred.

Any state agency notified this way must confirm with the operator that the community stakeholders were notified. For warning-level incidents, which apply to chemical releases of at least 126 gallons, the agency must also notify the applicable county public health department, county emergency notification party, and the Department of Local Affairs (DOLA). DOLA must maintain a contact list for these county entities on its website, and it must develop a hazardous chemical notification website to house reports it receives.

When notified of an incident beginning July 1, 2025, county public health departments and county emergency notification parties must notify medical professionals and their notification systems, respectively.

Hazardous Chemical Notification Committee. The bill creates the committee in DOLA, which consists of medical professionals, counties, DOLA, the ECMC, CDPHE, and members of the public. The committee must develop content for the hazardous chemical notification website, which includes educational content related to hazardous chemicals for technical and nontechnical audiences, information about specific hazardous chemicals, and mechanisms to opt-in to applicable county notification systems. The committee must meet monthly in the first year, and quarterly in subsequent years. Beginning in 2025, the committee must submit a report of its work to DOLA by July 1, and DOLA must submit a report on hazardous chemical notifications to the General Assembly by the following July 1. DOLA provides administrative support to the committee and may accept gifts, grants, or donations to implement these requirements.

County trainings. Each year beginning in 2025, county health departments and county notification parties must offer a training to medical professionals and the public on adverse health impacts of exposure to hazardous chemicals and the notification requirements in the bill. The training must include representatives from DOLA, the committee, and medical professionals.

Sunset review. The committee and the county training requirement repeal on September 1, 2034, following a sunset review by the Department of Regulatory Agencies.

Civil penalties. An oil and gas operator that violates the notification requirements is subject to a penalty of up to \$1,000 per day from the ECMC.

State Revenue

The bill may increase state revenue from gifts, grants, or donations, and from civil penalties.

Gifts, grants, or donations. The bill potentially increases state revenue from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

Civil penalties. The bill may increase revenue to the Energy and Carbon Management Cash Fund from civil penalties on oil and gas operators. The fiscal note assumes that operators will generally comply with these requirements and that any increase in revenue will be minimal. This revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in DOLA by about \$340,000 in FY 2024-25 and \$140,000 in FY 2025-26, paid from the General Fund. It also increases state expenditures in the ECMC by about \$390,000 in FY 2024-25 and \$350,000 in FY 2025-26, paid from the Energy and Carbon Management Cash Fund. Finally, it increases state expenditures in CDPHE by about \$250,000 in FY 2024-25 and \$230,000 in FY 2025-26, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 24-1359**

	FY 2024-25	FY 2025-26
Department of Local Affairs		
Personal Services	\$128,427	\$109,424
Operating Expenses	\$1,920	\$1,536
Capital Outlay Costs	\$13,340	-
Contractor	\$100,000	-
Computer Programming	\$70,000	-
Centrally Appropriated Costs ¹	\$29,690	\$24,378
FTE – Personal Services	1.5 FTE	1.2 FTE
DOLA Subtotal	\$343,377	\$135,338

Table 2
Expenditures Under HB 24-1359 (Cont.)

	FY 2024-25	FY 2025-26
Department of Natural Resources		
Personal Services	\$290,892	290,892
Operating Expenses	\$4,608	\$4,608
Capital Outlay Costs	\$26,680	-
Computer Programming	\$14,760	-
Centrally Appropriated Costs ¹	\$57,261	\$57,260
FTE – Personal Services	3.6 FTE	3.6 FTE
DNR Subtotal	\$394,200	\$352,760
Department of Public Health and Environment		
Personal Services	\$117,367	\$117,367
Operating Expenses	\$3,584	\$3,584
Capital Outlay Costs	\$20,010	-
Centrally Appropriated Costs ¹	\$48,913	\$48,913
FTE – Personal Services	2.8 FTE	2.8 FTE
CDPHE Subtotal	\$249,874	\$229,864
Total	\$987,451	\$717,962
Total FTE	7.9 FTE	7.6 FTE

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

Department of Local Affairs. The department must develop the hazardous chemical notification website and support the Hazardous Chemical Notification Committee.

- **Staffing.** DOLA requires 1.5 FTE to coordinate website development, provide technical expertise to the committee, administer contracts, and provide logistic support to the committee beginning in FY 2024-25. Workload to support the committee decreases in future years as the committee meets less frequently. Standard operating and capital outlay costs are included.
- **Contractor.** The committee requires a contractor in FY 2024-25 to develop the training curriculum for counties.
- **Computer programming.** DOLA requires computer programming, provided by the Office of Information Technology, to implement the website. This cost, estimated at \$70,000 in FY 2024-25, is based on similar IT development work administered by DOLA.

- **Legal services.** DOLA requires about 25 hours of legal services, provided by the Department of Law, which can be accomplished within existing legal services appropriations.

Department of Natural Resources. Workload increases in the ECMC to follow up with operators and verify that the appropriate parties were notified of hazardous chemical releases, and to enforce violations. Staff costs include standard operating costs and capital outlay.

- **Notification requirements.** Determining who an operator has notified of a hazardous chemical release and notifying additional parties requires an estimated 5 hours per incident, requiring 2.8 FTE beginning in FY 2024-25 based on recent data on the number of incidents.
- **Enforcement.** While the fiscal note assumes that most operators will comply with the bill's requirements, any violations increase workload for the ECMC to draft a notice to the operator, negotiate potential settlements, and participate in hearing proceedings. If only five percent of incidents result in a violation, the ECMC requires 0.8 FTE beginning in FY 2024-25.
- **Computer programming.** The ECMC requires an estimated 120 hours of computer programming, provided by the Office of Information Technology, to facilitate automated routing of existing incident data to the new hazardous chemical notification website.
- **Rulemaking.** Workload will increase to update ECMC rules, which can be accomplished within the ordinary course of business.

Department of Public Health and Environment. Similar to the ECMC, CDPHE may be notified of hazardous chemical releases and the bill requires each notification agency to verify with operators that the appropriate parties have been notified. The fiscal note assumes that operators will notify CDPHE of essentially all hazardous chemical releases, given the likelihood that the air or water are impacted and operators are subject to penalties for noncompliance. As with the ECMC, CDPHE requires 2.8 FTE to fulfill its obligations under the bill.

Other notification agencies. The Department of Transportation and the Department of Public Safety may be notified of hazardous chemical releases in certain circumstances, which subjects them to the same notification requirements as the ECMC and CDPHE. The fiscal note assumes that the circumstances that require operators to notify these agencies are relatively rare, and that any additional workload can be accomplished within existing appropriations. If additional resources are required, these agencies will seek them through the budget process.

Governor's Office. Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointments under the bill. This work can be accomplished within existing appropriations.

Department of Regulatory Agencies. The bill increases workload to complete the sunset review in FY 2033-34. Any increase in expenditures will be addressed through the annual budget process.

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.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill increases expenditures in counties to notify people of warning-level incidents and to conduct trainings on hazardous chemicals. The trainings are conducted by all counties. The expenditure impact of using county notification systems will depend on the number of warning-level incidents in that county.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires the following General Fund appropriations:

- \$313,687 to the Department of Local Affairs, and 1.5 FTE, of which \$70,000 is reappropriated to the Office of Information Technology;
- \$200,961 to the Department of Public Health and Environment, and 2.8 FTE.

For FY 2024-25, the bill requires an appropriation of \$336,940 from the Energy and Carbon Management Cash Fund to the Department of Natural Resources, and 3.6 FTE. Of this, \$14,760 is reappropriated to the Office of Information Technology.

Departmental Difference

The fiscal note does not include certain department-identified costs, as follows:

- DOLA currently lacks expertise in hazardous chemical releases, and supporting the committee and developing the website requires a new office at a cost of about \$600,000 and 4.1 FTE in FY 2024-25, and \$400,000 and 4.1 FTE in FY 2025-26. The fiscal note instead assumes that a new office is not required and the website and committee requirements can be met with the costs identified in the State Expenditures section above.

- CDPHE estimates that it must track and investigate hazardous chemical releases in order to track its notification requirements. Costs include \$450,000 to develop a release-tracking information technology system, \$125,000 in annual system maintenance, 1.0 FTE in FY 2024-25 to coordinate with OIT, 2.6 FTE to conduct investigations, and 1.0 FTE in communication support. The fiscal note assumes that the department’s responsibilities under the bill are limited to verifying notifications from operators and that hazardous chemical releases will be tracked by the ECMC instead.

State and Local Government Contacts

Counties	Governor's Office	Information Technology
Legislative Council Staff	Local Affairs	Natural Resources
Public Health and Environment	Public Safety	Regulatory Agencies
Transportation		

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).