DEPARTMENT OF NATURAL RESOURCES
FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 12, 2017
1:30 pm – 5:00 pm

1:30-1:40 INTRODUCTIONS AND OPENING COMMENTS

1:40-2:40 SEVERANCE TAX

1 *Discuss any funding solutions the Department has developed since learning the reality of severance tax revenue collection in FY 2017-18.*

Response: While the Department had been expecting severance tax revenues would come in below projection this fiscal year, it was only about 3 weeks ago that DNR was made aware of the negative current year balance in severance tax receipts and the $72.5 million in outstanding BP American-related refunds that are expected to be paid over the next 18 months. As such, the Department is still discussing funding solutions with the Governor's Office. It may be that the Governor does not approve a DNR solution until after the December 20, 2017 economic forecast. This would allow the Governor to better assess how much revenue (and how much severance tax revenue) is likely to be available to address the situation.

2 *If no action is taken by the General Assembly, what are the implications to Department operations if severance tax revenue does not rebound before payroll obligations exceed available resources.*

Response: If no action is taken – and if no new revenues flow into the Operational Fund over the next few months - the Department expects the equity (with equity meaning assets minus liabilities) in the Operational Fund could reach zero as soon as the end of February or March, 2018. At this point in time, vendor payments and other operational expenses would be shut down. Payroll would still run and would likely be paid out of cash balance for the next few months. To be clear, payroll at this point would be paid out of a positive cash balance (but fund equity will be negative and declining due to liabilities against the fund). However, on June 30, 2018, there is a statutory transfer of $11,425,000 scheduled to occur from the Severance Tax Operational Fund to the General Fund pursuant to S.B. 17-260. Although this transfer may not happen in full if there is not sufficient cash available, it would effectively shut the fund down entirely because it will zero out the cash balance in the account.

3 *If General Fund is determined to be the preferred funding supplement, discuss whether there is preference for a direct General Fund appropriation to Tier 1 programs or a transfer to the Severance Tax Operational Fund to fund the programs with appropriations from that source.*

Response: As noted previously, the Department has not finalized a proposed solution to the severance tax revenue shortfall at this point in time. However, the Department has certainly been analyzing a number of potential solutions and mechanisms to help support Tier 1 programs. The fastest way to receive direct additional support would be a "1331" supplemental request. As noted in the response to Question #2, negative impacts could be felt in early 2018 if no new revenues flow through the severance tax allocation formula. As such, the Department wants to craft a solution that can be implemented in time to prevent such negative impacts. That stated, it is also unlikely a "1331" supplemental could fully address all the issues that DNR and the Operational Fund are facing. For example, it may be that the $11,425,000 transfer from the Operational Fund to the General Fund scheduled for June 30, 2018 needs to be modified. This can only be done via a special bill and changing of statute. Yet other pieces of the solution may involve funding changes implemented in the FY 2018-19 Long Bill.

A transfer of General Fund or other revenues to the Operational Fund to supplemental revenue has advantages and disadvantages. On the negative side, it would require legislation and it is not clear how quickly such a solution could move through the legislative process. Certainly, such a solution could not provide the immediate relief that could be achieved through a "1331". That stated, it is likely that the entire solution could be implemented in a single special bill (as opposed to having a multi-item package). Further, the transfer of revenue into the Operational Fund might be significantly more effective administratively. To demonstrate this point, I will analyze how we would administer a new appropriation of General Fund to a Tier 1 agency. Such an appropriation might require us to: (1) change accounting templates for how we pay for Tier 1 staff outside of the Operational Account structure; (2) change encumbrances in the State's accounting system that dictate how we pay for contracts; (3) change accounting templates for the pro cards and other ways we default to paying routine operating expenses, and; (4) potentially cause us to have to go back and change a large number of accounting transactions that have already been made and change the source of funding from the Severance Tax Operational Fund to General Fund (or some other alternative funding source). In contrast, transfers of revenue into the Operational Fund will have us continuing to pay Tier 1 expenses from the Operational Fund, as we have done for many years with Tier 1 programs.

4 *Discuss any precedent for a "clawback" of transfers to Tier 2 Severance Tax programs, for any purpose.*

Response: There is neither precedent for a clawback nor a statutory mechanism which would expressly allow DNR to try to recover any of the Tier 2 transfers in question. Further complicating any such effort is the fact that roughly 44% of authorized Tier 2 transfers are made to agencies outside of DNR. With neither statutory authority or organizational authority to ask for these moneys back, it would seems unlikely these funds could be recovered from non-DNR agencies. Although DNR would certainly be comfortable using its organizational authority to ask that DNR divisions not expend Tier 2 funds (if that is the policy direction that we are given), the Department would still need statutory authority to move these funds back to the Operational Fund.

5 *What effect would a "clawback" of funding transferred on July 1 have on programs receiving those transfers?*

Response: Based on the June 20, 2017 Legislative Council Staff forecast for severance tax revenues, the Department was projecting that Tier 2 programs would be funded at 38.9% in FY 2017-18. As such, $5.3 million in Tier 2 transfers were made according to statute (which direct that DNR provide 40% of the funding projected to be available on July 1 of each fiscal year). The July 2017 transfers represented roughly 15% of annual authorized funding to each Tier 2 program.

DNR cannot comment on those Tier 2 programs outside of the Department of Natural Resources. That stated, the Aquatic Nuisance Species Program and the Species Conservation Trust Fund Program both received about 82% of authorized annual funding in the current year through General Fund transfers authorized in S.B. 17-259. The Department is extremely grateful for this legislation and both programs should be able to operate this fiscal year without major negative impacts because of this legislation. As such, a clawback of funding from these two programs should not have significant adverse impacts.

For the Water Supply Reserve Fund Program, the Department and General Assembly already planned ahead for the ongoing Tier 2 reductions by transferring $10 million from the CWCB Perpetual Base Fund to the Water Reserve Fund (see Section 21 of H.B. 17-1248, the FY 2017-18 CWCB Projects Bill). This transfer will allow the program to operate fully in the current year without needing any Tier 2 transfers.

The Interbasin Compacts line item includes $745,067 in Tier 2 severance tax funding to pay for the operating expenses of the Interbasin Compact Committee process, including hiring contractors to evaluate water needs and otherwise provide support of this collaborative process. Although this program has no identified solution for an extended revenue shortfall, the program started FY 2017-18 with about $968,000 in unencumbered fund balance which would support the program at full funding for the current fiscal year even if the $108,465 Tier 2 distribution from July 1, 2017 were taken back.

The Water Efficiency Grant Program is authorized to receive up to $550,000 in Tier 2 severance tax funds each year. Tier 2 severance tax funding is essentially used to pay for grants, while the CWCB Construction Fund pays for the 1.0 FTE associated with this line item (providing a far more stable and predictable mechanism to pay for the associated salary). Because the program has managed to retain a fund balance, in part to deal with revenue volatility, the grant program will continue to operate in both FY 2017-18 and FY 2018-19 even if the $80,068 Tier 2 distribution from July 1, 2017 were taken back. In light of recent news about available Tier 2 funding over the next 18 months (expected at zero going forward), CWCB will have to make some decisions about how much its wants to restrict total grant awards over the coming cycles to preserve some funding for the future if revenue difficulties persist.

Finally, the newly created Tier 2 program for the Reclamation of Forfeited Mine Sites received $18,488 from its July 2017 Tier 2 distribution. These dollars provide the necessary funding for reclamation of forfeited sites that are under bonded, as well as project management funding for many forfeited sites. Without this funding, the number of reclamations of forfeited sites will decrease.

6 *By program, how much of the July 1 transfer remains unexpended and uncommitted?*

Response: All of DNR's Tier 2 cash funds contain sufficient cash that is unexpended and uncommitted that would allow for 100% of the July 1, 2017 distributions to be "clawed back". Details on each of these programs are contained in the response to Question #5.

7 *Do any Tier 2 funds/programs revert unexpended balances back to the Severance Tax Operational Fund?*

Response: No. By statute, unexpended moneys remain in the Tier 2 cash funds. It is important to note that the last 30% of funding is not even provided until late in the fiscal year (April 1st by statute, although the actual transfer typically occurs several weeks after that). To help offset the late and unpredictable arrival of some revenue, the Tier 2 transfers are deposited into continuously appropriated cash funds. Thus, not only does the unexpended cash remain in the Tier 2 cash funds, but the ability to expend the money carries over from fiscal year to fiscal year.

8 *Can the Department provide any insight on whether severance tax revenue in the current fiscal year is abnormal and therefore does not require changes to severance tax spending priorities?*

Response: Two things are normal with the severance tax revenue stream. First, severance tax revenues are volatile from year-to-year. In fact, over the last 9 years, statewide severance tax revenues have changed by an average of 82% from the year before. Second, actual severance tax revenues are exceptionally hard to forecast. As a result, actual revenues are often well above – or well below – the forecasts. The Department did an analysis of recent December economic forecasts for current year revenues. The Department's analysis found that the forecasts averaged being off by about 20% to 30%. In the three worst cases, the forecasts missed by 44%, 47%, and 67%. So, in a general sense, abnormalities and the unexpected are the norm for this revenue stream.

That stated, the revenue shortfalls since the BP America ruling are the most serious that the Department has seen over the last twenty years. In this regard, it is interesting to note that in FY 2016-17, severance tax collections were $119.3 million statewide and that a total of $126.5 million in severance tax related refunds were issued that same year. Had it not been for S.B. 16-218, which directed the General Fund to pick up a large portion of the severance tax refunds, Colorado would have had a severe revenue shortfall last fiscal year. In this regard, it is hard to call what is happening in FY 2017-18 abnormal. And, unfortunately, we expect these problem will continue into FY 2018-19. As such, we believe it is entirely appropriate to analyze spending priorities and proceed accordingly.

Looking forward, it is not clear to the Department what the new "normal" severance tax revenue stream will look like. There are a number of factors which may be impacting the revenue stream looking forward, including: (1) oil and gas companies claiming rate-of-return ("ROI") deductions not allowed prior to the BP American case; and (2) the potential impact of increasing property tax assessments by special districts (which increases the ad valorem offset applied to the State's oil and gas severance tax). In this regard, there may be a higher-than normal amount of variance and unpredictability (stressing that it is normally volatile and unpredictable). Given this, the Department believes that the State should plan accordingly and be prepared for scenarios over the next 18 months where revenue comes in below the amount forecasted. This planning will certainly involve analyzing and determining spending priorities. As noted previously, the Department is currently working with the Governor's Office on a solution to stabilize funding for high priority severance tax programs. The Department looks forward to working with the General Assembly to help implement a solution once this plan is finalized.

2:40-3:00 GENERAL QUESTIONS FOR THE OIL AND GAS CONSERVATION COMMISSION

1 *What expertise do oil and gas operators implement to forecast changes in tax liability in markets with uncertainty such as Colorado?*

Response: The OGCC is unaware of any specific expertise operators may implement to forecast changes in tax liability, although industry may be able to provide better information about their forecasting process. Most operators base their economic forecasts on current tax law, which has been stable in Colorado for many years with the recent exception of the BP America case regarding additional allowable tax deductions. This approach could change, however, if a serious oil and gas tax-related issue was included on an upcoming statewide ballot.

2 *What is the annual total cost and average cost for FY 2014-15 and FY 2015-2016 for each of the following activities:*

a. *application,*
b. *petition,*
c. *protest,*
d. *responsive pleadings, and*
e. *pleadings staff cost?*

Response: The OGCC has limited data on the amount of time spent on several of these activities and the volume of those activities in past fiscal years. The resource intensity of the activities, however, is gradually increasing, as the effort required to resolve more complex applications, protests, and petitions has increased over time.

The following table shows the number of hearing applications processed by the agency in each of four fiscal years. An average staff cost based on December 2017 salaries is calculated by applying the hours that various positions spend to resolve each type of activity to an average position cost per hour. None of the costs in the table below include overhead and other indirect costs. As noted in the table, some of the activities are subparts of other activities, and the OGCC's estimates of hours per activity must separate the hours that overlap.

		Volume of Activity by Fiscal Year				Total Cost by Fiscal Year			
Hearing Unit Activity	**Average OGCC Cost Per Item**	FY15	FY16	FY17	FY18 to date	FY15	FY16	FY17	FY18 to date
(A) Applications	$130	672	680	635	372	$87,360	$88,400	$82,550	$48,360
(B) Petitions	$250	*	*	*	*	*	*	*	*
(C) Protests - effort beyond (A)	$2,130	*	*	*	*	*	*	*	*
(D) Pleadings and Responsive Pleadings - effort beyond (C)	$100	*	*	*	*	*	*	*	*

(*) Although exact numbers are not readily available, the OGCC estimates that approximately 20 to 25% of applications in recent years were protested. However, in the last two hearing cycles 35 to 45% of applications were protested. Regarding petitions, a good faith estimate is about one per year.

3 *Provide the number of spacing, drilling permit, and other applications for 2017 to date and for the previous four years.*

Response:

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18 (to date)
Drilling Permit Applications	4,401	3,895	3,317	4,624	2,655
Location Applications	1,103	832	459	538	212
Disposal Well Applications	62	38	32	52	17
Spacing and Other Hearing Applications	614	672	680	635	372
Totals	6,180	5,437	4,488	5,849	3,256

4 *For FY 2015-16 and FY 2016-17, provide staff-hours and related expenditures for reviewing work related to:*

a. Crestone Peak Resources and

b. Extraction Oil and Gas.

Response:

(a) OGCC's Oil and Gas Location Assessment staff has been directly engaged with Crestone Peak during the development and evaluation of their proposed Comprehensive Drilling Plan (CDP) for lands in Boulder County as provided for in Rule 216. In total, COGCC estimates that approximately 375 staff hours, totaling $25,000, will be directly attributable to this effort since the concept was first presented in March 2017 through the end of calendar year 2017.

(b) Extraction Oil and Gas, Inc. has yet to file permit applications within the lands, although some spacing applications have been approved. OGCC's Oil and Gas Location Assessment staff has been engaged in support of the City and County of Broomfield's review of proposed oil and gas development by Extraction since that company acquired assets and began planning development in Broomfield. OGCC participated in meetings with Broomfield City Council regarding a Memorandum of Understanding between the city and the operator, and then participated in the city's efforts to revise their municipal "Development Plan" to more directly account for oil and gas activity. During this effort, the OGCC estimates that approximately 100 hours, totaling $6,500, have been dedicated to supporting Broomfield.

5 *How many inspectors does the Oil and Gas Conservation currently employ? Have all the positions required to be filled in the Long Bill been filled, listed by position.*

Response: The OGCC currently has 29 field inspectors on staff. On average OGCC can inspect every well in the state once every 1.5 years, although it employs a risk-based approach to inspect high-risk wells more frequently than average and lower-risk wells less frequently.

Throughout FY 2016-17, the OGCC was intentionally holding 9.0 FTE vacant in response to substantial shortfalls in mill levy revenue to the Oil and Gas Conservation and Environmental Response Fund. These vacancies were distributed across multiple functions, as follows:

- Permitting - 3.0 FTE
- Field Inspection - 1.0 FTE
- Hearings - 2.0 FTE
- Technical Services - 1.0 FTE
- Administration - 2.0 FTE

To fill these vacancies, the OGCC received an appropriation of $750,000 from Tier 1 of the Severance Tax Operational Fund in FY 2017-18 that refinanced unsupported mill levy cash fund spending authority. Of the nine positions that were vacant in March 2017, four have been filled including the 3.0 FTE in the permitting unit and 1.0 FTE in the field inspection unit, as well as multiple other positions vacated in those units due to routine turnover.

OGCC has attempted to fill a vacant administrative position and is in the process reassigning two other vacancies to assist with permitting and field operations. Those are expected to be filled in the near future. Ongoing workload has prevented the OGCC from filling the remaining vacancies thus far, but it is continuing to move forward. In the meantime, vacancy savings are being used on six state temps in the permitting unit and the Flowline Integrity Program.

Please note that the Operational Fund appropriation to fill these vacancies was made before the full impact of outstanding BP America refunds and routine monthly refund activity was known. The OGCC is aware of the emerging severance tax revenue issues and will manage vacancies and other expenditures accordingly.

6 *Discuss any interesting history of the early days of oil and gas exploration in Colorado.*

Response: In 1862, Alexander M. Cassiday, a pioneer in the Oil Creek development in Pennsylvania, came to Colorado and drilled a well to a depth of fifty feet near a live oil seep on Colorado's Oil Creek about six miles north of the present site of Canon City. It is unknown what type of equipment was used at the time; is has been reported that Cassiday imported a drilling rig, but may be more likely that a piece of rudimentary equipment was constructed.

Cassiday's oil well is thought to be the first in the West, and it was soon followed by another "first"; a primitive oil refinery with equipment made in Denver. During the 1860s, Cassiday sold his partially refined "coal oil" through the territory at prices that ranged from $1.25 to $3.00 per gallon.

Following Cassiday's modest success, others began to drill in the same area. One such well was sunk to 342 feet before running into quicksand, an obstacle that exceeded the engineering prowess of the early developers who were unable to keep the well from collapsing. Most wells were much shallower, like Cassiday's first.

By the early eighties, the Florence Field had been opened and Cassiday organized the Arkansas Valley Oil and Land Company to work in the new field. The firm's wells were so successful that a new refinery had to be built to handle the output. After a series of mergers, Cassiday's company became part of the Continental Oil Company. In 1889, legislation prohibited the emptying of oil or petroleum into any water of the state. In 1890, natural gas was discovered in northwest Colorado. In 1915, the first laws governing wells and field operations were established.

7 *Discuss tax policies over which the Oil and Gas Conservation Commission administers directly. If it is indirectly involved, i.e., through stakeholder groups etc., in any tax policy development, also discuss its role in those.*

Response: The Oil and Gas Conservation Commission does not administer any tax policies or collect taxes directly. The revenue source over which the OGCC has the most control is the mill levy. However, the OGCC relies heavily on severance tax revenue, which currently accounts for 49% of its annual budget. In this capacity, the OGCC is indirectly involved in tax policy as a participant and stakeholder in broader discussions regarding severance tax, though its role in these discussions is primarily focused on the impact of severance tax policy decisions on its budget. Please see the response to Question #9 in this section of the hearing agenda document for additional information on the OGCC's administration of the mill levy.

8 *What are the sources of revenue credited to the Oil and Gas Conservation Commission Emergency Response Fund besides the mill levy on oil and gas operations?*

Response: In addition to mill levy collections, the Oil and Gas Conservation and Environmental Response Fund (OGCERF) has two other sources of revenue--penalty revenue and bond claim money--that go to restricted accounts within the Fund and can only be used for specific purposes:

a) Penalty Revenue: The OGCERF receives about $950,000 in penalty revenue on average, although the actual amount can vary substantially from year to year. Penalty revenue is deposited into the Environmental Response Account within OGCERF and can only be spent on: (1) activities directly related to environmental protection, including plugging and reclaiming well sites; (2) the investigation and remediation of impacts that cause or threaten to cause an impact to public health or the environment; and (3) environmental projects, such as baseline groundwater and soil studies.

b) Bond Claims: When OGCC claims a bond from an operator, the money is deposited into a restricted account within the OGCERF and can only be used to plug and reclaim the wells to which it pertains. Bond claim money currently accounts for $1.2 million of the total fund balance.

The OGCC also uses the OGCERF to administer federal funds for the Underground Injection Program and receives a nominal amount of revenue from copy and publication fees each year. Please note that severance tax revenue—the other major source funding for the OGCC—is administered separately through the Severance Tax Operational Fund and does not represent a source of revenue for the OGCERF.

9 *How does the Oil and Gas Conservation Commission adjust the mill levy? Discuss any plans to adjust the mill levy and the magnitude of that change. Please include a revenue estimate, if possible.*

Response: Pursuant to Section 34-60-122 (1) (a), C.R.S., the Oil and Gas Conservation Commission has the authority to make adjustments to the mill levy rate up to a maximum of 1.7 mills through the rulemaking process. The typical rulemaking process requires a public notice, a stakeholder process, public comment, a prehearing process for parties, and a rulemaking hearing before the Commissioners. The process takes a minimum of three months from filing the public notice to the adopted rules becoming effective, but in practice typically takes OGCC six months to complete. If a shorter process is necessary, OGCC could initiate an emergency rulemaking that necessarily would be followed by the typical rulemaking process. The mill levy is currently set at 0.7 mills and has been stable at that rate since 2007. Based on the current projections regarding price and production, each 0.1 mill increase would generate approximately $1.0 million annually in additional revenue.

Over the past three fiscal years, expenditures from the Oil and Gas Conservation and Environmental Response Fund (OGCERF) have exceeded revenue by $2-3 million per year. Prior to the passage of S.B. 17-267, raising the mill levy to address this revenue shortfall would have increased the state's refund obligation under TABOR. With the newly-created room under the TABOR cap, however, a mill levy increase has become a more feasible option to cover OGCERF obligations without negatively impacting the larger state budget. This issue has become even more important when looking at the out-year projections for the OGCERF which show expenditures outpacing revenue by about $3.9 million in FY 2019-20 and $4.3 million in FY 2020-21, assuming appropriations are fully spent.

The OGCC has been carefully analyzing both the status of the OGCERF and the mill levy rate, but the overall funding situation for the agency has very recently been further complicated by both the severance tax revenue issues discussed above and the rapidly growing inventory of orphaned wells in the state which are the responsibility of the OGCC. As such, the OGCC is examining alternatives in collaboration with the Governor's Office to identify the best path forward to fund the agency in the future.

10 *What is the volume of oil and gas wells known to exist with no production?*

Response: Oil and gas wells that are active and not producing are classified as shut in or temporarily abandoned as reported on Form 7s submitted to the OGCC. A well is considered "shut in" if it is capable of production but is not producing because the valve is closed. It is considered "temporarily abandoned" if it has been completed but is not capable of production due to a down-hole plug or the lack of additional surface equipment. In general, a well is counted as active if it has not been plugged and abandoned. This includes orphaned wells, which exist as temporarily abandoned or shut in wells until they are plugged.

As of December 6, 2017, the total number of active wells that were either shut in or temporarily abandoned was 12,074. Of these, 10,658 were shut in and 1,416 were temporarily abandoned. Please note, however, that the precise number of shut in or temporarily abandoned active oil and gas wells can change on an hourly basis as the OGCC processes Form 7s submitted by operators.

3:00-3:15 BREAK

3:15-4:15 CONTINUATION OF QUESTIONS FOR OIL AND GAS CONSERVATION COMMISSION

R1 Additional Staffing and Equipment for Flowline Safety

11 *Please comment on operator's lack of compliance with the CO811 registration requirement. Were any operators registered prior to recent outreach efforts?*

Response: Of Colorado's approximately 500 operators, about 55% were registered with CO 811 prior to recent outreach efforts but about 45% were not, especially the smaller operators. One of the early successes related to the creation of the Facilities Integrity Program was greater emphasis on and coordination with CO 811, including increased compliance with the COGCC rule that operators register with CO 811. The Program was able to register 80 operators in 2016 through outreach efforts, then issued 89 additional warning letters to other non-registered operators. To date, 50 of these have been resolved by operators submitting proof of One Call membership, which, in most cases, were new memberships.

12 *How many staff-hours and related expenditures were utilized on each of these three oil and gas fatality explosions and fires in 2017: Firestone, Mead, and Galeton? Provide information on any other injury incidents occurred requiring staff time and how much was expended.*

Response: The COGCC does not have a direct mechanism to track time and cost on a well by well or project basis. However, based on notes and other information, the OGCC committed resources as follows:

Firestone: Field inspection staff spent about 8,960 hours ($403,500) responding to and assisting in this investigation. The engineering unit spent at least 4,000 hours ($252,000) on the event. The Environmental Unit utilized both staff resources and contractors to conduct environmental investigations in the vicinity of 6312 Twilight Avenue following the home explosion. Shallow soil gas surveys were conducted and a deeper subsurface investigation was undertaken. Staff put in considerable time overseeing Anadarko's response and subsequent investigation, in addition to time reviewing reports and preparing and making presentations. In total, OGCC Environmental Protection Specialists were engaged for approximately 1020 hours, totaling $67,000, directly related to this project. Additionally, the OGCC expended approximately $35,000 on contract services, including laboratory analysis, in support of our investigative efforts.

Firestone-related costs for all responding work units is approximately $331,000 in personnel costs and $35,000 in contract services for a total of $366,000.

Mead tank battery: The field inspection unit spent approximately 226 hours ($10,400) in its response to this event.

Galeton: The fire that occurred near Galeton involved a gas gathering line, which is not under OGCC jurisdiction. However, field staff did respond initially and worked with the gas gathering company, requiring 4 hours of staff time, or $180.

Regarding other injury incidents, the OGCC does not have the authority or responsibility, per the Oil and Gas Conservation Act, to investigate or respond to injuries involving on-site workers. The OGCC does investigate fires, explosions, accidents that cause significant damage or injuries to the general public. From July 1, 2016 to December 6, 2017 the COGCC has responded to 23 fires, two well control events, a site damaged by hail and wind, two sites where the gas-well head was damaged by farming operations, and two equipment failures. The estimated field staff time to respond, inspect and document these events is 152 hours or $6,840.

13 *Do any other states that regulate oil and gas flowlines utilize drones in-house or by contract? Provide a discussion of the decision to request funding for contractual services and not developing in-house expertise.*

Response: Other state oil and gas regulators have expressed a growing interest using drones to assist with the oil and gas inspection process. In fact, a presentation on drones titled *"State of the Art Drone Inspection – Going Above and Beyond"* is scheduled for the next Interstate Oil and Gas Compact Commission meeting. The oil and gas industry is already using drones to collect data and assist with the inspection of assets. Regarding the request for contract services for drones, technology is rapidly advancing and the OGCC felt that, at least during this early stage of the process, it made the most sense to use the expertise of an experienced outside organization.

14 *How is drone-surveying a reliable method for detecting releases? What advantage does it have over walking the line with similar optical equipment?*

Response: Drone surveying is considered a reliable method but is dependent on using the right sensors and resolution. It can have advantages over walking the line with optical equipment in terms of survey speed, ability to survey difficult terrain, and ability to combine readings from different sensors with GPS measurements.

15 *What requirements are placed on operators regarding flowline mapping and integrity tests? Should operators be required to submit maps of their flowlines?*

Response: Current rules do not require mapping of flowlines and require pressure testing be used to evaluate flowline integrity. In addition, CO 811 already has a comprehensive database that includes information on the location of oil and gas flowlines along with data on other pipelines and buried utilities. If COGCC were to require operators to provide maps of flowlines it would only cover lines regulated by COGCC and, consequently, information on many other Colorado pipelines would be excluded from the maps and data including things like distribution lines, propane lines, transmission lines. It would duplicate existing work already done by CO 811 and require considerable increased engineering and IT staffing to gather, check, update and maintain the maps/data.

Bonding and Financial Assurance

16 *Is the bonding requirement for permitting oil and gas exploration and drilling sufficient to reclaim all sites involved in production?*

Response: Based on the current financial assurance requirements, the cost of reclamation can exceed the required amount OGCC has in financial assurance from an operator. At one time, the individual bond amounts were equivalent to the actual costs to plug a well and reclaim the site. However, in spite of the rule change in 2009 that doubled the individual bond amounts--from $5,000 to $10,000 for a shallow well and from $10,000 to $20,000 for a deep well--the increase in actual plugging and reclamation costs over time has outpaced the amounts required for the individual plugging bonds.

A blanket bond allows an operator to provide a $60,000 bond for up to 100 wells, or a $100,000 bond for 100 or more wells. The blanket bond required for less than 100 wells was also doubled from $30,000 to $60,000 in the 2009 rule change. The concept of a blanket bond is based upon the presumption that an operator with multiple wells has a steady revenue stream from the producing wells that can help provide the financial resources to cover the costs to plug and reclaim old depleted wells. Therefore, the amounts are not intended to be equivalent to the actual costs to plug all the wells and reclaim all the sites subject to that bond.

The response to Question 21 details examples of situations in which the financial assurance has not covered or is not projected to cover the cost of reclamation.

17 *What protections are in place to ensure value exists when bonds for operators under bankruptcy protections are revoked?*

Response: Financial assurance, or "bonds," can be in the form of cash, a certificate of deposit, or an insurance policy. The cash bonds are held in the state treasury. The certificates of deposit must be written "for the benefit of the COGCC" with the restriction that the CD cannot be replaced or redeemed without written authorization from the COGCC. The insurance policies must be written as perpetual instruments that cannot be cancelled or released without written authorization from the COGCC. Financial assurance provided by an insurance policy that has not been claimed requires ongoing premium payments. Premium payments must be made for the operator to continue to remain in compliance with COGCC rules, and the payments may be made under bankruptcy law.

18 *For FY 2015-16 and FY 2016-17, how many staff-hours and related expenditures were utilized to ensure, before permits are issued, an operator's financial stability, such Extraction Oil and Gas's multi-year losses and leveraged financing including junk bonds, does not negatively affect the operator's ability to protect people and the environment, complete work, cap wells, and restore areas?*

Response: The OGCC does not evaluate an operator's financial stability prior to issuing a permit.

19 *How many operators use the $25,000 statewide, blanket financial assurance allowed in Rule 703 rather than any of the other means of demonstrating financial assurance?*

Response: Operators who have oil and gas locations on private lands where the surface owner is not a leased mineral owner must provide either financial assurance for surface owner protection per Rule 703 or secure a surface use agreement. Currently, 219 operators have $25,000 blanket bonds and 38 operators have 53 individual bonds (45 for $2000, 8 for $5000). In FY 2015-16 the permits for 1,294 wells were issued with a Surface Use Agreement and in FY 2016-2017 the permits for 1,586 wells were issued with a Surface Use Agreement.

20 *For FY 2015-16 and FY 2016-17, how many staff-hours and related expenditures were utilized to review whether an operator demonstrates to the commission's satisfaction that it has sufficient net worth to guarantee performance of any obligations imposed by statute and rule?*

Response: The COGCC does not evaluate any operator's net worth as a measure of their ability to perform their obligations under our statutes and rules. Operators must provide financial assurance as their guarantee of performance.

21 *Discuss the volume of operators, which had insufficient financial assurance and failed in FY 2014-15, FY 2015-16, and FY 2016-17. For each provide:*

a. *Reason(s) for insufficient assurance, and*
b. *The amount the reclamation activity is estimated to or did exceed recoverable assurance.*

Response: In the referenced fiscal years, COGCC performed plugging and abandonment or reclamation activities at locations operated by 23 operators who failed to meet their plugging and abandonment or reclamation obligations. In 21 of these cases (91%), the operator's financial assurance was insufficient to cover the plugging, abandonment, and reclamation costs. In total, these 21 operators had $1.33 million in financial assurance in place; the actual or estimated costs to complete the required plugging, abandonment, and reclamation at the affected sites is $14.36 million. Individual financial assurance and project costs for each of these 23 operators is included as attachment A.

The OGCC used or is planning to use money from the Oil and Gas Conservation and Environmental Fund, as needed, to plug and abandon the orphaned wells, reclaim the well pads and access roads, and remediate sites with historical spills or releases. Since this fund consists of a mill levy assessed against oil and gas companies, as well as penalty revenue, this is an equitable way to pay for these expenses. General reasons for the lack of adequate financial assurance are addressed in Question 16.

R5 Plugging and Reclaiming Orphan Wells

22 *Does the Oil and Gas Conservation Commission have adequate financial resources to fully remediate all abandoned oil and gas locations and facilities? If not, what is the rationale for not raising the statutory mill levy above its current level?*

Response: No, the OGCC does not currently have adequate financial resources to fully remediate all orphaned oil and gas locations and facilities. As discussed more thoroughly in the response to Question #25, the OGCC would need approximately $5.3 million per year over a period of 5 years to address the current inventory of orphaned wells and locations. The rationale for not raising the mill levy above its current level was included in the response to Question #9.

23 *What is the average cost of reclaiming an orphan well? Compare a simple reclamation to one that becomes more complicated.*

Response: For most orphan well projects there are at least two phases of work (or "tasks"): plugging the well and reclaiming the surface. In many circumstances, an environmental remediation task is also needed for spills at tank batteries or cleaning up old production pits. For the five-year period from FY 2012-13 through FY 2016-17, OGCC calculated an average plugging cost per well of $40,000 (includes 10% contingency). After plugging (or if there was no well on the location to plug), the average reclamation and remediation cost per location was $42,500 (includes 10% contingency). As such, the OGCC estimates that the *total average cost* for a single-well location is approximately $82,500.

The *actual cost* of reclaiming an orphaned well can vary widely depending on the complexity of the project. On the low end, a small pad in crop land with no wells to plug (none drilled or previously plugged by the operator), and no environmental impact, reclamation may consist of picking up old discarded oilfield items for a total cost of less than $1,000. On the high end, a multi-well pad with an associated tank battery, production pits, dehydration, and in-field compression, could cost hundreds of thousands of dollars to plug wells, decommission equipment, remediate environmental contamination, close pits, re-grade the location, import topsoil, and re-establish vegetation.

24 *Discuss any interaction the Oil and Gas Conservation Commission has with stakeholders regarding plugging and reclaiming orphaned wells.*

Response: This fall, OGCC met with members of the oil and gas industry to discuss initiatives to address the state's backlog of orphan wells. These meetings followed the Governor's announcement in August of an initiative to create a voluntarily-funded program that would plug and reclaim orphan wells in Colorado. Industry also proposed options to address the backlog, including the use of severance tax and other COGCC funding streams, though the current severance tax situation complicates the implementation of these options. These meetings also furthered the work of an informal distressed operator working group comprised of DNR, OGCC and industry begun in the Fall of 2016.

25 *Discuss reasons why additional funding was not requested in addition to the two-year spending authorization. How much additional funding would be required on an ongoing basis to keep pace with newly discovered orphan wells?*

Response: With some ups and downs, incoming orphan well projects and project work was balanced with a relatively low backlog (less than 20) from FY08 through FY13. The backlog began to increase in FY14 (38 wells on 43 locations), FY15 (57 wells on 62 locations), and FY16 (53 wells on 82 locations). The number of locations is greater than the number of wells because some locations do not have wells to plug.

The annual Plugging and Reclaiming Orphaned Wells (PROW) appropriation was increased from $220,000 per year to $445,000 per year in FY12, primarily to provide additional funding for reclamation tasks. As the orphan well backlog increased from FY14 through FY16, total annual spending (PROW + Bond + Emergency Appropriation) gradually increased from $429,032 in FY14 to $515,445 in FY16. Concurrently with increasing the PROW appropriation, OGCC recognized an increasing risk of operators abandoning wells due to the commodity price collapse. OGCC initiated an annual audit process in June of 2015 that evaluates whether operators that have blanket bonds have adequate bonding for excess inactive wells. As a result of the audits, OGCC has collected an additional $49.4 million in bonds from operators.

OGCC recognized the growing orphan well backlog, and began to implement changes aimed at improving management and tracking of a much larger inventory of orphaned wells in FY17. OGCC completed a Lean process improvement in Fall 2016 to document the process being used at the time and identify methods to improve the PROW program. Process improvement goals included: 1) Developing a standard, easy to understand, and well documented orphan well process with tools available "as required;" 2) Enhancing communication between work units within OGCC; 3) Developing a consistent method to prioritize orphan well projects; and 4) Providing project management training and software. Development and implementation of a new "Orphan and Distressed Operator" program commenced in January 2017, and FY17 total spending increased to $764,172, largely resulting from increased Bond spending.

The orphan well backlog increased dramatically from FY16 (53 wells on 82 locations) to FY17 (199 wells on 267 locations), and through September 2017 the backlog was up to 244 wells on 300 locations. OGCC has estimated that the total cost to plug, abandon, and reclaim the state's existing backlog of 244 orphan wells and 300 associated locations over a period of five years would be $5.3M per year. The estimate included a total of $4,558,000 per year in engineering, reclamation, environmental and other costs, based on an average of $82,500 for each location with a single well and $47,500 for a location with no well (deducts the average plugging cost of $35,000 from the total of $82,500). The $5.3M per year estimate also included a minimum of

$740,000 each year for an additional 6.0 COGCC FTE to administer the PROW program, but it did not include costs to address new wells as the backlog continues to grow because of new bond claims and newly-discovered orphan wells. Planning estimates for end of FY18 are 380 wells on 314 locations, and OGCC continues to implement its new tracking and prioritization system to handle a larger orphan well project load.

The $5.3M per year estimate over five years to eliminate the September 2017 backlog of 244 wells on 300 locations did not include the costs to address the unknown number of orphan wells that will almost certainly be added to COGCC's inventory over the next 5 years. COGCC has added an average of 57 orphan wells per year to its inventory over the past four years. If this trend continues, an additional 285 wells/locations will be added to COGCC's inventory over the next five years. Plugging and reclaiming these 285 potential orphan wells/locations–necessary to reduce the state's backlog of orphaned wells to zero–would likely require a similar amount per year ($5.3M) as addressing the state's existing backlog of 244 orphan wells and 300 associated locations over five years.

In addition, these estimates do not include funds to locate or address any existing, yet undiscovered wells in the Rangely and Florence Fields. COGCC estimates that a pilot project utilizing drone technology to survey a half-section in both the Rangely and Florence fields would cost $50,000. If drone technology proved successful in locating orphan wells, a preliminary estimate of the cost of surveying the remainder of the Rangely field (50 square miles) and Florence Field (25 square miles) is $3.38M. This surveying effort would likely add hundreds of additional orphan wells to the state's existing backlog, further increasing the cost to reduce the backlog to zero.

The OGCC planned to address the existing backlog of orphaned wells, including those to be discovered in the Florence and Rangley Fields, through a separate initiative given the challenge of severance tax fluctuations and current efforts with industry to find alternative funding streams to address this issue. More information regarding OGCC's estimation of the orphan well problem and solution are detailed in the attached responses to questions from Senators Rankin and Scott.

26 *Are there any sources of federal funds that may be accessible to the Oil and Gas Conservation Commission for plugging and reclaiming orphan wells?*

Response: Orphaned wells accessing federal minerals are tracked and prioritized by OGCC, but these wells have federal plugging bonds. In these cases, Commission orders have stipulated that U.S. D.O.I. Bureau of Land Management (BLM) is presumed to be the lead agency to pursue plugging and abandonment of federal orphaned wells. OGCC staff works with BLM to review and approve plugging plans, but BLM is expected to pursue their own funding mechanisms, including federal bonds. Otherwise, the OGCC is unaware of any sources of federal funds to plug and reclaim orphaned wells.

4:15-4:30 COLORADO WATER PLAN

27 *Please provide an update on the implementation of the 2015 Colorado Water Plan.*

Response: Overview: This November marks the two-year anniversary of Colorado's Water Plan. The plan set long-term, measurable objectives for eight categories: supply and demand gap; agriculture; funding; conservation; land use; storage; education, outreach and innovation; and watershed health. To meet these objectives, the plan laid out 159 short-term critical actions. The following table summarizes the progress on the critical actions for each objective:

Measurable Objective Category	Critical Actions Complete	Total Critical Actions
Supply Demand	10	11
Agriculture	14	22
Funding	5	5
Conservation	19	26
Land Use	6	10
Storage	17	33
Education	3	5
Watershed	3	3
Additional	26	44
Total	103	159

The CWCB staff recently developed a comprehensive implementation progress report available here. [1]

The state's nine basin roundtables have been dedicated to executing their Basin Implementation Plans (BIPs), which were foundational to Colorado's Water Plan. As a result, much of the success of "implementation" is basin specific – where local governments, water utilities, elected officials, community organizations, and citizens are involved on-the-ground with locally-tailored efforts. This progress report is a highlight of some of the highest impact actions that have been taken in the last two years.

Funding

Funding is critical to many of the implementation efforts and the CWCB will continue to align funding decisions with Colorado's Water Plan. The CWCB developed a short-term funding plan to make immediate progress on each of the water plan measurable objectives through the annual Projects Bill.

The 2017 Construction Fund Bill (HB 17-1248) included $25 million aimed at water plan implementation. This included:

1 http://cwcbweblink.state.co.us/WebLink/ElectronicFile.aspx?docid=205055&searchid=e3b09a57-916a-4299-8713-1317da19e047&dbid=0

- $10 million to backfill Tier 2 funding to the Water Supply Reserve Fund for basin roundtables
- $5 million for the Watershed Restoration Program
- $10 million for Water Plan Implementation grants and projects to be allocated as follows:
  - $1 million to provide technical assistance or improve agricultural efficiency
  - $3 million to facilitate the development of additional storage, artificial recharge into aquifers, and dredging existing reservoirs
  - $2 million for multi-beneficial projects and those projects identified in the BIPs to address the water supply and demand gap
  - $1 million for water shed health, environment, and recreation
  - $1 million to implement long-term strategies for conservation, land use and drought planning
  - $1 million for water education, outreach, and innovation efforts
  - $1 million to complete an update to the Statewide Water Supply Initiative.

In the fall of 2017, the CWCB received and processed the first round of grant application requests. The first round of applications was due on August 1, the second on October 1, and the third will be due in February 2018, pending availability of funds. There is an "Intent to Apply" status available to applicants to provide the Board with an indication of future funding needs.

The applications are subject to a two-meeting review and approval process by staff and the CWCB Board. At the November 2017 meeting, the Board voted on the first round of applications and have provided initial consideration for the second round of applications.

In the first round of CWP funding, the CWCB received 33 grant applications requesting over $8.7 million from the Water Plan Grant fund, leveraging over $50.5 million in matching funds to meet total project costs. The CWCB also received 35 "intent to apply" applications requesting over $10.3 million for a future grant cycle (many did not identify costs).

In the second round of CWP funding, the CWCB received 26 grant applications requesting a total of $4 million from the Water Plan Grant fund, leveraging over $34 million in matching funds to meet total project costs. The CWCB also received four "intent to apply" applications for a future grant cycle requesting a total of $575,000.

The first two rounds of CWP grant applications cover 92% of the state (59 of 64 counties).

Colorado's Water Plan sets an objective to sustainably fund its implementation. In order to support this objective, the CWCB and DNR will continue to work with the legislature, the IBCC, and stakeholders to investigate options to raise additional revenue in the amount of $100 million annually ($3 billion by 2050) starting in 2020.

4:30-5:00 DIVISION OF PARKS AND WILDLIFE

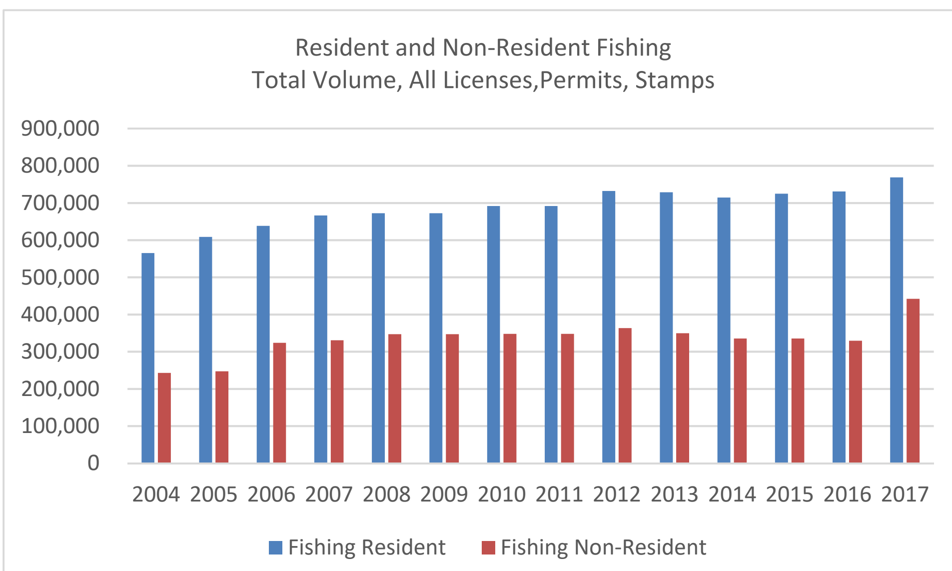
Usage Trends and Financial Sustainability

28 *Please discuss the trends (e.g., resident vs. non-resident usage, demographics of recreational users, etc.) CPW sees in the purchases of hunting and fishing licenses. What trends has CPW identified with regard to youth and young adult involvement in hunting and fishing activities in Colorado?*

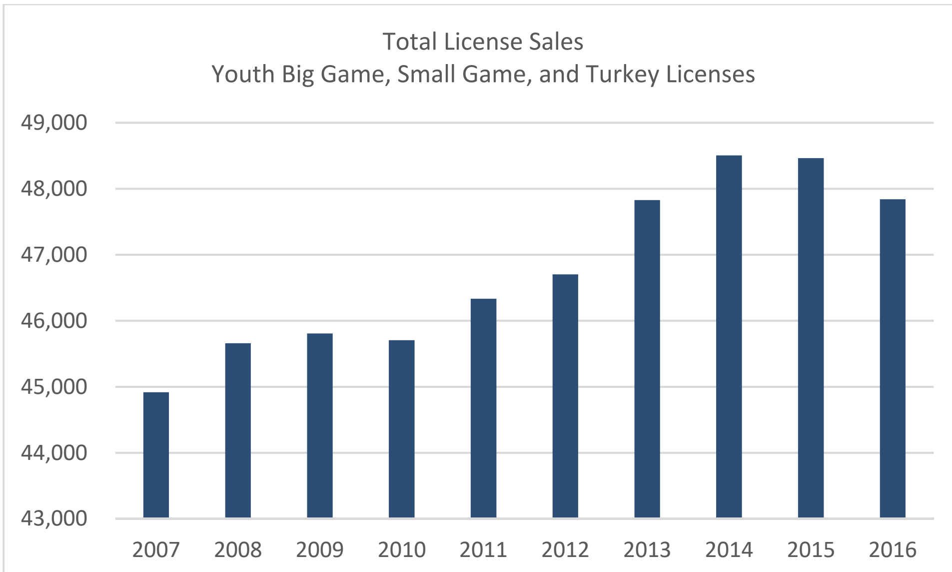
Response: At a national level, the percentage of people participating in hunting and to a lesser degree fishing, are decreasing. Additionally, the percentage of young people entering the hunting community is also declining. These trends have raised concerns among wildlife managers, state agencies, and others, about the future of wildlife conservation. Concerns range from lost revenue from hunting and fishing licenses sales and the potential for increased human-wildlife conflict to the long-term viability of hunting as a tool to manage wildlife populations.

In Colorado, the picture is somewhat less bleak. While the number of big game license holders – the largest group of hunters in Colorado – has been declining since 1985, the number of applicants has increased during the same period. Resident applications have increased steadily. Non-resident applications have increased by almost 70,000 since 1996 and remained steady through 2009 (See attachment B1). In general, application rates far exceed the number of licenses available (the quota) every year (See attachment B2).

Every year, Colorado Parks and Wildlife must certify hunter and angler license numbers with the United States Fish and Wildlife Service. Based on these data, both resident and non-resident fishing license sales have trended upward significantly in the last 14 years.



Sales of youth hunting licenses (big game, small game, and turkey) appear to have been consistently trending up since 2007, peaking around 2014 and with a slight dip in 2016 but the number of licenses sold is not necessarily a reflection of the actual number of hunters because some license types are limited in number and issued through a random drawing. CPW is still in the process of compiling youth fishing data for the last several years.



CPW works in partnership with many state and national organizations to address the decline in hunting and fishing participation through programs designed to recruit new hunters and anglers. Great Outdoors Colorado (GOCO) funding is vital to many of these efforts. Programs and activities conducted or sponsored by CPW include:

- About 750 hunter education classes annually, involving about 20,000 students
- About 100 mentored hunts statewide
- The Colorado Archery in the Schools Program (CASP) promotes student interest and skills development in outdoor recreation activities by training educators to incorporate Olympic-style target archery into a school's Physical Education curriculum.
- More than 300 beginning and advanced fishing classes statewide
- The Schools and Outdoor Learning Environments (SOLE) is designed to increase youth interest and participation in the outdoors by supporting and enhancing existing environmental education programs in Colorado schools and creating a network of sites and facilities to use as outdoor classrooms.
- The CPW Youth Internship Program (YIP) provides training and hands-on experience for youth interested in pursuing natural resource careers. The program targets youth between the ages of 16-24 and places about 60-80 interns annually in a variety of positions throughout CPW.

29 *[<u>Background Information</u>: CPW's internal projections show significant fiscal year deficits beginning in FY 2018-19 and continuing through FY 2024-25. In the last decade, CPW implemented cost control measures, reducing expenditures by about $40 million and staffing by about 60.0 FTE. During the 2017 legislative session, H.B. 17-1321 (Parks and Wildlife Financial Sustainability) intended to address CPW's ongoing financial sustainability, but stalled in the Senate Finance Committee.]*

a. *Please discuss the impact of the failure of H.B. 17-1321. How would the fee structure of this bill have addressed CPW's financial circumstances in the short-, medium-, and long-term?*
b. *Please discuss the factors driving CPW's deficit projections.*
c. *What is CPW's plan for addressing its projected deficits? Please discuss CPW's fee structure and any potential changes begin considered to bolster the Division's financial health.*
d. *What have been the impacts of CPW's cost control measures? How will these measures impact CPW operations in future years?*

Response:
(a) H.B. 17-1321 did not specifically change any hunting license, fishing license, or park fees. Rather, the bill was designed to do a few key things:

- Give the CPW Commission the authority to increase (up to a cap) the cost of a number of hunting and fishing license types, including the Habitat Stamp.
- Give the CPW Commission the authority to increase State Park fees up to 50% greater than current park fees.
- Make changes to several existing fines
- Empower CPW to issue aquatic nuisance species (ANS) stickers as a component of the existing boat registration process, and to charge a fee for the sticker based on boat size

Given this authority, CPW hoped to implement a series of phased adjustments to hunting license fees, fishing license fees, and park fees that would, over time, generate at least $14.0 million annually in new license revenue and $8.0 million annually in new park pass revenue by approximately 2023. CPW has found that the agency's customers are very supportive of user fees to help manage Colorado's wildlife and park resources. CPW and the Parks and Wildlife Commission planned to conduct a major outreach project following the passage of the bill, seeking input from hunters, anglers, and a broad spectrum of agency customers to help determine appropriate license and park fee levels for the next several years. With new revenue, CPW would have begun to address the long-term financial challenges facing the division.

(b) CPW's out-year deficit projections are driven by a number of factors. As pointed out during JBC staff's budget briefing to the Committee, CPW's fee structures are currently static, but inflation and other cost drivers are dynamic. Factors increasing CPW's costs and thus contributing to the projected deficit include the following:

- Inflation, calculated at 2.3% based on a five-year average of CPI.
- Wage increases, calculated at 2.32% based on the five-year average of Salary Survey and Merit appropriations.
- Health insurance premiums, projected to grow at 4.5% based on a survey of premium increases for large employers.

Using these percentages, CPW estimates that personal services costs alone (salary and benefits) could increase by about $19 million over the next 8 years. Changes to the statewide minimum wage could result in another $5.4 million in increased costs.
CPW also anticipates increased common policy costs over time. As just one example of these increases, CPW's payments to the Office of Information Technology (OIT) have almost doubled over the last two fiscal years; CPW projects that these costs will continue to increase at about 10% per year.

Capital improvements that will add to CPW's deficit include major investments in dam renovation, ongoing dam maintenance, hatchery renovations, and increased maintenance as the division's facilities age. These additional investments are calculated at almost $12.5 million annually by the end of the forecast period.

(c) Colorado Parks and Wildlife and DNR plan to pursue a new financial sustainability bill during the 2018 legislative session. CPW conducted nine public meetings around the state in the fall of 2017 to discuss its financial challenges and generate additional public input about solutions to be included in a new bill. CPW is currently coordinating with the DNR and state legislators to craft such a bill. The bill will include moderate increases in hunting and fishing license fees, re-authorization of parks fee-setting authority, which expired in 2017, and other mechanisms to ensure that hunter and angler numbers continue to increase, Colorado lands and waters remain open to the public, and dams, hatcheries, and other wildlife and park infrastructure is maintained.

In addition, the Water Resources Review Committee voted to introduce legislation in 2018 to create an aquatic nuisance species (ANS) stamp program. If passed, the bill would generate an additional $2.2 million to $2.4 million annually to allow CPW to continue its statewide boat inspection program. The current boat inspection program is mostly funded with Tier 2 severance tax revenue.

(d) CPW has implemented a number of cost control efforts, including a reduction to Wildlife operations of approximately $10.0 million begun in 2013 as well as making additional reductions related to state park operations. CPW has attempted to manage these reductions using the following strategies: eliminating permanent positions, re-prioritizing work, reducing operating hours of visitor centers and other amenities in the low visitation months in state parks, and re-evaluating the use of seasonal staff - completing some work with temporary staff that used to be done by FTE. Conversely, CPW has also had to make hard decisions about overall seasonal budgets and in some cases is hiring fewer temporary staff.

CPW has also delayed capital maintenance on the agency's significant infrastructure. CPW manages 19 hatcheries, more than 100 dams, and more than 1,400 individual structures (ranging from vault toilets to large visitor centers) statewide. The financial needs to maintain this capital infrastructure are enormous. Under the agency's current financial situation, CPW must allocate resources carefully and delay or defer a large number of capital projects annually. These impacts will be felt in future years, and could begin to have impacts on the agency's operating budget. For example, the hatchery system allows CPW to breed, hatch, rear, and stock over 90 million fish in Colorado's rivers and lakes each year; this in turn makes Colorado a fantastic place to fish and helps drive the sale of fishing licenses. Further degradation of the agency's hatchery infrastructure could impact the system's ability to produce fish and ultimately impact license revenue.

R3 Increase State Forest State Park Operations

30 *Taking into consideration both CPW's current financial situation and the State Land Board's (SLB) statutory requirements for leasing land it manages; did the Department explore alternative scenarios to leasing the land to CPW? Could CPW have managed and operating the State Forest State Park and the North Park Campground without a formal lease from the SLB?*

Response: In 2015 the SLB contracted with CHM Government Services to study the feasibility of privatizing the Colorado State Forest. At the conclusion of the study, the SLB determined it was in its best interest to continue with CPW management of the property as a state park. Years prior to that (August 29 to September 4, 1965) Colorado State Legislators, resource managers, and management from Colorado Game, Fish, and Parks conducted a week long pack trip of the Colorado State Forest to determine how and whether this property should be open to the citizens of Colorado. At the conclusion of the tour, it was determined by State Legislators that the Colorado State Forest should be leased or acquired as Colorado's largest State Park, which occurred in 1972.

It is important to note that SLB properties (unlike many federal lands) are not open to the general public unless a public or private management agency leases the recreational rights from the SLB. Thus CPW or a private entity must pay for a recreational lease from the SLB to make this property available to the citizens of Colorado.

31 *Please provide a description of the North Park Campground and the anticipated facility improvements and development to be undertaken by CPW. What is the rationale for this level of development at the Campground?*

Response: The North Park Campground is owned by the State Land Board and has previously been operated by Western Parks Management and (prior to that) Kampgrounds of America (KOA). The campground includes 30 full hook-up RV sites, seven basic camper cabins, two deluxe cabins, tent sites, and a camper registration/administration building. The North Park Campground also has a stand-alone drinking water treatment facility and septic system.

CPW is requesting increased spending authority in part to fund ongoing maintenance and upgrade of the campground's significant infrastructure, which includes electrical hook-ups, sewer hook-ups, wastewater system, and potable water infrastructure. Currently many of the facilities are not operational year round and some are out of compliance with health codes, building codes, and modern standards. The agency will also make some functionality and aesthetic improvements and upgrades to existing infrastructure, with the goal of making the campground more appealing to visitors.

Assuming management of the North Park Campground will allow CPW to bring its expertise with camping (and RV camping in particular) to this amenity and presents an opportunity to increase revenue. The campground is the first facility that park visitors encounter when traveling to the popular North Michigan Reservoir area of the park, and it contains the only full hook-up RV sites and deluxe cabins in the park.

One previous manager of the campground, KOA, grossed approximately $105,000 for a five-month (summer) operating season. (Please note that these revenue estimates are three years old; CPW has not been provided more current revenue estimates from the more recent manager, Western Parks Management.) CPW park staff feel that this can be improved with expansion to a longer season. The "shoulder seasons" slightly before and slightly after the summer are not as crowded as the prime summer months, but CPW could earn a moderate amount of revenue in these seasons. With an expanded season, additional amenities, and promotional work by the CPW Marketing section, CPW could earn sufficient revenue to make management of the North Park Campground a net positive revenue generator for the park and ultimately the division.

Additionally, visitors to State Forest State Park were requesting full hook-ups for RV camping, which is common at many state parks. CPW assuming management of North Park Campground will allow CPW to provide and upgrade these services for the citizens of Colorado.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1 *Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.*

Response: The department is aware of two pieces of legislation that have not yet been fully implemented. Colorado Parks and Wildlife has yet to implement into division regulations changes related to the removal of mid-term suspension review regulations within CPW procedural rules chapter W-16, resulting from the sunset of 33-6-106 (9) C.R.S. The proposed regulatory changes will be heard by the CPW Commission at issue stage in January and finalized in March of 2018. CPW does not anticipate any issues with getting these implemented.

The Division of Water Resources was given direction by HB 17-1076 to amend Section 37-90-137 (9) (d), C.R.S., which directs the State Engineer to promulgate rules for the extraction of water recharged into non-tributary aquifers. The rules are to be promulgated on or before July 1, 2018. The law became effective in August and since that time, DWR staff has drafted the rules and circulated the draft rules to interested parties. After a December stakeholder meeting, DWR will submit the rules to the Secretary of State to begin the formal rulemaking process. The Department expects to meet the statutory requirement of July 1, 2018.

2 *Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2017 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.*

http://leg.colorado.gov/audits/annual-report-status-outstanding-audit-recommendations-june-30-2017

Response: The Department of Natural Resources has three HIGH PRIORITY OUTSTANDING performance and IT audit recommendations for the Division of Water Resources Dam Safety Program as of June 30, 2017, including: (1) modifying the Engineering Inspection Report to include a section to note issues from previous reports; (2) developing and monitoring a centralized system that captures key information on hazard reclassifications including which dams need reclassification reviews, when the need was determined, and other key data; and (3) tracking causes of delays in final project approvals and taking corrective actions to expedite the approval processes. These recommendations are currently partially implemented because the DAMS database used for reporting and tracking is a legacy tool with only one specialized developer that can do the coding to make the required changes. However, the Division of Water Resources has developed temporary workarounds to address the audit concerns while development on the DAMS database is underway, and anticipates it will be able to meet the current implementation date of June 30, 2018, within existing resources.

3 *If the Department receives federal funds of any type, please respond to the following:*

a. *Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.*
b. *Are you expecting any changes in federal funding with the passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for each program?*
c. *Does the Department have a contingency plan if federal funds are eliminated?*

Response:
(a) DNR is not subject to any current or pending federal sanctions.

(b) The Division of Reclamation, Mining and Safety anticipates a significant change to federal funding levels for abandoned mine land (AML) on partner projects with passage of the upcoming federal budget. Specifically, funds allocated to the Bureau of Land Management (BLM) to address AML issues are anticipated to be significantly cut. This funding cut indirectly affects the Inactive Mines Reclamation Program (IMRP) as it often partners and cost shares with the BLM on AML projects to accomplish more work together. The IMRP may be required to contribute more for AML partnership projects with BLM, or no longer work on BLM AML projects when funding is insufficient.

Additionally, the Clean Water Act 319 Program, which provides funding to address non-point source AML issues, may be significantly reduced. IMRP, in partnership with the Colorado Department of Public Health and Environment or local non-profits, designs and manages non-point source AML projects utilizing Clean Water Act Section 319 funds. A reduction in this funding may reduce the number/scope of AML non-point source projects on which IMRP partners.

(c) CPW's main sources of federal funding are from the Pittman-Robertson act (an excise tax on the sale of firearms and ammunition) and the Dingell-Johnson Act (sales tax on the sale of sport fishing equipment and other aquatic recreation equipment). These funding sources support a variety of CPW programs and activities. Were these funds eliminated or otherwise reduced significantly, CPW would have to make strategic reductions to wildlife-related activities throughout the division. CPW does not have specific plans related to the potential elimination of these federal funds.

Any reduction in federal funding could jeopardize the Coal Program's ability to effectively inspect, enforce, and reclaim at mine sites. If federal funding was eliminated for the Mine Safety Program, positions would remain vacant and partnering opportunities would be further explored.

In general, the Oil and Gas Conservation Commission would attempt to use vacancy savings in its Program Costs appropriation to cover the shortfall of federal funding, which is a small portion of the agency's total funding. This would prove challenging if federal funds were reduced at the present time because the agency is currently experiencing a revenue shortfall.

4 *Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?*

Response: The department conducts public awareness work to advance certain priorities. This is detailed by division below:

State Land Board

The State Land Board is airing 15 second branding commercials on Rocky Mountain PBS (RMPBS). The commercials air during children and family programs. The goal is to increase awareness among customers, beneficiaries, and citizens about the impact the State Land Board's mission has on Colorado's schoolchildren. The State Land Board expended $10,220 during FY 2016-17 and will spend $10,350 during FY 2017-18. The State Land Board collects metrics regarding the effectiveness of the campaign by viewership analytics, website communication analytics, customer behavior modifications, and earned media reporting. The State Land Board is not working with federal or other state departments but does work with other sister agencies within the Department of Natural Resources, such as Colorado Parks & Wildlife and the Executive Director's Office, for marketing campaign opportunities.

Colorado Parks and Wildlife

Colorado Parks and Wildlife engages in a variety of public education campaigns. The Colorado Wildlife Council was designed by a coalition of hunters, anglers and conservationists and created in state law in 1998. The statute (33-4-120) requires a "comprehensive media-based public information program to educate the general public about the benefits of wildlife, wildlife management, and wildlife related recreational opportunities in Colorado, specifically hunting and fishing." The program is funded by a $0.75 surcharge on each hunting and fishing license sold. The surcharge generates about $900,000 annually.

Since 2012, The Hug a Hunter campaign has focused education on the benefits of hunting and fishing for our state, with a target audience of the general population of Colorado. The campaign raises awareness around the role hunters and anglers play in Colorado's conservation efforts, including the scientific management of wildlife and wildlife habitats.
The Council employs a contractor (R&R Partners) to implement a media campaign that uses television, radio, online and print strategies and that may use other media such as social networks or phone applications. Additionally, the contractor provides industry tested, scientifically valid measured results illustrating the effects of the education program's message penetration. The contract amount is $897,580 dollars annually.

In addition to specific public awareness campaigns, Colorado Parks and Wildlife's Creative Services and Marketing Section conducts general public awareness activities. CPW's marketing strategies are currently focused on two primary areas: 1) reminding hunters and anglers to apply and buy their licenses and 2) encourage people to visit and recreate at Colorado state parks. For FY 2017-18, the operating budget for wildlife (hunting and fishing) direct promotion is about $93,000. The FY 2017-18 operating budget for state park-related direct promotion is approximately $203,000. CPW has also budgeted approximately $16,700 for other promotion that is not specific to just state parks or just wildlife. Please note that these amounts do not include permanent personal services (i.e. FTE) costs. CPW utilizes print ads, broadcast, radio sponsorship, email and social media to reach outdoor recreationists.

Division of Reclamation, Mining and Safety

DRMS's website provides valuable information to the mining industry, as well as the general public, and also for mine employees regarding safety/health and mine training. Additionally, the website "Reclamation Colorado" demonstrates successes in mine site reclamation and includes historic and current information on mining in the state. The effectiveness of both websites is measured by the thousands of hits received annually and the number or types of questions that are submitted through the "contact us" link. The cost to maintain DRMS's website is wrapped up in staff salaries and OIT Common Policy charges. The "Reclamation Colorado" website expense is $1,540 per year.

The Inactive Mines Reclamation Program supports the "Stay Out, Stay Alive" campaign to warn the public to avoid abandoned mines through hand-outs for career fairs and school events and works with the Bureau of Land Management on their "Fix a Shaft Today" program. Relatively low rates of accidents that occur in abandoned mines are a measure of campaign effectiveness. The program spends less than $1,000 per year to update and produce hand-outs.

The Colorado Reader is periodically distributed to 4th graders across the state and features mining related topics, as well as other natural resources areas. This publication is well received by teachers for that grade level. The content for the Colorado Reader rotates between different natural resources topic areas and the associated state agency. Responsibility for content and production expenses rotates between agencies every couple of years. In FY 2016-17, DRMS spent $12,000 to produce the mining related edition.

Outreach related to mine safety and rescue trainings conducted by the division is provided through participation in trade association committees, booth exhibits at conferences, and by referrals to new participants from previously trained miners. No materials are produced nor are there any other specific expenses associated with these points of contact.

Colorado Water Conservation Board

The CWCB is actively involved in education and outreach projects to educate people about Colorado's Water Plan and water in Colorado. Funds are being utilized for Public Education, Participation, and Outreach workgroups, grants for projects to further the goals in Colorado's Water Plan, and for additional education and outreach projects.

Public Education, Participation, and Outreach workgroups: Created through the Colorado Water for the 21st Century Act, Interbasin Compact Committee (IBCC) Public Education, Participation and Outreach (PEPO) workgroup has created a process to inform, involve, and educate the public on IBCC activities and important water issues. Each basin roundtable has an education and outreach committee, which set up Education Action Plans. The action plans detail the educational goals and tasks in which each basin roundtable engages the public. Each of the nine PEPO workgroups receives $6,500 annually for education and outreach activities within their basin. They work with their Basin Roundtable to set the priorities and budgets, and then submit those to the CWCB. Basin roundtables may apply for funds from the CWCB for implementation of their Education Action Plans.

Colorado's Water Plan Grants: The General Assembly approved $10.0 million for the CWCB to grant funds for projects related to the implementation of Colorado's Water Plan (CWP). The purpose of the funding is to make progress on the critical actions identified in the CWP and its Measurable Objectives. The CWCB will fund projects, programs, and activities that have the best opportunity to make progress on the CWP's objectives. All applications are assessed based on funds available for a particular Water Plan Implementation category. Currently, there are six categories based on types of projects and funds have been distributed to each category. One of the categories is Engagement & Innovation (E&I). The E&I category was allocated $1 million to fund education, outreach, public engagement, and innovation projects statewide. The purpose is to engage the public on water issues and achieve the goals set forth in Colorado's Water Plan. The overall goal of the E&I Grant Fund is to enhance Colorado’s water communication, outreach, education, and public engagement efforts; advance Colorado’s water supply planning process; and support a statewide water innovation ecosystem.

In addition, the CWCB has allocated $48,760 from the Long Bill line Severance Tax Fund for education, outreach, and a survey for Colorado's Water Plan. This project is to develop the baseline survey for the education, outreach, and public engagement goal called for in Colorado's Water Plan. The work will be completed by a vendor and includes coordinating with other state agencies and statewide education organizations. This project will gather key data to help achieve the goals and actions in Colorado's Water Plan.

5 *Based on the Department’s most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?*

Response: According to the FY 2016-17 State Workforce Report published by the Department of Personnel, the Department had an 8.1% turnover rate, which is among the lowest across all state departments for last fiscal year and 6.3 percentage points lower than the statewide turnover rate. DPA is currently unable to calculate turnover rates by division or program. However, the annual burned FTE report for the Department of Natural Resources summarizes actual FY 2016-17 staffing levels and vacancy rates by division. Data for this report was provided by the Department of Personnel on September 12, 2017, and it is attached as Attachment C to these responses.

For most divisions, vacancies can be generally attributed to the cumulative effect of normal staff turnover and personnel processes, e.g. short periods of time (1-3 months on average) when positions are unoccupied while the hiring process is taking place. Vacancies in the following divisions are affected by additional factors:

- The *Oil and Gas Conservation Commission* had a vacancy rate of 8.0% in FY 2016-17. This was intentional on the part of the division, which was holding nine positions vacant in response to substantial shortfalls in mill levy revenue to the Oil and Gas Conservation and Environmental Response Fund. The 2017 Long Bill provided cash fund support to fill these vacancies by refinancing $1.75 million of the OGCC's FY 2017-18 Program Costs appropriation with severance tax revenue from Tier 1 of the Severance Tax Operational Fund. Please note that this occurred before the full impact of outstanding BP America refunds and routine monthly refund activity was known. The OGCC is aware of the emerging severance tax revenue issues and will manage vacancies and other expenditures accordingly.

- The *Division of Reclamation, Mining, and Safety* appears to have had a vacancy rate of 26.9% of FTE allocated in the FY 2016-17 Long Bill. However, this vacancy rate is artificially high as 7.0 of the 18.3 FTE shown as vacant are actually occupied. Each year, between 7.0 and 11.0 FTE in the Inactive Mines Reclamation Program (IMRP) are supported by a federal grant from the Office of the Surface Mining in the U.S. Department of the Interior. These FTE appear in the Long Bill for transparency, but are supported by the projects portion of the grant which is not reflected in the Long Bill. Only the administrative portion of the grant is included in the federal funds appropriation for the IMRP. As a result, these FTE always appear to be reverted or vacant every year as a quirk of the way these federal funds are shown in the Long Bill. Additionally, the FY 2018-19 request for DRMS includes a proposed reduction of 2.1 FTE that are permanently unfunded/vacant due, in part, to declining federal grant funds for the Coal Program resulting from a nationwide retraction in the coal industry. This will better align allocated FTE with actual staffing levels and help improve the DRMS vacancy rate in the future.

6 *Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?*

Response: The Office of Information Security, under the leadership of the state CISO provides security governance, security architecture, risk management, compliance assessment support, and security operations functions for all executive branch agencies (with a few exceptions, such as: CDE, Department of State, Department of Law, Lottery). Agencies, except those mentioned as exceptions, do not have dedicated cybersecurity personnel.

The Office of Information Security has input into the 5-year plans for each Department, and has worked to prioritize projects benefiting each Department, such as: the Enterprise Firewall Refresh project, new quarterly security awareness training, two-step verification, and an enterprise security log collection and correlation engine.

Additionally, the Office of Information Security, within OIT, produces a quarterly risk report card, in which they measure risk for each Department, and have specific goals set, for reducing risk.
Annually, the CISO develops an enterprise information security plan, utilizing input from the Governor's goals, the 5 year plans for each department, and the OIT playbook. The information security plan includes communication and information resources that support the operations and assets of each department.

The Office of Information security, within the Office of Information Technology (OIT) implements enterprise-wide security controls, meant to secure sensitive data for each department. Some of these controls are: ensuring encryption is in place to secure data in transmission, utilizing Zix to encrypt sensitive data in email, implementing specific configuration and technologies to encrypt data in storage. Additionally, OIT has implemented two-step verification to add a layer of protection to email, contacts, and data stored within G-Suite. Each department implements additional procedures, such as training, data retention and access control policies, implemented at a department level to further protect and secure sensitive data. These local security procedures augment technical controls implemented by OIT to enhance the department's continued security health.

IT supports all of the audits that occur for each department. OIT maintains a register of outstanding technology recommendations for each department, and works individually with the department to prioritize and secure funding to implement the recommendations. In addition to performing remediation, OIT continues to implement controls and improve processes in an attempt to proactively (rather than reactively) improve security.

DNR received its Agency Risk Report Card for the 1st Quarter of FY 2018 from OIT in November of 2017. DNR received a score of 12.25 (with the goal being to have a score of 11). The report card noted that DNR has zero open audit findings and included three recommended mitigation strategies: (1) review encryption needs with the OIT Security Team; (2) maintain up-to-date systems, and; (3) promote security awareness training. DNR will continue to partner with OIT is all three areas.

Additionally, DNR was recently assigned a Risk Analyst. Our understanding of this position is that this person will assist DNR with any future audits, findings and mitigation related to cybersecurity as needed. Two areas that seem to need improvement in this area relate to timeliness of the scorecard and cybersecurity training. Many times the scorecards are very late in coming to the department so the information is already dated and difficult to put into usable context. The other issue is the cybersecurity training that is reflected in these reports. The reports that our IT Director provides demonstrating completion of cybersecurity modules is often times not accurate and is very cumbersome to review because it isn't in a format that is usable to the department (it is an alphabetical listing of employees and isn't sorted in a way such that division staff can quickly determine who has taken training and who hasn't). The report also reflects new employees, which shouldn't be included because they have different training requirements then longer term employees. As such, compliance rates for completion tend to be skewed.

7 *What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?*

Response: The Department believes that division-level strategic planning and focus on the customer has become more robust due the SMART Act and its implementation. The SMART

Act also increased the Department's use of metrics to track program performance, improved processes to meet customer needs, increased transparency for stakeholders, and assisted the Department in identifying and justifying its budgetary requests. SMART Act tools include the Governor's Performance Academy and performance staff, the Department's performance plan and associated metrics, and process improvement (Lean).

Lean has been used throughout the Department to increase process efficiency and effectiveness. Since 2013, the Department has conducted over 30 lean projects as well as numerous smaller process improvements. The majority of these projects have not resulted in budget requests and instead have eliminated non value-add activities.

The Department made a concerted effort to increase of the use of Lean over the last 12 months. Since January 2017, the Department completed seven Lean projects including several on the Department's central accounting and contracting processes. The Department expects many more projects in 2018 due to the fact that over 40 staff will participate in the CO Talent Challenge lean training program.

Of particular note in regards to DNR's FY 2018-19 budget request, the Lean process helped the OGCC identify budgetary needs to improve the division's efficiency and effectiveness related to the Plugging and Reclaiming Orphaned Wells program. As a result of a Lean analysis, OGCC is requesting two-year spending authority for the program's operating appropriation. A Lean process improvement team identified the current one-year appropriation as an obstacle to maximizing the effectiveness of existing funding levels.

8 *Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of "evidence-based," indicate which programs are "evidence-based," and describe the evidence used to support these programs.*

Response: The Department does not use any sort of formal evidence-based analysis in its budget request. Indeed, this is not a term we were familiar with or are able to define. After a brief discussion with OSPB, it has become apparent that the evidence-based policy efforts being undertaken by a number of Executive Branch Departments in the social policy arena do not yet apply to the policy areas on which the Department of Natural Resources focuses. As noted in the preceding response, DNR keeps track of a large number of metrics (some of which are included in the annual performance plan). These metrics are used by a wide variety of divisions to track key areas of workload and performance. Further, these metrics are often used to support specific budget requests.

9 *Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you*

conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

Response: The Department of Natural Resources has promulgated or changed numerous rules in the last two years. The majority of these were made by Colorado Parks and Wildlife. Details of the rules and associated cost-benefit and regulatory analyses are detailed below.

Colorado Parks and Wildlife

Colorado Parks and Wildlife makes a large number of quota changes, season date changes, and other hunting-specific changes to the agency regulations each year. In this regard, CPW has over 4,000 individual hunt codes used for issuing licenses by specific species, sex, geographic area, season, and method of take. CPW does not track statistics related to these changes. In terms of more substantial regulatory changes, CPW has identified the following totals:

FY 2015-16: 121 regulatory changes
FY 2016-17: 84 regulatory changes

During this time period, CPW received one cost-benefit analysis request from the Humane Society of the United States in October of 2015 related to mountain lion harvest limits and an associated predator study. Staff decided at that time to leave mountain lion harvest limits as status quo for 2016, so the cost-benefit analysis was never completed. No other types of regulatory analyses were requested or performed during this time frame.

Division of Water Resources

1. Adopted September 23, 2015 – Rules Governing the Withdrawal of Groundwater in Water Division Number 3 (the Rio Grande Basin).
2. Amended November 15, 2015 - 2 CCR 402-16, Rules and Regulations Governing the Measurement of Ground Water Diversions Located in the Republican River Basin
3. Updated January 15, 2016 - 2 CCR 402-5, State Engineers' Procedural Regulations for Adjudicatory Rule Making and Hearings.
4. Amended September 1, 2016 - 2 CCR 402-2, Water Well Construction, Pump Installation, Cistern Installation and Monitoring and Observation Hole Well Construction Rules.

The only cost-benefit analysis requested and completed involved the Water Well Construction Rules, concerning specific rules number 10.4.4 and 10.4.5. Rule 10.4.4 concerned the "annular space" requirements within water wells (basically, a construction standard that pertains to the amount of space between the well casing and the borehole wall). The new rule increased the minimum annular space. Benefits include: (1) simplification of the current standards, which include three different standards for annular space; (2) increased lifespan for many wells, which is a benefit to well owners; (3) better limit corrosion of well casing, which will better protect aquifers; (4) ensuring that different confined aquifers and maintained as separate water sources for wells; and (5) reduced staff time for regulatory administration by simplifying from three standards of annular space to one. Costs analyzed included the need for some construction contractors to buy larger drill bits and the increase in the average cost for well construction due to increased grout costs.

Rule 10.4.5 established minimum standards for the intervals of grout and the required type of watertight casing in wells constructed in confined aquifers. Benefits include: (1) longer life span for some wells by using steel casings and grout (as opposed to PVC casing); (2) better protection of aquifer from surface contamination and cross-contamination from a poor water quality zone elsewhere in the borehole; (3) the amended rule is easier to understand; (4) the amended rule will ensure that different confined aquifers in the subsurface as maintained as separate sources for groundwater wells; and (5) reduction in staff time required for regulatory administration. Costs of the regulation centered on increased costs to construct a well.

Under existing minimum standards, the cost to construct a well was estimated at about $11,000. By requiring well casing and grout to the surface (Rule 10.4.5), the cost increased to about $12,000. By requiring the larger annular space (Rule 10.4.4), the cost was further increased to an estimated $17,200.

Oil and Gas Conservation Commission

FY 2015-16: 15 rules

FY 2016-17: 0 rules

1. 6 rules adopted January 26, 2016 – Governor's Oil and Gas Taskforce Follow-up. CBA Result: the proposed rules will have minimal impacts on the economy, private markets, consumers, small businesses, job creation, and economic competitiveness. Any economic impact from these Rules likely will be limited to large operators.
2. 7 rules adopted July 20, 2015 – Concerning Complaint Procedures and Process. No CBA was conducted. Regulatory analysis result: The proposed rules will likely increase the efficiency of the Commission's complaint resolution process, which will reduce the costs to all affected classes of persons. The citizens of Colorado will also benefit from an increase in Commission Staff time spent on inspections and permitting.
3. 2 rules adopted October 3, 2015 – Concerning Oil and Gas Facilities in Floodplains. No CBA or regulatory analysis was conducted.

10 *Describe the expected fiscal impact of proposed changes to PERA made by both the Governor's Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?*

Response: The proposed changes to PERA made by the PERA Board of Directors include a 2.0 percentage point increase in employer contributions from 20.15% to 22.15%, which will have a direct budgetary impact on the department. DPA will provide a statewide estimate for this impact. PERA's proposal makes this change starting January 2020, thus it will affect the department's budget starting with FY 2019-20. The PERA Board proposal also includes a recommendation for contributions to be made on gross pay rather than net pay, which increases the salary base upon which the annual contribution is calculated for both employers and employees. This would have a direct impact on the department's budget as well as employee take home pay. OSPB and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The PERA Board proposal also includes a 3.0

percentage point increase in employee contributions—from 8.0 percent to 11.0 percent of pay—beginning in January 2020. Without an increase in employee salaries, these changes would reduce take home pay for state employees beginning in FY 2019-20.

The Governor's proposed changes to PERA will not have a direct budgetary impact on the department, with the exception of maintaining the PERA Board's recommendation for employee and employer contributions to be made on gross pay rather than net pay. As mentioned above, this would increase the salary base upon which the annual contribution is calculated for both employers and employees. OSPB and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The Governor's proposal includes a 2.0 percentage point increase in employee contributions—from 8.0 percent to 10.0 percent of pay—beginning in January 2019, a year earlier than the PERA proposal. The Governor's budget request includes an across-the-board salary survey increase of 3.0 percent for most state employees beginning July 1, 2018. With the proposed increase in employee contributions, this will average to a take home pay increase of 2.0 percent for the fiscal year. The proposed salary survey increase results in an increase of $1.6 million total funds, and $241,595 General Fund for FY 2018-19 for the department.

11 *Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:*

- *Where these reductions can be found in the Department's request;*
- *What programs are impacted by the reduction; and*
- *Total amount of the reduction.*

Response: The Department's FY 2018-19 request includes proposed reductions of $250,865 total funds, comprised of: (1) a reduction of $189,276 total funds, including $39,748 severance tax cash funds and $149,528 federal funds, and 1.0 FTE in the Division of Reclamation, Mining, and Safety's Coal Land Reclamation Program; and (2) the elimination of the Division of Water Resources Interruptible Water Supply Agreements line item for a reduction of $61,589 cash funds.

- The DRMS reduction reflects a decrease in federal grant funding and the required severance tax match for the Coal Program resulting from a nationwide retraction in the coal industry. It represents an 8.3% reduction from the base request.
- The DWR reduction eliminates the IWSA program that was intended to enable water rights holders to transfer historical consumptive use of an absolute water right for application to another type or place of use on a temporary basis without changing the water right itself. The program has never been utilized since it was established in 2003; eliminating it represents a 100% reduction from the base request.

In the course of its statutory duties, the Office of State Planning and Budgeting complied with the provisions of S.B. 17-267. A provision of the bill required OSPB's consideration of proposed two percent reductions for certain principal department budgets. OSPB found the process to be useful. In recommending the budget request, especially in the General Fund, while considering each department's budget reduction items, OSPB also took into account the various pressures on spending and needs throughout the state. Additionally, S.B. 17-267's provisions informed decision making in the request, in particular the recommendation for a decrease in the Budget Stabilization factor in the School Finance Act as well as the recommendation to increase the statutory reserve in the General Fund. With respect to the two percent target of General Fund spending as defined in the bill, these two items exceeded the suggested target.

12 *Please provide the following information for the Department's custodial funds and continuously appropriated funds:*

- *Name of the fund;*
- *Amount of funds received;*
- *Whether the revenues are one-time or multi-year;*
- *Current cash fund balance;*
- *Source(s) of the funds;*
- *A list of FY 2015-16 and FY 2016-17 expenditures from these funds;*
- *Expected uses of the funds in FY 2017-18 and FY 2018-19; and*
- *Legal authorization and restrictions/limitations on the Department's use of these funds.*

Response: The executive branch is in the process of developing a response to this request. In the interim, much of the information requested here is available in the cash fund reports (schedule 9) within the department's FY 2018-19 budget request. Of note, the Department has multiple cash funds with continuous appropriations authority that receive and expend Tier 2 severance tax funding. Schedule 9 cash fund reports for the Water Efficiency Grant Fund, the Interbasin Compact Committee Fund, the Species Conservation Trust Fund, the Water Supply Reserve Fund, and the two cash funds that relate to the Aquatic Nuisance Species (ANS) program are all contained in the "Cash Fund Reports" section of the Department's FY 2018-19 budget request.

13 *What is the Department's process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor's Office, local governments, and/or citizens?*

Response: Under the National Environmental Policy Act (NEPA), state agencies are given special status in federal planning processes and NEPA evaluations in the form of acting as a cooperating agency. DNR determines whether or not to act as a formal cooperator depending on the nature of the federal process. Local governments can also participate as cooperating agencies if they have special expertise or jurisdiction over an aspect of a proposed project. Outside of the cooperating agency role, DNR often provides comments to federal agencies on planning processes or policies. In addition, DNR maintains close working relationships with its federal land management and local government partners. When DNR believes that other state agencies are involved or interested in the same federal plan, policy or evaluation, DNR staff reach out to counterparts to coordinate. DNR also informs the Governor's office regarding its comments or problematic issues. In regards to water policy, DNR signed an interagency MOU with CDPHE in June 2016 to increase coordination and streamline the state role related to water supply projects in Colorado.

Attachment A: Bond Claims

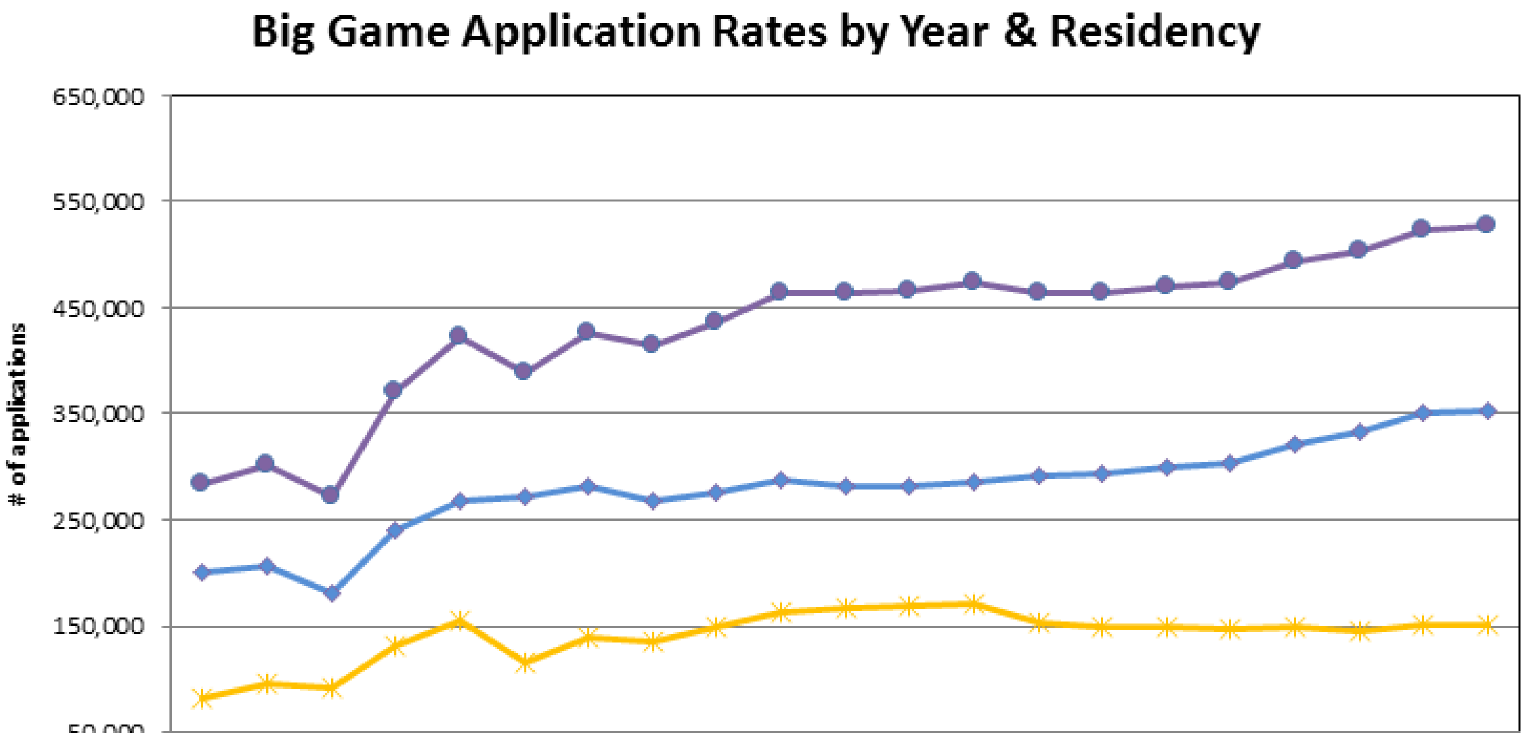
SUMMARY OF BOND CLAIMS WITH ACTIVE FIELD WORK IN FY2015, FY2016, AND FY2017

OGCC Bond Project Code	Bond Amount Claimed	Actual Expenditures OR Total Estimated Project Cost	Project Complete as of 12/07/2017?	Bond Amount is Sufficient?
ATOM	$ 60,000	$ 247,500		
BENC	$ 620,000	$ 3,430,000		
CMPR	$ 67,849	$ 2,430,000		
DOLP	$ 55,000	> bond	**YES**	
EDTB	$ 6,745	$ 81,887	**YES**	
LORD (Halcyon)	$ 6,272	$ 7,980	**YES**	
NEUG (Halcyon)	$ 21,486	$ 11,868	**YES**	**YES**
MONU	$ 80,231	$ 1,280,000		
PREM	$ 16,778	$ 46,676	**YES**	
PROV	$ 5,000	$ 5,000	**YES**	
REDM	$ 72,831	$ 4,332,500		
REDW	$ 30,000	$ 172,525	**YES**	
RETT (Ranchers)	$ 24,473	$ 800,000		
RIVE (Ranchers)	$ 38,951	$ 35,130	**YES**	**YES**
RMOU	$ 92,015	$ 495,000		
RUTH	$ 4,826	$ 76,916		
TATO	$ 30,000	$ 94,026	**YES**	
TTEA	$ 71,850	$ 660,000		
THK1	$ 7,542	$ 78,167		
THK2	$ 5,029	$ 73,497	**YES**	
WAL1	$ 5,000	> bond	**YES**	
WAL2	$ 5,000	> bond	**YES**	
WAL3	$ 5,000	> bond	**YES**	
Total Amount as of December 2017	$ 1,331,877	$ 14,358,672		

Note

The Project Complete column indicates projects for which the work is 100% finished or only minor maintenance works remains.

Attachment B1: CPW Hunting Trend Data

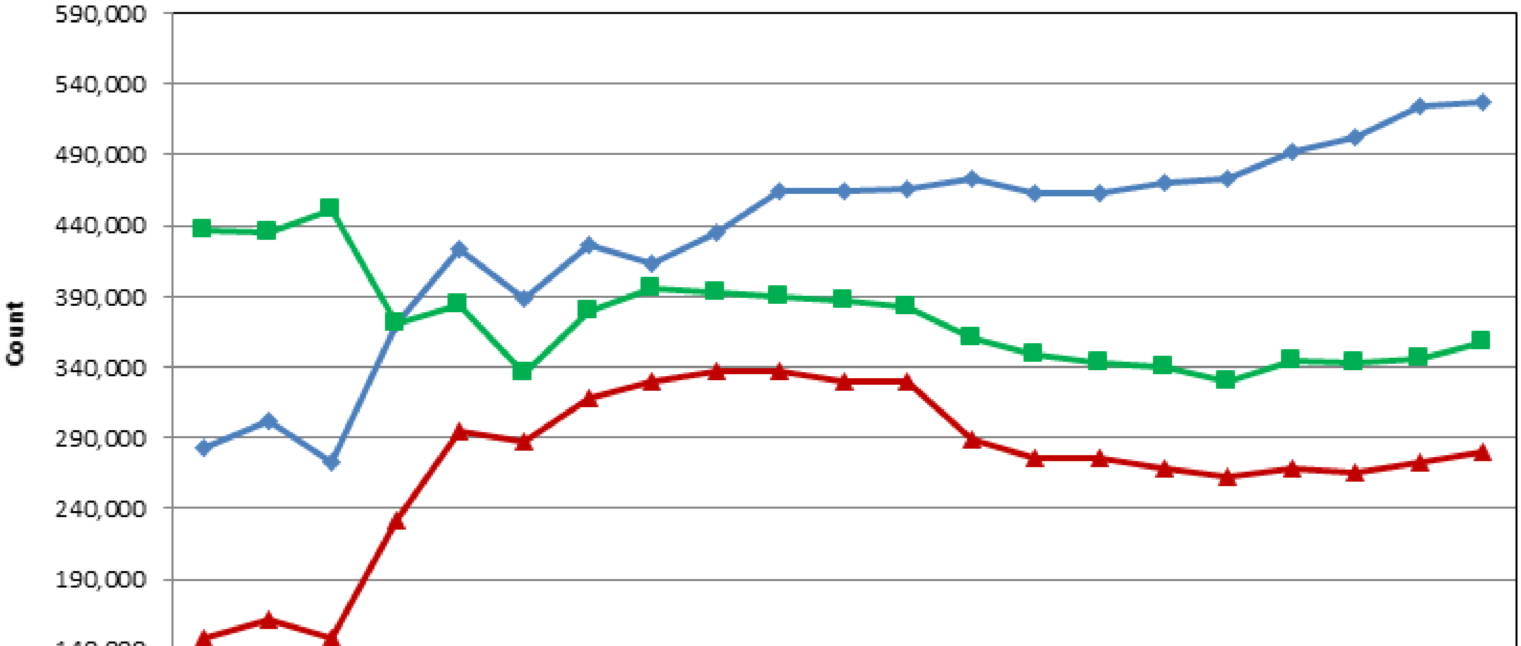


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Non resident	82,229	95,155	91,049	131,504	155,208	115,854	138,609	135,843	148,213	163,388	166,209	168,188	170,159	153,112	150,025	149,228	147,306	148,384	144,884	150,292	151,501
Resident	200,822	206,348	181,053	239,808	267,929	271,739	281,877	268,762	276,226	287,975	282,516	281,095	285,487	291,379	293,438	298,810	303,855	320,868	334,099	351,723	352,568
Total	283,051	301,503	272,102	371,312	423,137	387,593	426,271	413,676	435,197	464,088	463,830	465,143	473,120	463,075	463,187	470,576	473,875	492,532	502,501	523,855	526,722

Year

Attachment B2: CPW Hunting Trend Data

Overall Big Game Applications, Quota & License Sales by Year



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Applications	283,051	301,503	272,102	371,312	423,137	387,593	426,271	413,676	435,197	464,088
License Sales	436,943	435,591	451,840	370,625	383,361	335,695	379,865	395,245	392,372	390,243
Quota	148,551	161,388	148,597	232,477	294,921	287,789	317,913	329,213	336,887	336,497

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Applications	463,830	465,143	473,120	463,075	463,187	470,576	473,875	492,532	502,501	523,855	526,722
License Sales	386,717	382,514	360,079	348,269	343,327	339,851	330,230	345,122	342,908	346,301	357,813
Quota	330,162	329,211	289,297	275,974	275,940	268,972	262,086	268,919	265,018	272,523	279,646

Year

Attachment C: Burned FTE Data

Actual Calculated State FTE for FY 2016-17 as of June 30, 2017

	Calculation to Identify Defined State FTE								Categories for Total Defined State FTE			
	CPPS		Non-FTE Defined Codes					Total State FTE	Total State FTE			
		2088										
	Final CPPS Burned Hours	Total FTE @ No. hours/yr.	State Temps	Payouts	Overtime	Other	Sub-total Non-FTE Defined Codes	Total Defined State FTE	JBC Non-Appropriated Associated with Actual Hours	JBC Appropriated Associated with Actual Hours	Long Bill + Special Bills FTE Allocation	Difference
Dept of Natural Resources	**3,953,656.2**	1,893.5	456.7	9.5	1.7	0.6	**468.5**	**1,425.0**	11.0	1,414.0	1,462.7	**48.7**
Executive Director's Office	108,676.0	52.0	3.7	0.5	0.0	0.0	4.2	47.8		47.8	52.2	4.4
State Land Board	93,891.7	45.0	1.4	0.5	0.0	0.1	2.0	43.0	4.0	39.0	41.0	2.0
CO Water Conservation Board	95,352.4	45.7	1.5	0.4	0.0	0.0	1.9	43.8		43.8	45.7	1.9
Division of Water Resources	530,174.4	253.9	4.3	1.4	1.6	0.1	7.4	246.6		246.6	259.1	12.5
Oil and Gas Conservation Comm.	217,873.8	104.3	2.7	0.2	0.0	0.0	2.9	101.5		101.5	110.3	8.8
Rec, Mining, & Safety	121,864.5	58.4	1.7	0.0	0.0	0.0	1.8	56.6	7.0	49.6	67.9	18.3
Parks and Wildlife	2,785,823.5	1,334.2	441.5	6.6	0.0	0.5	448.5	885.7		885.7	886.5	0.8

DEPARTMENT OF NATURAL RESOURCES
FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 12, 2017
1:30 pm – 5:00 pm

1:30-1:40 INTRODUCTIONS AND OPENING COMMENTS

1:40-2:40 SEVERANCE TAX

1 Discuss any funding solutions the Department has developed since learning the reality of severance tax revenue collection in FY 2017-18.

2 If no action is taken by the General Assembly, what are the implications to Department operations if severance tax revenue does not rebound before payroll obligations exceed available resources.

3 If General Fund is determined to be the preferred funding supplement, discuss whether there is preference for a direct General Fund appropriation to Tier 1 programs or a transfer to the Severance Tax Operational Fund to fund the programs with appropriations from that source.

4 Discuss any precedent for a "clawback" of transfers to Tier 2 Severance Tax programs, for any purpose.

5 What effect would a "clawback" of funding transferred on July 1 have on programs receiving those transfers?

6 By program, how much of the July 1 transfer remains unexpended and uncommitted?

7 Do any Tier 2 funds/programs revert unexpended balances back to the Severance Tax Operational Fund?

8 Can the Department provide any insight on whether severance tax revenue in the current fiscal year is abnormal and therefore does not require changes to severance tax spending priorities?

2:40-3:00 GENERAL QUESTIONS FOR THE OIL AND GAS CONSERVATION COMMISSION

1 What expertise do oil and gas operators implement to forecast changes in tax liability in markets with uncertainty such as Colorado?

2 What is the annual total cost and average cost for FY 2014-15 and FY 2015-2016 for each of the following activities:

a. application,
b. petition,
c. protest,
d. responsive pleadings, and
e. pleadings staff cost?

3 Provide the number of spacing, drilling permit, and other applications for 2017 to date and for the previous four years.

4 For FY 2015-16 and FY 2016-17, provide staff-hours and related expenditures for reviewing work related to:
a. Crestone Peak Resources and
b. Extraction Oil and Gas.

5 How many inspectors does the Oil and Gas Conservation currently employ? Have all the positions required to be filled in the Long Bill been filled, listed by position.

6 Discuss any interesting history of the early days of oil and gas exploration in Colorado.

7 Discuss tax policies over which the Oil and Gas Conservation Commission administers directly. If it is indirectly involved, i.e., through stakeholder groups etc., in any tax policy development, also discuss its role in those.

8 What are the sources of revenue credited to the Oil and Gas Conservation Commission Emergency Response Fund besides the mill levy on oil and gas operations?

9 How does the Oil and Gas Conservation Commission adjust the mill levy? Discuss any plans to adjust the mill levy and the magnitude of that change. Please include a revenue estimate, if possible.

10 What is the volume of oil and gas wells known to exist with no production?

3:00-3:15 BREAK

3:15-4:15 CONTINUATION OF QUESTIONS FOR OIL AND GAS CONSERVATION COMMISSION

R1 Additional Staffing and Equipment for Flowline Safety

11 Please comment on operator's lack of compliance with the CO811 registration requirement. Were any operators registered prior to recent outreach efforts?

12 How many staff-hours and related expenditures were utilized on each of these three oil and gas fatality explosions and fires in 2017: Firestone, Mead, and Galeton? Provide information on any other injury incidents occurred requiring staff time and how much was expended.

13 Do any other states that regulate oil and gas flowlines utilize drones in-house or by contract? Provide a discussion of the decision to request funding for contractual services and not developing in-house expertise.

14 How is drone-surveying a reliable method for detecting releases? What advantage does it have over walking the line with similar optical equipment?

15 What requirements are placed on operators regarding flowline mapping and integrity tests? Should operators be required to submit maps of their flowlines?

<u>Bonding and Financial Assurance</u>

16 Is the bonding requirement for permitting oil and gas exploration and drilling sufficient to reclaim all sites involved in production?

17 What protections are in place to ensure value exists when bonds for operators under bankruptcy protections are revoked?

18 For FY 2015-16 and FY 2016-17, how many staff-hours and related expenditures were utilized to ensure, before permits are issued, an operator's financial stability, such Extraction Oil and Gas's multi-year losses and leveraged financing including junk bonds, does not negatively affect the operator's ability to protect people and the environment, complete work, cap wells, and restore areas?

19 How many operators use the $25,000 statewide, blanket financial assurance allowed in Rule 703 rather than any of the other means of demonstrating financial assurance?

20 For FY 2015-16 and FY 2016-17, how many staff-hours and related expenditures were utilized to review whether an operator demonstrates to the commission's satisfaction that it has sufficient net worth to guarantee performance of any obligations imposed by statute and rule?

21 Discuss the volume of operators, which had insufficient financial assurance and failed in FY 2014-15, FY 2015-16, and FY 2016-17. For each provide:

   a. Reason(s) for insufficient assurance, and
   b. The amount the reclamation activity is estimated to or did exceed recoverable assurance.

R5 Plugging and Reclaiming Orphan Wells

22 Does the Oil and Gas Conservation Commission have adequate financial resources to fully remediate all abandoned oil and gas locations and facilities? If not, what is the rationale for not raising the statutory mill levy above its current level?

23 What is the average cost of reclaiming an orphan well? Compare a simple reclamation to one that becomes more complicated.

24 Discuss any interaction the Oil and Gas Conservation Commission has with stakeholders regarding plugging and reclaiming orphaned wells.

25 Discuss reasons why additional funding was not requested in addition to the two-year spending authorization. How much additional funding would be required on an ongoing basis to keep pace with newly discovered orphan wells?

26 Are there any sources of federal funds that may be accessible to the Oil and Gas Conservation Commission for plugging and reclaiming orphan wells?

4:15-4:30 COLORADO WATER PLAN

27 Please provide an update on the implementation of the 2015 Colorado Water Plan.

4:30-5:00 DIVISION OF PARKS AND WILDLIFE

Usage Trends and Financial Sustainability

28 Please discuss the trends (e.g., resident vs. non-resident usage, demographics of recreational users, etc.) CPW sees in the purchases of hunting and fishing licenses. What trends has CPW identified with regard to youth and young adult involvement in hunting and fishing activities in Colorado?

29 [Background Information: CPW's internal projections show significant fiscal year deficits beginning in FY 2018-19 and continuing through FY 2024-25. In the last decade, CPW implemented cost control measures, reducing expenditures by about $40 million and staffing by about 60.0 FTE. During the 2017 legislative session, H.B. 17-1321 (Parks and Wildlife Financial Sustainability) intended to address CPW's ongoing financial sustainability, but stalled in the Senate Finance Committee.]

a. Please discuss the impact of the failure of H.B. 17-1321. How would the fee structure of this bill have addressed CPW's financial circumstances in the short-, medium-, and long-term?

b. Please discuss the factors driving CPW's deficit projections.
c. What is CPW's plan for addressing its projected deficits? Please discuss CPW's fee structure and any potential changes begin considered to bolster the Division's financial health.
d. What have been the impacts of CPW's cost control measures? How will these measures impact CPW operations in future years?

R3 Increase State Forest State Park Operations

30 Taking into consideration both CPW's current financial situation and the State Land Board's (SLB) statutory requirements for leasing land it manages; did the Department explore alternative scenarios to leasing the land to CPW? Could CPW have managed and operating the State Forest State Park and the North Park Campground without a formal lease from the SLB?

31 Please provide a description of the North Park Campground and the anticipated facility improvements and development to be undertaken by CPW. What is the rationale for this level of development at the Campground?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

32 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

33 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2017 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

http://leg.colorado.gov/audits/annual-report-status-outstanding-audit-recommendations-june-30-2017

34 If the Department receives federal funds of any type, please respond to the following:
a. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.
b. Are you expecting any changes in federal funding with the passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for

each program?

c. Does the Department have a contingency plan if federal funds are eliminated?

35 Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?

36 Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?

37 Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?

38 What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?

39 Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of "evidence-based," indicate which programs are "evidence-based," and describe the evidence used to support these programs.

40 Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

41 Describe the expected fiscal impact of proposed changes to PERA made by both the Governor's Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?

42 Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:

- Where these reductions can be found in the Department's request;
- What programs are impacted by the reduction; and
- Total amount of the reduction.

43 Please provide the following information for the Department's custodial funds and continuously appropriated funds:

- Name of the fund;
- Amount of funds received;
- Whether the revenues are one-time or multi-year;
- Current cash fund balance;
- Source(s) of the funds;
- A list of FY 2015-16 and FY 2016-17 expenditures from these funds;
- Expected uses of the funds in FY 2017-18 and FY 2018-19; and
- Legal authorization and restrictions/limitations on the Department's use of these funds.

44 What is the Department's process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor's Office, local governments, and/or citizens?