

DEPARTMENT OF NATURAL RESOURCES
FY 2021-22 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, January 5, 2021
3:00 pm – 5:00 pm

3:00-3:15 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Dan Gibbs, Executive Director

3:15-3:30 COMMON QUESTIONS

Main Presenters:

- Dan Gibbs, Executive Director

Supporting Presenters:

- Carly Jacobs, DNR Chief Budget Officer
- Lynne Steketee, DNR Chief Operating Officer

Topics:

- Implementation of FY 2020-21 HLD Decrease: Page 1, Question 1 in the packet, Slide 5
- COVID-19 Changes: Pages 1-2, Question 2 in the packet, Slide 6

3:30-4:00 SEVERANCE TAX

Main Presenters:

- Dan Gibbs, Executive Director
- Julie Murphy, Director, Colorado Oil and Gas Conservation Commission
- Jeff Robbins, Chair, Colorado Oil and Gas Conservation Commission

Supporting Presenter:

- Carly Jacobs, DNR Chief Budget Officer

Topics:

- Severance Tax Operational Fund Update: Pages 3-6, Questions 3-7 in the packet

4:00-4:15 COLORADO PARKS AND WILDLIFE

Main Presenters:

- Dan Gibbs, Executive Director
- Dan Prenzl, Director, Colorado Parks and Wildlife

Supporting Presenter:

- Justin Rutter, Chief Financial Officer, Colorado Parks and Wildlife

Topics:

Wolves: Page 7, Question 8 in the packet

DEPARTMENT OF NATURAL RESOURCES
FY 2021-22 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, January 5, 2021

3:00 pm–5:00 pm

COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

- 1 Please describe the Department's actions to implement the Health, Life, and Dental decrease in lieu of a 5.0 percent General Fund salary base reduction. Please include dollar and percentage share data on planned "allocations" of the decrease to all divisions and programs within the Department. Please describe the use of vacancy savings, delayed hiring, and the implementation of one-time or ongoing operating savings. Please describe the urgency of the Department's need to engage in a furlough in FY 2020-21 due to the inability to achieve savings in other ways.*

Response: The Department's FY 2020-21 Health, Life, and Dental (HLD) appropriation was reduced by \$1,035,518 in lieu of a 5.0 percent General Fund salary base reduction. One-hundred percent (100%) of the reduction was allocated to the Division of Water Resources (DWR), the Department's only division with personal services supported by General Fund. To implement the reduction, DWR is primarily using vacancy savings achieved through delayed hiring in accordance with department-wide hiring guidelines, effective May 2020, that require executive review and approval of all hiring decisions on vacancies, promotions, and pay adjustments.

In addition, the Governor and DNR leadership agree that a thoughtful and restrained furlough plan offers the fairest pathway for executive agencies to meet a portion of the required reduction to HLD in FY 2020-21. DNR does not have any employees who were exempt from the furlough, but approximately 12.4% of employees fell below the \$50,000 annual salary threshold and therefore will not experience a furlough. DNR's estimated furlough savings come to \$166,558 General Fund, accounting for about 16% of the total required HLD reduction.

- 2 Please describe how the changes implemented in response to the COVID-19 pandemic have changed the nature of the Department's work. Please address programmatic, budgetary, and office space impacts.*

Response: The overall nature of the Department of Natural Resources (DNR) mission and work remains the same. While the Department has diligently implemented changes based on public health guidelines to mitigate the spread of the virus, DNR continues to successfully manage the state's natural resources for the benefit and enjoyment of the public.

More than half of DNR's approximately 1,500 FTE, plus nearly all of the Department's 900 temporary employees, interact with the public to provide services. DNR has implemented strong COVID health and safety protocols for all staff, provided personal protective equipment to all work site locations, implemented guidelines to allow for essential field-related work, and created a reporting process for COVID-19 related concerns and cases. Since March 2020, DNR directed office staff to work from home while still maintaining a high level of customer service. DNR has limited travel to mandatory and permissible reasons under current health guidelines only, and shifted board/commission meetings and public-facing services to a virtual format.

DNR has taken a fiscally conservative approach to hiring and spending in response to the economic and budgetary uncertainty associated with the pandemic. The department is reviewing all vacancies to ensure hiring is focused on essential positions. This spring, the hiring of some temporary employee positions was delayed and in many cases the length of temporary employment was shortened by weeks or months in response to budgetary uncertainties related to the pandemic. In particular, State Parks experienced increased pressure as public use of the parks increased significantly while volunteer hours decreased. Though increased Parks visitation has led to more revenue from entry fees, the Department is still analyzing the relationship between increased revenue and increased operating costs and resource impacts. Current projections of revenue versus expenses show that the State Parks system (as indicated by the State Parks Cash Fund) will break even over FY 2020-21, when accounting for potential COVID restrictions and the possible loss of supporting revenue sources (i.e., severance tax). DNR continues to monitor all cash funds carefully--especially those with oil and gas-dependent revenue streams--and manage spending accordingly.

The COVID operating environment presents challenges, but in some cases has been less disruptive than might be expected. The Colorado Oil and Gas Conservation Commission, for example, has long operated under a dispersed home-based office model for its field staff. With this existing operating model, OGCC field staff completed 25,872 inspections from April through September of 2020, a 42-percent increase over the same period in the prior year. DNR divisions have also been responsive to the impact of the pandemic on their customers. For example, the State Land Board granted temporary rent relief to some commercial real estate customers, in recognition of the challenging economic conditions in the state and in the interest of maintaining good business relationships. In addition, the Colorado Water Conservation Board launched a new online engagement tool (www.engagecwcb.org) to help gather stakeholder input in the absence of in person meetings.

Looking forward, DNR has been working with the Governor's Office and the Department of Personnel to outline plans for the "new normal" that include evaluating flexplace arrangements and maintaining a work from home model for approximately 50% of staff that are currently assigned to office space. Part of this effort includes DNR engaging in a taskforce to identify efficiencies through a reduction or consolidation of DNR's office space where possible.

SEVERANCE TAX

ISSUE: SEVERANCE TAX OPERATIONAL FUND UPDATE

- 3 *[Sen. Rankin] I am concerned about upcoming rules and regulations that may impact local revenues that reduce future drilling. Is the OGCC looking at the oil and gas production and economic forecasts and considering the impacts of legislation and setback rules? Is the Department conducting cost-benefit analysis with respect to the rules? If so, please describe the process, including who is responsible for the analysis, and the timeline for communicating findings.*

Response: Senate Bill 19-181 significantly amended the Colorado Oil and Gas Conservation Act, requiring the Oil and Gas Conservation Commission (Commission) to regulate the development and production of oil and gas in Colorado in a manner that protects public health, safety, welfare, the environment and wildlife resources. The bill also repealed Section 34-60-106(2)(d), C.R.S., removing the requirement for the Commission to take into consideration the cost effectiveness of regulatory measures. However, the Commission must adopt rules for oil and gas development that are necessary and reasonable.

To implement S.B. 19-181, the Commission undertook two Mission Change rulemakings. Before initiating these rulemakings, which included proposed changes to the setback rules, the Commission held public hearings and solicited input from a wide variety of stakeholders including citizens, the oil and gas industry, environmental groups, and lobbyist organizations representing a variety of interests. The Commission requested, received, and considered industry input, including information related to potential production and economic impacts of proposed setback changes. Over the course of the rulemaking processes, the Commission received input from over 90 parties, including prehearing statements, responses, pre-filed testimony, and party presentations, that provided information about impacts to development, especially as it related to setbacks.

In addition to stakeholder input, OGCC prepared a cost-benefit analysis (CBA) for each of the two Mission Change rulemakings that were completed on November 23, 2020, after the Department's JBC staff briefing. Pursuant to the Colorado Administrative Procedure Act (APA; Section 24-4-103(2.5)(a), C.R.S.), any member of the public can request that the Executive Director of the Colorado Department of Regulatory Agencies (DORA) direct a state agency to prepare a cost-benefit analysis if such a request is made within five days of the proposed rules being published in the Colorado Register. OGCC received two such requests: one to consider the proposed changes to the 200, 300, 400, and 600 Rules Series, (including Rule 604 pertaining to setbacks); and one to consider the proposed changes to the 900 and 1200 Rules Series. In accordance with the APA, the two cost-benefit analyses were completed and published to both the OGCC and DORA websites prior to their respective hearings ([200, 300, 400, and 600 Rules Series CBA](#); [900 and 1200 Rules Series CBA](#)). The Commission then considered both stakeholder input and the cost-benefit analyses during the course of adopting the Mission Change rules, which is standard practice for all Commission rulemakings. Please note that the results of the cost-benefit analyses may not apply to the adopted rules, which

differed from the proposed rules as a result of input gathered from various stakeholders throughout the hearings process.

- 4 *[Sen. Hansen] Please provide additional detail related to the response to RFI #3 on orphaned wells activity.*

Response: Additional details related to OGCC's Orphaned Well Program for FY 2019-20 can be found in the program's annual report, available on the Commission's website at:

https://cogcc.state.co.us/documents/library/Technical/Orphan/Orphaned_Well_Program_FY2020_Annual_Report_20200901.pdf

The report includes information about a variety of Orphaned Well Program metrics:

- Table 1 (page T1) shows a summary of the type of work by work unit, the county where the work was performed, the project name, the task name, and the task status.
- Table 2 (page T16) summarizes historical financial information, FY 2019-20 expenditures, and available sureties remaining at the end of FY 2019-20 for Orphaned Well Program Bond Claim projects that had FY 2019-20 expenditures.
- Table 3 (page T17) shows all Orphaned Well Program projects that had expenses in FY 2019-20 (this information was submitted as the response to RFI #3).
- Table 4 (page T19) displays the Orphaned Well Program's July 1, 2020, Site List, which includes a total of 215 orphaned wells and 454 associated orphaned sites.

- 5 *[Sen. Hansen] Please explain the two highest cost projects on the list – the \$1.4 million CM Production Bond Claim and the \$777,000 Tudex Petroleum Bond Claim – and what amounts and percentage of total costs are related to bond claim funding.*

Response: The CM Production Bond Claim is a large project consisting of 27 wells on 26 sites (one site was a two-well pad) spread across Jackson, Logan, and Washington Counties. The Orphaned Well Program commenced work on this project in FY 2016-17, expending the available bond claim funds totaling \$67,849 before using appropriated funds. Bond funds comprised 4.2 percent of the project's total cost of \$1,603,187 as of the end of FY 2019-20. For FY 2019-20, Orphaned Well Program activities for this project included plugging eight wells, decommissioning five tank batteries, sampling and analysis work at six sites, and environmental remediation at four sites.

The Tudex Petroleum Bond Claim includes nine wells on eight sites (one site was a two-well pad) in Adams and Weld Counties. The Orphaned Well Program commenced work on this project in FY 2017-18, expending the available bond claim funds totaling \$62,470 before using appropriated funds. Bond funds comprised 6.3 percent of the project's total cost of \$988,764, as of the end of FY 2019-20. For FY 2019-20, Orphaned Well Program activities for this project included plugging nine wells, performing sampling and analysis at four sites, and performing environmental remediation at three sites.

6 [Sen. Hansen] What was the bond level established for each of those wells and when were those bond levels established? Please provide a list of bond funding provided for each of the projects on the FY 2019-20 expenditures list included in RFI #3.

Response: Financial assurance for both the CM Production project and the Tudex Petroleum project included claimed soil protection and plugging and abandonment bonds totaling \$60,000 per operator. This bond amount was the financial assurance blanket amount required for operators with fewer than 100 wells in lieu of individual well bonds, as established by a previous Commission, and was effective July 1, 2009. The CM Production project also included a \$5,000 gas facility bond, as required for operators of small systems, gathering or processing less than five million standard cubic feet per day of natural gas.

Not all project expenditures in the response to RFI #3 included bond funding. The following table shows the subset of projects partially financed with proceeds from claimed bonds, including the total bond amounts:

BONDS AND OTHER SURETY CLAIM STATUS FOR ACTIVE FY 2019-20 BOND CLAIM PROJECTS				
Project	Total Bond Claim	Amount Spent in Prior Fiscal Years	Amount Spent in FY 2019-20	Remaining Bond Balance
Atom Petroleum Bond Claim	60,000	47,207	-	12,793
Benchmark Energy Bond Claim	620,000	240,991	379,009	-
CM Production Bond Claim	67,849	67,849	-	-
Dolphin Bond Claim	55,000	55,000	-	-
Donnelly Bond Claim	20,106	20,106	-	-
Energy Search Bond Claim	60,000	53,953	6,047	-
Entek GRB Bond Claim	225,000	-	6,267	218,733
Northstar Gas Bond Claim	30,000	-	-	30,000
P&M Petroleum Management Bond Claim	61,239	-	10,088	51,151
Petrohunter Bond Claim	62,573	4,786	7,262	50,525
Pine Ridge Bond Claim	85,000	45,691	16,052	23,258
Ranchers Bond Claim*	98,424	98,424	-	-
Red Mesa Holdings Bond Claim	72,831	72,831	-	-
Red Mountain Bond Claim**	92,015	81,500	10,515	-
Redwine Bond Claim	30,000	30,000	-	-
Reynolds Noel Bond Claim	30,000	6,836	23,164	-
Ruth Bond Claim	4,826	4,826	-	-
Taylor William Bond Claim	10,000	117	-	9,883
Texas Tea Bond Claim	71,850	71,850	-	-
Tudex Petroleum Bond Claim	62,470	62,470	-	-
Vitruvian Exploration Bond Claim	30,000	9,442	146	20,412
Totals	\$ 1,849,183	\$ 973,878	\$ 458,549	\$ 416,756

*Ranchers Bond Claim includes \$35,000 Colorado Department of Public Health and Environment deposit (bond transfer)

**Red Mountain Bond Claim includes \$24,169 bankruptcy deposit and \$5,000 State Land Board deposit (bond transfer)

This table also appears on page T16, of the [Orphaned Well Program FY 2019-20 Annual Report](#) (also referenced in the response to question 2, above).

- 7 *[Sen. Hansen] Please describe the general experience with bond claims over the last three years. Please explain how the Department and the OGCC are responding to the need for more appropriate and secure bond levels.*

Response: During the prior three fiscal years, OGCC's Orphaned Well Program worked on 24 bond claim projects ranging from small single well sites to large sites consisting of 20 or more wells to plug, equipment to decommission, and environmental and reclamation work to complete.¹ Bond claim amounts for these projects varied from \$4,826 for a single-well bond claim to \$620,000 for a bond claim with 39 wells and 44 related sites.

For 17 of the 24 projects, bond proceeds had been fully expended by the end of FY 2019-20, and proceeds from the claims were not sufficient to cover the costs of the work required for remediation of the associated sites. Work is still in progress in FY 2020-21 for all but one of these bond claim projects.

In response to Executive Order D 2018-12, OGCC convened a working group in fall 2018 to review financial assurance requirements. As a result of this review, Commission staff issued a report detailing recommended changes on December 1, 2018, which can be found on the Commission's website at:

https://cogcc.state.co.us/documents/library/Technical/FATWG/Financial_Assurance_Technical_Working_Group_Final_Report_Dec_2018.pdf

The report recommended increasing bonding for inactive wells, and will be considered as part of the rulemaking to implement S.B. 19-181's requirement to revise OGCC's financial assurance structure. In conjunction with the other rulemakings required by the bill, the Commission plans to hold hearings on rules regarding Financial Assurance beginning in early 2021.

¹ The number of bond claim projects referenced here differs from that reported in the response to question 6 due to timing. During FY 2019-20, the Orphaned Well Program expended funds in support of 21 of the 23 projects that were still in progress at fiscal year-end.

COLORADO PARKS AND WILDLIFE

WOLVES

- 8 *[Sen. Rankin] Does the Department have any plans to manage the wolves that are already in Colorado? If so, please describe current wolf management practices.*

Response: As of the submission deadline for these responses--Thursday, December 31, 2020--the Department does not manage wolves in the state. The gray wolf is designated as endangered under the federal Endangered Species Act. As such, management of gray wolves is currently under federal authority. Until they are delisted, Colorado Parks and Wildlife (CPW) will not take any management action on the wolves that are already in Colorado, but will monitor the animals known to be in the state using a variety of techniques. Once delisted, CPW will follow the recommendations of the Wolf Working Group (see below). These recommendations also provide guidance for CPW's response to the wolves in Colorado.

While the United States Fish and Wildlife Service has published a Final Rule that will delist wolves from the Endangered Species Act, they remain federally protected until January 4, 2021, when that Final Rule will take effect. Not taking into consideration any potential litigation of the Final Rule, at that point in time, management authority for the species will return to the state. The Department will provide an update on the status of the state's management authority during the hearing on January 5, 2021.

In 2004, the Colorado Division of Wildlife (CDOW now CPW) appointed a 14-member Working Group to address the potential management of wolves. The product that resulted from that effort is the "[Findings and Recommendations for Managing Wolves that Migrate into Colorado](#)." This guidance was reaffirmed in 2016 and remains the best source of direction for CPW on wolf management practices.

The Working Group agreed on four guiding principles for wolf management:

- Impact-Based Management: Address positive and negative impacts of wolf presence.
- Adaptive management: Learn by doing, monitor, and apply new knowledge.
- Monitoring: Use various methods to track and understand wolf populations, livestock depredation, wild ungulate populations, and human attitudes.
- Damage Payments/Proactive Measures: Compensate for losses and encourage methods to minimize livestock-wolf conflicts.

The report goes into specific recommendations regarding management strategies that will allow for wolves to live with no boundaries where they find appropriate habitat. It emphasizes monitoring and working towards solutions to mitigate issues, including appropriate education and outreach. Additionally, the recommendations include transitioning wolf management into existing management programs and procedures both internally and with partners.

Department of Natural Resources

Dan Gibbs, Executive Director

**Joint Budget Committee Hearing
January 5, 2021**



COLORADO
Department of
Natural Resources

Agenda

- Department Overview
 - Common Questions 1-2
- FY 2021-22 Budget Requests
- Severance Tax/Oil and Gas
- Colorado Parks and Wildlife



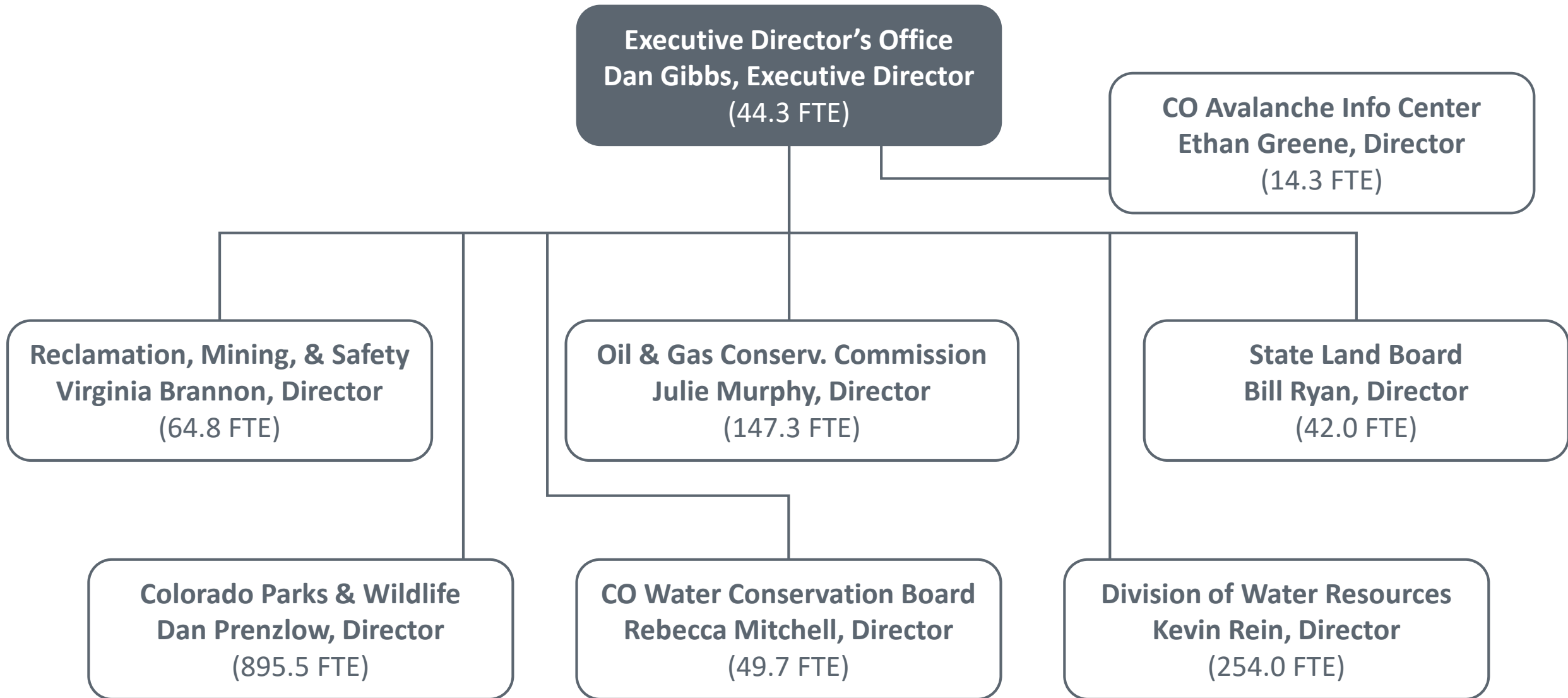
Department Mission & Vision

The mission of the Department of Natural Resources is:

To manage and conserve Colorado's natural resources for the benefit and enjoyment of people today and tomorrow.

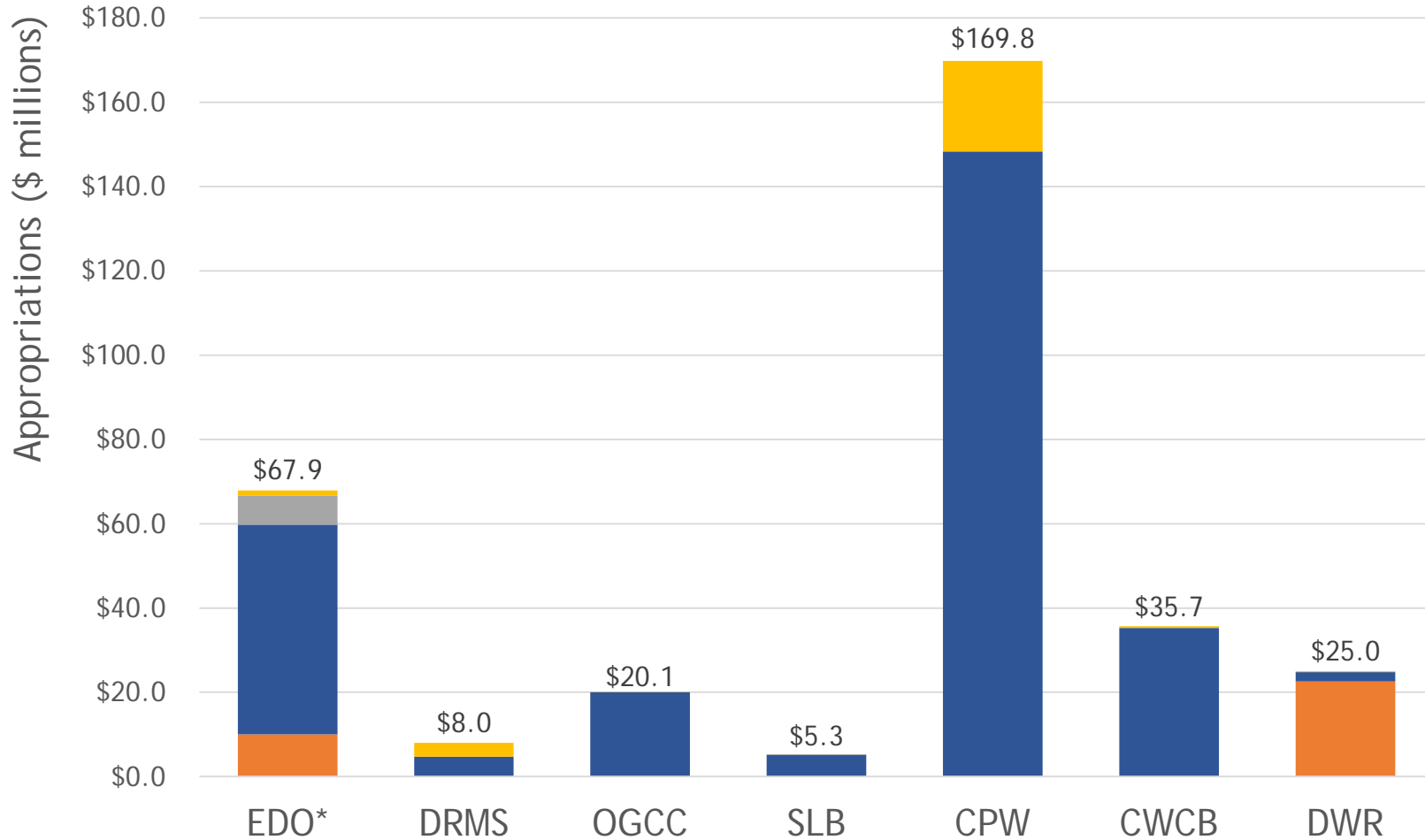
DNR's vision:

Colorado will be a national leader in promoting the responsible use and conservation of natural resources for this and future generations.



FY 2020-21 DNR Total = 1,511.9 FTE

DNR FY 2020-21 Operating Appropriations by Division



Total Approp = \$331.8 million

- \$32.7M General Fund – 10%
- \$265.3M Cash Funds – 80%
- \$7.2M Reapprop Funds – 2%
- \$26.7M Federal Funds – 8%

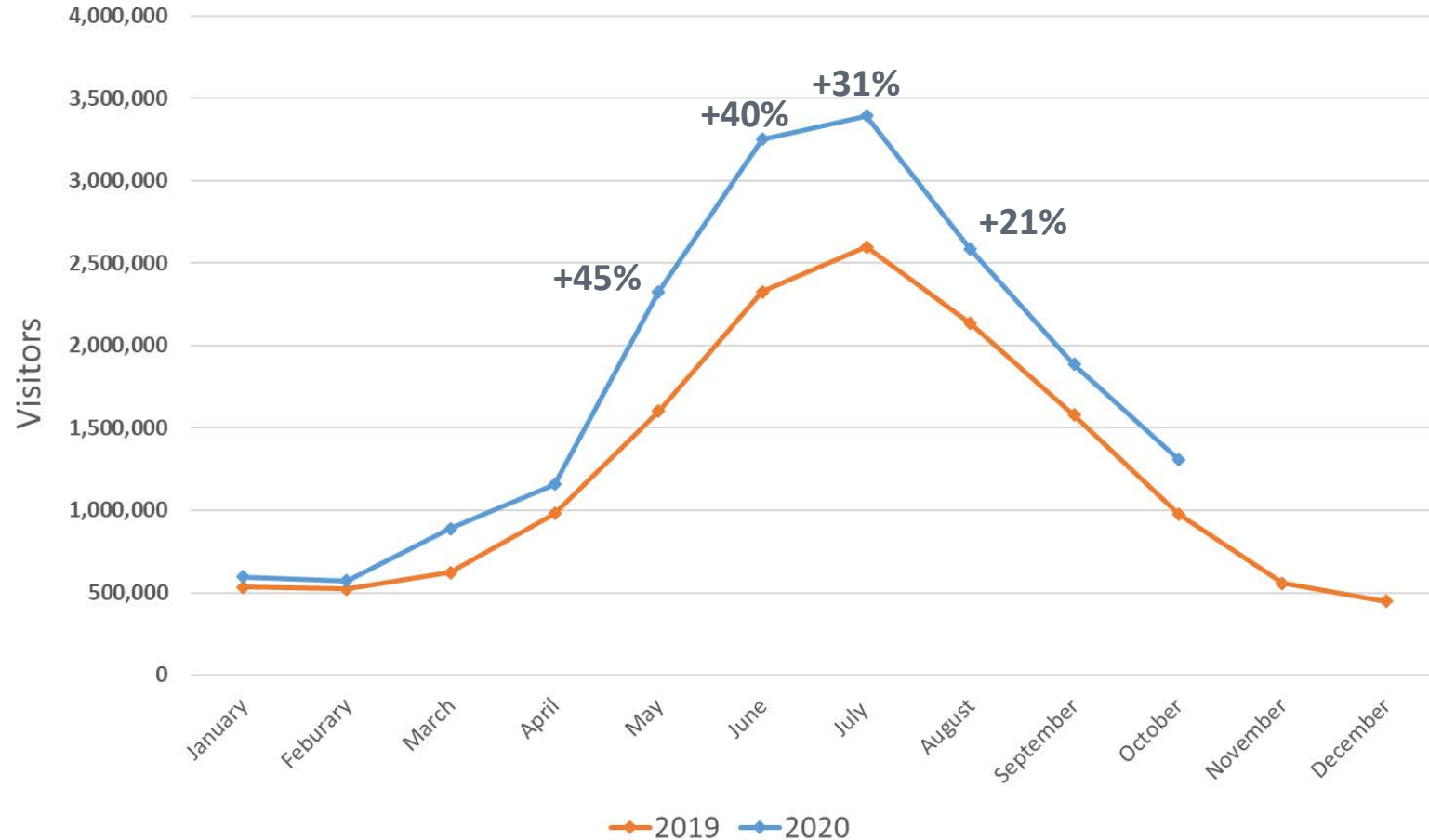
*The Executive Director’s Office (EDO) budget includes appropriations for EDO personal services and operating expenses, centrally appropriated common policy line items, and the Colorado Avalanche Information Center (CAIC). CWCB’s appropriation includes the annual Projects Bill.



Recreation in the Vast, Great Outdoors

- Providing safe opportunities for responsible recreation
- Operational Impact of COVID-19

Monthly State Park Visitation: 2019 vs. 2020



Wildly Important Goals

1. Track and Prioritize Water Project Needs
2. Balance Outdoor Recreation and Conservation
3. Sustainable Funding for Colorado Parks and Wildlife
4. Equity, Diversity, and Inclusion



FY 2021-22 Budget Request Package



Protects funding for DNR's high priority programs and restores the FY21 reduction to the Department's operating budget.

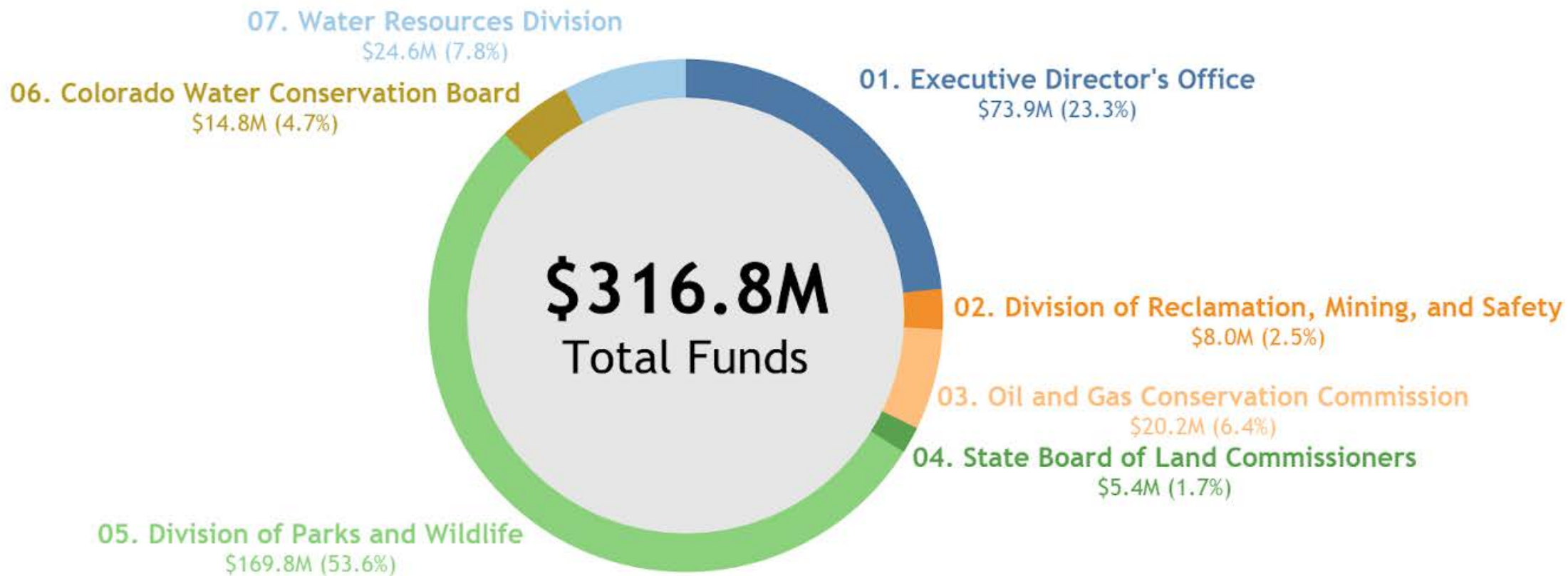


Includes vital funding for wildfire risk mitigation, as well as economic stimulus investments in state parks infrastructure.



Advances DNR's Wildly Important Goal to balance outdoor recreation and conservation.

FY 2021-22 Budget Request Detail



General Fund = \$35.2 million

FTE = 1,517.0



Wildfire Response and Risk Mitigation

\$20 million General Fund investment over two years (FY21 S-01, FY22 R-01)

Forest Restoration/Wildfire Mitigation

- FY 2020-21 = \$6 million
- FY 2021-22 = \$5 million

CWCB Watershed Restoration Grants

- FY 2020-21 = \$4 million
- FY 2021-22 = \$5 million



Economic Stimulus, Outdoor Rec and Conservation

- \$20 million CCF for State Parks capacity expansion, infrastructure improvement projects (FY21 Supplemental, Stimulus)
- Staff and operating to open Fishers Peak State Park to the public (R-02: \$208,385 CF, 2.0 FTE)
- Coordinator for multi-partner big game migration corridor projects and habitat protection efforts (R-03: \$109,410 CF, 1.0 FTE)



Budget Balancing and Technical Requests

- Flexibility for the CO Avalanche Information Center to accept CDOT funds to install avalanche mitigation systems along state highways (R-04: \$85,637 RF, 0.8 FTE)
- True up Off-Highway Vehicle Program admin support costs (R-05: \$0 refinance)
- Continue State Parks Military Free Access Program within existing resources (R-06: -\$125,000 GF)



Agenda

- Department Overview
 - Common Questions 1-2
- FY 2021-22 Budget Requests
- Severance Tax/Oil and Gas
- Colorado Parks and Wildlife





COLORADO
Department of
Natural Resources

DEPARTMENT OF NATURAL RESOURCES
FY 2021-22 JOINT BUDGET COMMITTEE HEARING
WRITTEN RESPONSES ONLY

COMMON QUESTIONS: PLEASE RETAIN THE NUMBERING IN ORDER TO MAINTAIN CONSISTENT LABELING FOR COMMON QUESTIONS ACROSS DEPARTMENTS.

- 1 Provide a list of any legislation with a fiscal impact that the Department has: (a) not implemented, (b) partially implemented, or (c) missed statutory deadlines. Explain why the Department has not implemented, has only partially implemented, or has missed deadlines for 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 of Natural Resources (DNR) has two bills with a fiscal impact that are partially implemented.

H.B. 20-1153, Colorado Partnership for Quality Jobs and Services Act: DNR is coordinating closely with the Department of Personnel and Administration (DPA) and the Attorney General's Office to implement the Colorado Partnerships for Quality Jobs and Services Act. Statewide Partnership Agreement negotiations are ongoing, under the leadership of DPA, and DNR anticipates full implementation of the Act on the same timeline as all other state departments. DNR has implemented all of the requirements currently agreed upon by DPA and Colorado WINS (COWINS), including providing COWINS with new employee orientation dates and information, as well as a list of covered and non-covered employees. In accordance with the final fiscal note on the bill, DNR's FY 2021-22 budget request includes a technical adjustment for an increase of 1.2 FTE to handle negotiations on department-specific agreements and to ensure compliance with the bill.

S.B. 19-181, Protect Public Welfare Oil and Gas: Senate Bill 19-181 requires the Colorado Oil and Gas Conservation Commission (OGCC) to regulate oil and gas development and operations in a manner that protects public health, safety, welfare, the environment, and wildlife resources. The bill's amendments to the Oil and Gas Conservation Act are far-reaching and require multiple rulemakings over several years to fully implement. The full-time professional Commissioners required by the bill are in place at OGCC as of July 1, 2020, and the implementation of S.B. 19-181 is on schedule.

During FY 2019-20 OGCC completed three rulemakings required by S.B. 19-181, addressing flowlines, wellbore integrity, and administrative law judges. In fall 2020 the Commission conducted "Mission Change" rulemakings. These adopted rules addressed three critical rulemaking topics identified by the legislation: the change to the agency's mission from foster to regulate oil and gas, the requirement to evaluate and address cumulative impacts, and the requirement to include consideration of alternative locations during the permitting process. These rulemakings also reorganized, clarified, and improved its rules on many other topics, including safety, wildlife resources, underground injection, nuisance, coordination with local and federal governments, and public participation. In 2021,

OGCC plans to complete the three remaining S.B. 19-181 rulemakings: financial assurance, permit fees, and worker certifications.

Colorado Parks and Wildlife (CPW) is working alongside OGCC to fully implement S.B. 19-181 and will be bringing on a Land Use Coordinator, as appropriated in the bill, to coordinate with and provide assistance to counties and municipalities as they address changes to oil and gas regulations and their potential impacts on wildlife.

- 2 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations with a fiscal impact identified in the Office of the State Auditor's "Annual Report: Status of Outstanding Audit Recommendations"? What is the Department doing to resolve these HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

The 2020 report can be found at this link:

http://leg.colorado.gov/sites/default/files/documents/audits/2056s_2020_annual_report_status_of_audit_recommendations.pdf.

Response: The Department of Natural Resources has no high priority outstanding recommendations with a fiscal impact identified in the report.

- 3 For the FY 2020-21 hearing process, the Department was asked to respond to the following questions related to public awareness campaigns.

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?

Please provide an update to your response from last year, including any changes to existing campaigns and/or the addition or discontinuation of campaigns.

Response: The Department conducts public awareness work to advance certain priorities. The public awareness activities described for each division in the Department's FY 2020-21 response are still applicable, and occurring at levels consistent with the prior year (see pages 27-29, http://leg.colorado.gov/sites/default/files/fy2020-21_nathrg.pdf). In addition to the ongoing public awareness work identified in the FY 2020-21 response, the Department has the following updates, described in more detail by division below.

Colorado Avalanche Information Center: The *Know Before You Go* program is a free avalanche awareness program and has been a collaborative effort between the Utah Avalanche Center (a partnership between the US Forest Service and a nonprofit), the Colorado Avalanche Information Center (CAIC), and the Friends of the CAIC (a nonprofit organization) for many years. The goal of the program is to provide basic education about avalanches as a natural hazard and encourage students to recreate safely. The current iteration of the program started in 2016 and was originally developed for school children, but now includes general education materials for adults, as well as a work-place safety module (*Know Before You Go to Work*). The CAIC and Friends of the CAIC administer and deliver the content in Colorado, and the CAIC's cost of administering the program in FY 2019-20 was less than \$50,000. The current program is primarily available online through videos/presentations and interactive e-learning modules, and it is utilized by other state, local, and non-profit organizations in related public awareness campaigns.

Colorado Parks and Wildlife: In FY 2019-20, Colorado Parks and Wildlife (CPW) made minor modifications to the agency's overarching public awareness campaign *Live Life Outside* to focus even further on conservation. The *Conservation Starts Small* update was a call to action, showing people simple things they can do to help CPW protect and conserve the places and wildlife so many Coloradans enjoy.

CPW also participates in a public awareness campaign through a legislatively-created body known as the Colorado Wildlife Council (the Council) that includes a coalition of hunters, anglers, and conservationists. Spending on this program increased from \$1.0 million in FY 2018-19 to \$2.1 million in FY 2019-20 resulting from an approved increase in spending authority to accommodate additional revenue (FY 2019-20, DNR R-06, Increase Spending Authority for the Wildlife Council). The increase has allowed the Council campaign to reach a larger audience, complete more in-depth research into the campaign's target audience, and ensure the messages resonate with them.

In calendar year 2020, the Council piloted a small outreach team whose purpose was to meet with CPW's primary audience face-to-face and engage them in meaningful conversations about the benefits of hunting and fishing. Due to COVID-19 restrictions these interactions were limited during 2020; however, the pilot program did provide the Council with direct feedback and information about target audiences and constituents. The team gathered information on common questions, themes, and misunderstandings and were able to track message retention through a post interaction survey.

- 4 Please identify how many rules you have promulgated in the past year (FY 2019-20). 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: Four divisions within the Department of Natural Resources promulgated rules in FY 2019-20. In each case, no cost-benefit analysis or regulatory analysis was required or conducted unless otherwise indicated in the responses below.

Oil and Gas Conservation Commission: The Oil and Gas Conservation Commission conducted three rulemakings required by S.B. 19-181 (administrative law judges, flowlines, and wellbore integrity) as outlined below.

- July 2019 – Concerning rules of practice and procedure (11 major rule amendments and 25 conforming changes).
- November 2019 – Concerning flowlines (11 major rule amendments).
- June 2020 – Concerning wellbore integrity (17 major rule amendments).

Division of Water Resources: The Division of Water Resources made three rule changes as outlined below.

- January 2020 – Updated dam safety and construction rules (2 CCR 402-1). A cost-benefit analysis was requested and then subsequently withdrawn.
- January 2020 – Updated rules and regulations for the management and control of designated groundwater (2 CCR 410-1).
- May 2020 – Emergency rules for COVID-19 changing the Board of Examiners continuing education requirements (2 CCR 402-14).

Division of Reclamation, Mining and Safety: In May 2020, the Division of Reclamation, Mining, and Safety Coal Program promulgated rule changes that were required by the program’s federal oversight agency, the Office of Surface Mining, Reclamation and Enforcement, to maintain consistency with the federal rules and associated state primacy.

Colorado Parks and Wildlife: Colorado Parks and Wildlife (CPW) makes a large number of quota changes, season date changes, and other hunting-specific changes to the agency regulations each year. In total, 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 implemented approximately 150 regulatory changes in FY 2019-20.

- 5 What are the major cost drivers impacting the Department? Is there a difference between the price inflation the Department is experiencing compared to the general CPI? Please describe any specific cost escalations.

Response: Major cost drivers for the Department of Natural Resources (DNR) as a whole include: growth in personal services expenses for 1,511.9 FTE and hundreds of temporary employees; inflation in the cost of utilities and goods required to operate DNR facilities; increasing information technology costs; and general growth in workload for each division. Many of these factors tend to increase in tandem with the general CPI. In prior years, construction-related costs for several DNR divisions have

exceeded CPI, but they are now tracking relatively closely to inflation, a trend expected to continue in the near-term. Specific to the current fiscal year, Colorado Parks and Wildlife (CPW) is experiencing a significant increase in state parks visitation during the current pandemic. Although visitation may be more analogous to caseload (see question 6 below), visitation is driving increased operating costs and maintenance costs as more visitors use park amenities.

For additional information on workload and performance measures, please see the Department's FY 2020-21 Performance Plan, online at:

https://drive.google.com/file/d/1M99oUW-TfaCD0BjD35FNNALiG_xilSxQ/view.

- 6 How is the Department's caseload changing and how does it impact the Department's budget? Are there specific population changes, demographic changes, or service needs (e.g. aging population) that are different from general population growth?

Response: The Department of Natural Resources does not experience caseload in the same way other departments do, but population growth and related variables affect a number of divisions and their budgets.

Oil and Gas Conservation Commission: Population increases in specific areas where oil and gas activity is occurring, such as the northern Front Range, drive additional workload and costs for the Oil and Gas Conservation Commission (OGCC). Applications for new oil and gas locations near residential areas are far more complex and more time consuming than those in less populated areas, as they require more interaction between OGCC staff, operators, local governments, and the Department of Public Health and Environment. Applications near residential areas also receive more public comments that need to be addressed and require more detailed analysis and, if approved, conditions of approval. Oil and gas facilities in populated areas require more on-the-ground attention by inspectors during all phases of the well – construction, drilling, completion, production, plugging and reclamation – as proximity to homes and other occupied structures elevates the status of a well to high priority. These applications also generate more public complaints, primarily for nuisance issues such as dust, noise, and odors.

Colorado Parks and Wildlife: For Colorado Parks and Wildlife (CPW), park visitation is a close analog to caseload as a population-based variable that has a direct correlation to operating costs. Since FY 2015-16, visitation at Colorado's state parks has increased by approximately 25.2 percent, from about 13.6 million visitor days to more than 17.1 million visitor days. In FY 2019-20, 2.3 million more people visited the parks, a 15.7% increase from FY 2018-19. On top of the broader trend in visitation, state parks have been experiencing a recent and significant increase in visitation specific to the COVID-19 pandemic. Visitation in calendar year 2020 has exceeded 2019 visitation by approximately 30% as a result of increased participation in outdoor recreation. Over the last five years, non-personal services operating costs for the state park system increased by almost 34 percent. Certainly inflation has

contributed to these cost increases, but park visitation is a good “common sense” indicator of how park operating expenditures will trend: as more people visit a given park, park operations will need to accommodate the costs associated with increased visitation.

In addition, Colorado has experienced continued significant development in many sectors including real estate, transportation, and energy, many of which are affected by population growth and related variables. CPW must work with the various industries to attempt to minimize the impacts of development on Colorado’s wildlife populations. For example, expanded local regulation of oil and gas is expected to increase the workload for CPW, specifically for staff located in counties or municipalities that choose to regulate oil and gas more stringently than OGCC. CPW staff will need to work with these counties and municipalities to develop their rules and regulations with respect to wildlife protection during oil and gas development, and once local rules and regulations are implemented, CPW staff will need to consult with county and city staff on individual oil and gas facility proposals. The Division will continue to monitor the impacts of increasing development activities on its operating budget.

Colorado Water Conservation Board: Since the release of the Colorado’s Water Plan in 2015, and in the face of continued projections for population growth, the Colorado Water Conservation Board (CWCB) continues to see high demand for various types of water projects including infrastructure, environment and recreation, and agriculture.

In 2019, the CWCB released an update of the state’s supply and demand projection data and tools underpinning Colorado’s Water Plan, known as the Analysis and Technical Update to the Colorado Water Plan (Tech Update). According to the Tech Update, Colorado’s population, which is currently about 5.7 million, is projected to reach between 8.6 million and 10 million by 2050. Supporting this growth will require water. It is critical to plan for this limited resource that will be further constrained due to the impacts of rising temperatures, changing precipitation patterns, seasonal shifting associated with climate change and the cumulative effects of ongoing drought across the state. CWCB programs and grants help to meet key service needs for the water sector including repair and improvement of aging water infrastructure, source-water protection against natural hazards including wildfire, supporting growing communities to use water wisely and efficiently, and developing tools and strategies to support watersheds and agriculture. The CWCB continues to see high demand for a range of water projects including those supporting infrastructure, environment and recreation, and agriculture.

Division of Water Resources: Increasing population drives a demand for more use of a limited water supply. To address this demand, water right owners frequently request to change their rights for alternate or multiple uses. This results in changes in augmentation plans and general water rights management and causes an increased need for more engineering, administration and accounting within DWR. These changes create more court cases and require more strict accounting and administration of water to be accomplished within DWR’s existing resources.

- 7 In some cases, the roles and duties of existing FTE may have changed over time. Please list any positions that have been created in the Department since FY 2018-19 that were not the result of legislation or a decision item.

For all FY 2021-22 budget requests that include an increase in FTE:

- a. Specify whether existing staff will be trained to assume these roles or these duties, and if not, why;
- b. Specify why additional FTE are necessary; and
- c. Describe the evaluation process you used to determine the number of FTE requested.

Response: The roles and duties of existing FTE reflect and meet the current business needs of the Department of Natural Resources and its divisions. By necessity, positions are revised, reallocated, created, and decommissioned with some frequency as demands and workload shift over time. The Department defines positions in order to be responsive to the public and maintain a high level of customer service. Any staffing adjustments are evaluated carefully and are made within the Department's budgetary resources and FTE allocation as determined by the legislature.

The Department's FY 2021-22 budget request includes three decision items requesting new FTE for Colorado Parks and Wildlife (CPW) and the Colorado Avalanche Information Center (CAIC).

R-02 Fishers Peak Staff and Operating Support: CPW requests an increase of \$208,385 cash fund spending authority and 2.0 FTE in FY 2021-22 for a Park Ranger and a Park Resource Technician to support the initial phase of opening at Fishers Peak State Park. The request increases by \$70,165 and 1.0 FTE in FY 2022-23 for an additional Park Ranger as public access increases.

- a. The Department is currently conducting planning and development efforts for Fishers Peak State Park within existing resources. As public access expands, CPW will require dedicated park staff to ensure public safety and the necessary level of proper oversight, management, and maintenance. Existing CPW staff tend to acquire the necessary combination of job skills and knowledge required for park management so it is not uncommon for these types of positions to be filled via internal promotion. If this occurs, however, it does not mean that the workload could be accommodated within existing staff resources. Dedicated staff resources continue to be required at each individual park.
- b. Fishers Peak State Park is a 19,200-acre property near Trinidad, CO, that will provide new recreational opportunities for Colorado residents and visitors. The park requires dedicated staff to ensure public safety as amenities are added and visitation increases, as well as the proper maintenance and oversight of the property. Park Rangers fulfill a variety of crucial roles in the overall management of the park and are essential in responding to customer needs, responding to emergency situations and to help ensure safety. Park Resource Technicians manage park

infrastructure and assist with the necessary maintenance and improvements required of a new park.

c. To estimate the number of FTE required to support the initial phase of opening of Fishers Peak State Park, CPW relied on comparisons to the need of Trinidad Lake State Park, located in the same area, as well as the Division's extensive experience operating a multitude of recreational sites.

R-03 Habitat Connectivity and Transportation Coordinator: CPW requests an increase of \$109,410 cash fund spending authority and 1.0 FTE for a dedicated habitat connectivity and transportation coordinator to meet the objectives of federal and state initiatives, and to facilitate wildlife conservation through the protection, enhancement, and management of big game winter range and migration corridors in Colorado.

a. CPW has attempted two other alternatives to manage the workload associated with federal and state initiatives and highway mitigation projects within existing resources, including: the disaggregation of the various projects and workload across a variety of staff members and assigning the responsibilities to an existing staff member as a six-month special assignment in addition to other duties. Several CPW staff members have developed the skills required of this position, but additional staff resources are needed to address the required workload. CPW promotes employee development and career growth and, as is true with all vacancies, internal candidates are encouraged to apply.

b. As noted above, CPW does not have the staff capacity to support the required level of coordination to ensure the protection and improvement of migration corridors and big game winter range. The workload associated with this role requires both a statewide focus and extensive stakeholder engagement and coordination. A full-time staff member dedicated solely to these efforts ensures that the policy objectives remain in focus without impacting other CPW efforts.

c. Based on experience with other habitat connectivity and transportation projects, CPW estimates that one dedicated staff member could complete the coordination, analysis, and stakeholder engagement required.

R-04 Support for Remote Avalanche Control Systems: CAIC requests an increase of \$85,637 reappropriated funds and 0.8 FTE in order to accept funds from the Colorado Department of Transportation (CDOT) to install and maintain remote avalanche control systems on the state transportation system.

a. The CAIC will use its existing workforce to complete the additional maintenance and installation services requested by CDOT. The CAIC employs year-round part-time avalanche forecasters that typically work full time during the winter months and less hours over the summer.

b. The increase in FTE reflects the additional hours that would be allocated across the CAIC's existing permanent part-time positions that are required to meet CDOT's requested level of service.

c. The requested increase represents the CAIC's best estimate of the spending authority that may be required in consideration of the anticipated work and associated staff hours to meet CDOT's

needs in FY 2021-22. Ultimately, any work completed by the CAIC funded through reappropriated funds will be driven by the intergovernmental agreement with CDOT that is renewed every five years and is updated annually.

- 8 Please describe any programmatic impacts resulting from cash fund transfers impacting the department as part of the FY 2019-20 and FY 2020-21 balancing process.

Response: The Department had two cash fund transfers totalling \$50.5 million that were made for budget balancing purposes in FY 2020-21.

House Bill 20-1381 transferred \$45.5 million from the CWCB Severance Tax Perpetual Base Fund (the Fund) to the General Fund. The transfer resulted in the following impacts: 1) a reduction in interest earnings, 2) a reduction in non-reimbursable project funding available to advance the Colorado Water Plan due to the reduced growth of the Fund over time, and 3) an overall reduction in funding available for future water project loans. Loans issued from the Fund are used to support new construction or rehabilitation projects for agricultural and municipal water infrastructure such as reservoirs, dam rehabilitation, flood control projects, diversion structure rehabilitation or replacement, and conveyance system rehabilitation (i.e. ditches, canals, pipelines) and can provide economic benefits to the smaller rural communities in which they are often found.

It's important to note that the CWCB Construction Fund is designated as part of the state's emergency reserve in FY 2020-21. As of January 2021, the maximum amount of \$33 million was transferred from the CWCB Construction Fund to the Disaster Emergency Fund in accordance with Executive Orders (D2020-284 & D2021-009). Additionally, the Governor's budget request includes a placeholder to recapitalize State Emergency Reserve funds, including the CWCB Construction Fund. The CWCB will continue to work with the General Assembly, the Governor's Office, and its stakeholders to responsibly secure Colorado's water future through the implementation of Colorado's Water Plan.

House Bill 20-1406 transferred \$5.0 million from the CPW Off-Highway Vehicle (OHV) Recreation Fund to the General Fund. The OHV Registration Program provides grants to support trail maintenance, construction, trailheads, parking areas, support facilities, trail signs, maps, and education. The \$5.0 million in user-generated revenue is no longer available for programmatic activities, which could have programmatic impacts. For example, due to the COVID-19 public health crisis, Colorado's outdoor spaces have experienced unprecedented visitation this year. Land management agencies reported high levels of trash at trailheads and campsites, erosion and vegetation damage, illegal recreational use on public lands, and an increased need for maintenance of trails and trailheads. Transferred funds are unavailable to be used for future grants to address resulting resource damage by hiring trails crews to perform maintenance and rehabilitation.