



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative # 309

INITIAL FISCAL IMPACT STATEMENT

Date: April 14, 2020

Fiscal Analyst: Josh Abram (303-866-3561)

LCS TITLE: ESTABLISH THE INDEPENDENT OIL AND GAS BOARD

Fiscal Impact Summary		FY 2020-21	FY 2021-22	FY 2022-23
Revenue				
Expenditures	General Fund	\$371,081	\$323,326	\$310,926
	Cash Funds	-	\$1,364,096	\$1,248,694
Total		\$371,081	\$1,687,422	\$1,559,620

Disclaimer. This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.

Summary of Measure

Under current law, the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR) regulates the development and production of oil and gas in the state. This measure amends the Colorado Constitution and statutes to eliminate the COGCC and transfer all existing operations to a new agency: the Colorado Independent Oil And Gas Board (CIOGB). Beginning July 1, 2021, the CIOGB assumes all regulatory authority over oil and gas development and production.

The measure requires that nonpartisan staff agencies of the state legislature create an application process for individuals wishing to be appointed to the new board. The chief justice of the Colorado Supreme Court must designate a panel of retired judges to review initial board applications, and to review applicants as needed to fill vacancies. With bipartisan agreement, the governor and legislative leadership may nominate applicants to serve on the board.

The measure provides for the composition of the board, minimum qualifications of members, length of terms, compensation, staffing requirements, interagency coordination, adoption of rules, and other organizational elements of transferring the existing operations of the COGCC to the CIOGB.

Local government regulation of oil and gas. The measure allows local governments to regulate oil and gas development by:

- requiring a 1,000 foot setback from sensitive areas;
- requiring that new permit holders conduct additional air quality monitoring and ensure safety of plugged and abandoned wells in areas of new production;
- regulating flow lines; and
- requiring enhanced safety training for workers in the oil and gas industry.

State Expenditures

The measure increases state expenditures by \$371,081 and 0.5 FTE in FY 2020-21, by \$1,687,422 and 12.2 FTE in FY 2021-22, and by \$1,559,620 and 12.0 FTE in FY 2022-23. New expenses are in the Department of Natural Resources, the Department of Public Health and Environment, the Department of Law, and the Legislative Department. Costs are displayed in Table 2 and discussed below.

**Table 2
 Expenditures Under Initiative #309**

Cost Components	FY 2020-21	FY 2021-22	FY 2022-23
Department of Natural Resources			
Personal Services	-	\$937,942	\$937,942
Operating Expenses	-	\$13,500	\$13,500
Capital Outlay Costs	-	\$62,000	-
Legal Services	-	\$95,940	\$47,970
Centrally Appropriated Costs*	-	\$254,714	\$249,282
FTE – Personal Services	-	10.0 FTE	10.0 FTE
Subtotal (DNR)	-	\$1,364,096	\$1,248,694
Department of Public Health & Environment			
Personal Services	-	\$175,447	\$175,447
Operating Expenses	-	\$2,700	\$2,700
Capital Outlay	-	\$12,400	-
Legal Services	-	\$47,970	\$47,970
Centrally Appropriated Costs*	-	\$84,809	\$84,809
FTE – Personal Services	-	2.0 FTE	2.0 FTE
Subtotal (CDPHE)	-	\$323,326	\$310,926
Legislative Department			
Personal Services	\$35,054	-	-
Operating Expenses	\$675	-	-
Capital Outlay	\$6,200	-	-
Compensation - Retired Judge Panel	\$321,253	-	-
Centrally Appropriated Costs*	\$7,899	-	-
FTE – Personal Services	0.5 FTE	-	-
Subtotal (Legislative Department)	\$371,081	-	-
Total	\$371,081	\$1,687,422	\$1,559,620
Total FTE	0.5 FTE	12.0 FTE	12.0 FTE

* *Centrally appropriated costs include supplemental employee insurance, indirect costs, leased space, and additional disbursements to the Public Employee Retirement Association.*

Department of Natural Resources. The measure transfers the operations and staff from the COGCC to the COIGB beginning in FY 2021-22. For FY 2019-20, the operating budget for the COGCC is \$20,613,071 and 140.3 FTE. In addition to this transfer, the measure increases expenditures in the DNR by increasing the size of the regulatory board from five to nine members, and by increasing the compensation paid to all CIOGB members. Additional board members increases costs for administrative staff and related operating and capital outlay in the DNR. Expenses for the CIOGB are paid using cash fund revenue from permit fees, fines, and the mill levy assessment on oil and gas development. The DNR receives no General Fund appropriations for regulating oil and gas development.

Department of Public Health and Environment. Under current law, the CDPHE has statutory authority to adopt certain rules related to oil and gas development. This measure requires coordination, co-regulation, and joint approval of rules with the CIOGB, which increases staff needs for the department. Additional environmental specialists are required to liaison with the new board and assist the Air Quality Control Commission with it's state and federal mandates. Expenses in the CDPHE are from the General Fund.

Legislative Department. Nonpartisan staff are required in the Office of Legislative Council Staff and the Office of Legislative Legal Services to create an application and selection process for CIOGB members in FY 2020-21. Expenditures also increase to compensate the panel of retired judges. Expenses for the legislative staff agencies are from the General Fund.

Department of Law - Legal services. Beginning in FY 2021-22, legal services are required by the administering agencies to assist with the agency transfer between COGCC and the new CIOGB, to advise the new board concerning its powers and responsibilities, to assist with the board selection process, and to provide legal coordination for the adoption of rules. Legal services are purchased by state agencies from the Department of Law.

Centrally appropriated costs. Certain costs associated with the measure are addressed through the annual budget process and centrally appropriated in the annual state budget. These costs include employee insurance, supplemental employee retirement payments, indirect costs, and leased space.

Local Government Impact

The measure's impact on local revenue and expenditures will depend on the specific regulations a local government chooses to adopt, if any. The measure allows but does not require that a local government regulate oil and gas development. Local regulatory programs increase a local government's expenditures, and may also impact the amount of property taxes collected by counties, since regulatory limitations on new drilling can impact local property tax collections.

Economic Impact

The measure transfers regulatory authority over oil and gas development from one board to another. This does not have an economic impact. The economic impacts of future actions of the

board, if any, cannot be estimated.

Effective Date

If approved by voters at the 2020 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Law
Natural Resources

Legislature
Public Health and Environment

Abstract of Initiative 309: ESTABLISH THE INDEPENDENT OIL AND GAS BOARD

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of April 14, 2020, identifies the following impacts:

State expenditures. The measure increases state expenditures by \$371,081 and 0.5 FTE in FY 2020-21, by \$1,687,422 and 12.2 FTE in FY 2021-22, and by \$1,559,620 and 12.0 FTE in FY 2022-23. New expenses are in the Department of Natural Resources, the Department of Public Health and Environment, the Department of Law, and the Legislative Department.

Local government impact. The measure's impact on local revenue and expenditures will depend on the specific regulations a local government chooses to adopt, if any. Local regulatory programs increase expenditures, and may also impact the amount of property taxes collected.

Economic impacts. The measure transfers regulatory authority over oil and gas development from one board to another. This does not have an economic impact. The economic impacts of future actions of the board, if any, cannot be estimated.