

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2014-15 STAFF FIGURE SETTING

DEPARTMENT OF NATURAL RESOURCES

**(Division of Reclamation, Mining, and Safety; Oil and Gas Conservation Commission;
State Board of Land Commissioners)**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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DEPARTMENT OF NATURAL RESOURCES

**(Division of Reclamation, Mining, and Safety; Oil and Gas Conservation Commission;
State Board of Land Commissioners)**

Department Overview

The Department is responsible for developing, protecting, and enhancing Colorado's natural resources for the use and enjoyment of the State's present and future residents and visitors. This document addresses three of the Department's divisions:

- The **Division of Reclamation, Mining, and Safety (DRMS)** has two major programs: the **Office of Mined Land Reclamation** regulates development and reclamation at mining sites for coal, metals, aggregate, and other minerals through permitting and inspections; and the **Office of Active and Inactive Mines** reclaims abandoned mine sites and provides safety training for mine operators and employees.
- The **Oil and Gas Conservation Commission (OGCC)** is responsible for promoting the exploration, development, and conservation of Colorado's oil and natural gas resources. This includes issuing permits, conducting inspections, pursuing enforcement actions, and engaging in public outreach efforts.
- The **State Board of Land Commissioners (State Land Board)** manages agricultural, mineral development, and commercial activities on state-owned lands to generate reasonable and consistent revenue for public schools and seven other trust beneficiaries over time.

Please note that, pursuant to HB 12-1355, the **Colorado Geological Survey** was transferred out of the Department of Natural Resources to the Colorado School of Mines, effective January 31, 2013. While this document addressed the Colorado Geological Survey in prior years, the program is now included in budget presentations for the Department of Higher Education.

DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY

Executive Request

The Department requests an appropriation of \$23,438,149 total funds and 204.3 FTE for the three divisions covered in this document:

- **Division of Reclamation, Mining, and Safety (DRMS):** The DRMS request is largely a continuation budget, with one decision item (R-3) requesting \$352,881 cash funds for a budget-neutral refinance of the Coal Regulatory Program in anticipation of cuts in federal grant money from the U.S. Office of Surface Mining.

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- **Oil and Gas Conservation Commission (OGCC):** The OGCC request includes one decision item (R-2) requesting \$327,888 cash funds for an additional 3,600 legal services hours to assist the Hearings Unit with workload increases requiring legal support. The request also includes a budget amendment (BA-3) requesting a total of \$45,745 cash funds to provide vehicles for field staff added to the Division during the 2013 Long Bill process. Both requests are reflected in line items in the Executive Director’s Office.
- **State Board of Land Commissioners (SLB):** The SLB request reflects a decrease of \$669,217 cash funds due to the annualization of prior year budget actions, most notably the appropriation for the asset management system IT project. There are no decision items for the State Land Board in FY 2014-15 and the request is for continuation-level funding with adjustments for compensation common policies.

Staff Recommendation

The staff recommendation for the three divisions included in this packet is summarized in the table below, followed by brief description of each item listed:

Department of Natural Resources						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$24,101,510	\$0	\$20,425,628	\$255,000	\$3,420,882	204.3
Other legislation	<u>110,417</u>	<u>0</u>	<u>110,417</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$24,211,927	\$0	\$20,536,045	\$255,000	\$3,420,882	204.3
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$24,211,927	\$0	\$20,536,045	\$255,000	\$3,420,882	204.3
R3 Coal regulatory program refinance	0	0	352,881	0	(352,881)	0.0
Non-prioritized request changes	2,474	0	2,066	0	408	0.0
Centrally appropriated line item adjustments	421,373	0	333,633	0	87,740	0.0
JBC Staff initiated adjustment	75,000	0	75,000	0	0	0.0
Annualize prior year budget actions	(1,126,688)	0	(1,126,688)	0	0	0.0
Indirect cost assessment	<u>(70,937)</u>	<u>0</u>	<u>(97,132)</u>	<u>0</u>	<u>26,195</u>	<u>0.0</u>
TOTAL	\$23,513,149	\$0	\$20,075,805	\$255,000	\$3,182,344	204.3
Increase/(Decrease)	(\$698,778)	\$0	(\$460,240)	\$0	(\$238,538)	0.0
Percentage Change	(2.9%)	0.0%	(2.2%)	0.0%	(7.0%)	0.0%
FY 2014-15 Executive Request	\$23,438,149	\$0	\$20,000,805	\$255,000	\$3,182,344	204.3
Request Above/(Below) Recommendation	(\$75,000)	\$0	(\$75,000)	\$0	\$0	0.0

Description of Incremental Changes

R2 Additional legal services for enforcement (not shown): The recommendation includes \$152,559 cash funds for an additional 1,675 legal services hours for the OGCC. The final dollar amount is pending a Committee decision on the FY 2014-15 legal services rate.

R3 Coal regulatory program refinance: The recommendation includes an increase of \$352,881 cash funds from the Severance Tax Operational Fund to offset an anticipated reduction of the same amount in federal grant funds from the U.S. Office of Surface Mining.

BA3 Vehicles for inspectors (not shown): The recommendation includes an increase of \$45,745 cash funds in the Vehicle Lease line to provide vehicles for 10.0 field inspector and environmental specialist FTE added to the OGCC in the 2013 Long Bill process. This budget amendment is related to a FY 2013-14 supplemental request approved by the Committee.

Non-prioritized requested change: The recommendation reflects an increase of \$2,474 total funds per the request from the Department of Personnel regarding postage and envelopes costs. *This request will be addressed in a separate figure setting presentation for the Department of Personnel on March 14, 2013.*

Centrally appropriated line item adjustments: The recommendation includes an increase of \$421,373 total funds for adjustments to merit pay and salary survey compensation common policies.

JBC Staff initiated change: The recommendation includes an increase of \$75,000 cash funds for the Emergency Response Costs line item in the Division of Reclamation, Mining, and Safety.

Annualize prior year budget actions: The recommendation includes adjustments related to prior year budget actions and legislation.

Indirect Costs Assessment: The recommendation includes a net decrease in the Department's indirect cost recoveries.

(2) Division of Reclamation, Mining, and Safety

This division is charged with helping to develop Colorado's mining industry in an environmentally protective manner and ensuring that mined land is reclaimed to a beneficial use. The Division also manages issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation as there are often no legally responsible parties identified to fund and administer such clean-up projects. Pursuant to Section 39-29-109.3 (1) (c), C.R.S., the General Assembly may appropriate up to 25.0 percent of the moneys in the Operational Account of the Severance Tax Trust Fund for programs in the Division of Reclamation, Mining, and Safety.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

The following table summarizes the staff recommendation for the Division of Reclamation, Mining, and Safety. For this division, staff's recommendation matches the Department's request for each line item with the exception of a staff-initiated adjustment to the Emergency Response Costs line item detailed below.

Division of Reclamation, Mining, and Safety						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	<u>\$7,746,999</u>	<u>\$0</u>	<u>\$4,398,942</u>	<u>\$30,000</u>	<u>\$3,318,057</u>	<u>68.9</u>
TOTAL	\$7,746,999	\$0	\$4,398,942	\$30,000	\$3,318,057	68.9
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$7,746,999	\$0	\$4,398,942	\$30,000	\$3,318,057	68.9
R3 Coal regulatory program refinance	0	0	352,881	0	(352,881)	0.0
Non-prioritized request changes	1,127	0	719	0	408	0.0
Centrally appropriated line item adjustments	139,986	0	52,246	0	87,740	0.0
JBC Staff initiated adjustment	75,000	0	75,000	0	0	0.0
Annualize prior year budget actions	0	0	0	0	0	0.0
Indirect cost assessment	<u>(36,976)</u>	<u>0</u>	<u>(64,411)</u>	<u>0</u>	<u>27,435</u>	<u>0.0</u>
TOTAL	\$7,926,136	\$0	\$4,815,377	\$30,000	\$3,080,759	68.9
Increase/(Decrease)	\$179,137	\$0	\$416,435	\$0	(\$237,298)	0.0
Percentage Change	2.3%	0.0%	9.5%	0.0%	(7.2%)	0.0%
FY 2014-15 Executive Request:	\$7,851,136	\$0	\$4,740,377	\$30,000	\$3,080,759	68.9
Request Above/(Below) Recommendation	(\$75,000)	\$0	(\$75,000)	\$0	\$0	0.0

LINE ITEM DETAIL

(A) COAL LAND RECLAMATION

Program Costs

This program is administered pursuant to a cooperative agreement with the Office of Surface Mining in the U.S. Department of the Interior. It is a regulatory program charged with reviewing and issuing coal mining and reclamation permits. Program staff monitor and inspect coal mining operations and enforce permit provisions and mining regulations. Federal regulations require the State to conduct the Coal Land Reclamation Program for the State to receive federal funds to safeguard Colorado's inactive mines. In recent years, the line item has supported 22.0 FTE and associated operating expenses. The program is funded with a mix of federal funds and cash

funds from the Severance Tax Operational Fund. The federal funding requires a state match, with federal funding accounting for approximately 79.0 percent of the appropriation and state severance tax funding making up roughly 21.0 percent of the appropriation in recent years.

Request: The Department requests an appropriation of \$2,181,645 total funds and 22.0 FTE for FY 2014-15. This is continuation-level funding with adjustments for compensation common policies and the non-prioritized request for postage. It also includes a net-zero fund source adjustment (R3) detailed below.

➔ R3 Coal regulatory program refinance

The request includes an increase of \$352,881 cash funds from the Severance Tax Operational Fund to refinance an anticipated reduction of the same amount in federal grant funds from the U.S. Office of Surface Mining (OSM).

Analysis: The Coal Regulatory Program (Program) is responsible for regulating coal mining activity in the state, which includes issuing permits, conducting inspections, enforcing rules and regulations, and overseeing reclamation activities. Under the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977, states can assume regulatory authority over coal mines if state mining and reclamation laws and regulatory programs meet national minimum requirements. Colorado has had primacy since 1980 following the passage of the Colorado Surface Coal Mining Reclamation Act (Section 34-33-101, C.R.S.).

Funding for the Program comes from federal grants from the OSM (79.0 percent), and a 21.0 percent state match from severance tax revenue in the Operational Fund. In FY 2014-15, however, the Program expects federal funds to be cut by 15.0 percent (\$352,881) from current levels due to federal sequester policies. This is equivalent to approximately 4.0 entry-level Environmental Protection Specialist FTE, responsible for monitoring mines through the entire regulatory process from permitting to the completion of reclamation.

A 4.0 FTE reduction in program staff would reduce Program workload capacity by 72 permit actions, 158 inspections, and 2 enforcement actions per year. In the near-term, a cut of this size would mean the Program could not complete all of the 460 monthly inspections required by rules and regulations, or conducted in response to complaints or violations. This would put the Program at risk of violating of state and federal law and increase the potential for compliance and environmental issues. Additionally, delays in the permitting process due to reduced program capacity would directly affect production at active mining operations which can lead to reductions in royalty payments to the state.

Any long-term reduction in workload capacity raises the possibility that state primacy may be revoked, returning regulatory authority to federal OSM staff. Though this is not an imminent or immediate threat, projected cuts would make it difficult for the Program to meet minimum standards going forward. This could lead to increased federal oversight and enforcement actions, if not a complete revocation of primacy. The Program has indicated that the federal regulatory program does not have the resources to provide the same efficient or comprehensive services to

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stakeholders currently being offered by the state, and any change in state regulatory responsibilities could cause uncertainty for the industry. Additionally, the Inactive Mines Reclamation Program, responsible for securing legacy mines, relies on federal funding from the OSM that is only granted if Colorado maintains regulatory primacy.

Recommendation: Staff recommends the Department request for continuation-level funding with common policies, including the \$352,881 fund source adjustment as summarized in the table below. Staff requests permission to adjust the proportion of funding from the severance tax and federal funds, if necessary based on the impact of the JBC's common policies, in order to maintain the required match for the anticipated federal grant.

Note that, because the decision item is based on anticipated funding levels, there is not yet a final federal appropriation for either the current federal fiscal year or the next year. If the final federal appropriation is higher than anticipated, staff would work with the Department to adjust the proportion of severance tax and federal funds accordingly during FY 2014-15 supplementals (during the 2015 Session).

Division of Reclamation, Mining, and Safety, Coal Land Reclamation, Program Costs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	<u>\$2,126,557</u>	<u>\$0</u>	<u>\$449,087</u>	<u>\$0</u>	<u>\$1,677,470</u>	<u>22.0</u>
TOTAL	\$2,126,557	\$0	\$449,087	\$0	\$1,677,470	22.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$2,126,557	\$0	\$449,087	\$0	\$1,677,470	22.0
R3 Coal regulatory program refinance	0	0	352,881	0	(352,881)	0.0
Non-prioritized request change	322	0	68	0	254	0.0
Centrally appropriated line item adjustments	<u>54,775</u>	<u>0</u>	<u>18,451</u>	<u>0</u>	<u>36,324</u>	<u>0.0</u>
TOTAL	\$2,181,654	\$0	\$820,487	\$0	\$1,361,167	22.0
Increase/(Decrease)	\$55,097	\$0	\$371,400	\$0	(\$316,303)	0.0
Percentage Change	2.6%	0.0%	82.7%	0.0%	(18.9%)	0.0%
FY 2014-15 Executive Request:						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Coal Land Reclamation subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director's Office.

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Request: The Department requests \$133,005 total funds for FY 2014-15. This represents a net decrease in indirect cost recoveries collected from this subdivision.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee’s decisions regarding the use of indirect costs in the Executive Director’s Office.

Division of Reclamation, Mining, and Safety, Coal Land Reclamation, Indirect Cost Assessment					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	<u>\$145,144</u>	<u>\$0</u>	<u>\$30,480</u>	<u>\$114,664</u>	<u>0.0</u>
TOTAL	\$145,144	\$0	\$30,480	\$114,664	0.0
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	\$145,144	\$0	\$30,480	\$114,664	0.0
Indirect cost assessment	<u>(12,139)</u>	<u>0</u>	<u>(2,549)</u>	<u>(9,590)</u>	<u>0.0</u>
TOTAL	\$133,005	\$0	\$27,931	\$105,074	0.0
Increase/(Decrease)	(\$12,139)	\$0	(\$2,549)	(\$9,590)	0.0
Percentage Change	(8.4%)	0.0%	(8.4%)	(8.4%)	0.0%
FY 2014-15 Executive Request:	\$133,005	\$0	\$27,931	\$105,074	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

(B) INACTIVE MINES

Program Costs

This line item provides funding to safeguard mine openings, to inspect and monitor mine sites, and to reclaim abandoned mines. The program was instituted under the provisions of the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977. Only mines abandoned prior to 1977 are eligible for the program. According to the Department, more than 14,370 eligible abandoned mines remain in Colorado. The Department can also use this federal money for thirty-eight coal mine fires pending safeguarding and for coal mine subsidence issues impacting residential housing.

Pursuant to Section 39-29-109.3 (1) (c), C.R.S., \$500,000 is transferred annually from the Severance Tax Operational Fund to the Abandoned Mine Reclamation Fund for this program. Pursuant to Section 34-34-102, C.R.S., moneys appropriated to the Abandoned Mine Reclamation Fund remain available for expenditure for three years. According to the Department, the severance tax funds were intended, in part, to address post-mining environmental issues that are not eligible for federal funding. The appropriation for the

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Abandoned Mine Reclamation Fund primarily supports contracts for site work but includes funding for 0.4 FTE and associated operating expenses to oversee the work.

In addition to money from the Abandoned Mine Reclamation Fund, the Department receives federal grants to support the program. To receive the federal grants, the Department must maintain a federally-approved coal mining regulatory program, but there are no matching requirements for the federal grants. The Long Bill reflects the federal administrative and oversight costs, but not the multi-year grants for site work amounting to about \$11.6 million per year.

Request: The Department requests \$1,686,925 total funds and 16.4 FTE for FY 2014-15. This includes the non-prioritized request for postage, adjustments for compensation common policy, and a decrease of 0.2 FTE temporarily transferred to the subdivision for FY 2013-14.

Recommendation: Staff recommends the request as summarized by the table below.

Division of Reclamation, Mining, and Safety, Inactive Mines, Program Costs					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	<u>\$1,636,925</u>	<u>\$0</u>	<u>\$519,247</u>	<u>\$1,117,678</u>	<u>16.6</u>
TOTAL	\$1,636,925	\$0	\$519,247	\$1,117,678	16.6
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	\$1,636,925	\$0	\$519,247	\$1,117,678	16.6
Non-prioritized request changes	154	0	0	154	0.0
Centrally appropriated line item adjustments	49,616	0	0	49,616	0.0
Annualize prior year budget actions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0.2)</u>
TOTAL	\$1,686,695	\$0	\$519,247	\$1,167,448	16.4
Increase/(Decrease)	\$49,770	\$0	\$0	\$49,770	(0.2)
Percentage Change	3.0%	0.0%	0.0%	4.5%	(1.2%)
FY 2014-15 Executive Request:	\$1,686,695	\$0	\$519,247	\$1,167,448	16.4
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

Mine Site Reclamation

This line item supports the construction of hydro-geologic controls at abandoned mine sites. Examples of hydro-geologic controls include diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and re-vegetation. Some of these moneys are granted to local entities as a match to receive federal Clean Water Act moneys from the U.S. Environmental Protection Agency.

Acid mine drainage and metal leaching continue for many years, and sometimes effectively in perpetuity, after mining operations cease in a given location. Mining companies active today are required to include the cost of water treatment when applying for mining permits. The Division also includes required water treatment costs when determining the financial warranties necessary to approve individual permits. However, mining operations that ended prior to adoption of the federal Clean Water Act of 1972 are remediated through the Mining Non-Point Source Program, which is administered by the Inactive Mines Program.

An assessment conducted in 1980 found that approximately 1,300 miles of Colorado's streams were adversely impacted by heavy metals and acidic drainage from both inactive and abandoned mines. In 2006, the JBC approved a request for \$280,000 annually from the Severance Tax Operational Fund to accelerate water quality improvement projects. The Department requested the additional funds to expand matching funds for water quality improvement projects at abandoned mines and to hire a projects coordinator. In addition to the money from the Severance Tax Operational Fund, the Department receives \$30,000 from the Department of Public Health and Environment to cover a portion of the program's costs.

Request: The Department requests \$411,665 total funds and 1.2 FTE for FY 2014-15. This represents continuation-level funding with adjustments for compensation common policies.

Recommendation: Staff recommends the request.

Reclamation of Forfeited Mine Sites

The General Assembly created this line item in FY 2007-08 to provide funding that could be rolled forward up to three years to reclaim mine sites that were forfeited due to mine operator bankruptcy or death, or insufficient bonds when the mining permit was revoked. The Department has identified 35 such sites forfeited between 1977 and 1993. Mines forfeited prior to 1977 qualify for federal funding from the Office of Surface Mining and also receive some Severance Tax funds through the Program Costs and Mine Site Reclamation line items. Mines established after 1993 have individually calculated bond requirements based on size, type of disturbance, on-site structures, surrounding environmental impacts, and construction costs. According to the Department, the bonds from forfeited mines established after 1993 have generally been adequate to address necessary reclamation work. Between 1977 and 1993 mine operators were required to post bonds but the bonds were capped in statute by mine type and were frequently inadequate to fund the required reclamation. Risks associated with un-reclaimed sites include water contamination, unstable soils, volatile gases and explosives, and open pits. Sites treated under this line item are not eligible for federal funds that can be used for pre-1977 mines.

Request and Recommendation: The Department requests continuation-level funding of \$171,000 cash funds for FY 2014-15. **Staff recommends the request.**

Abandoned Mine Safety

This line item supports efforts to safeguard the more than 23,000 mine openings in Colorado abandoned prior to bonding requirements implemented in 1977, including a high number in the Central City and Blackhawk area. This line item complements significant federal funding (an

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estimated \$4.0 million to be spent in FY 2013-14) which supports the majority of such efforts on an annual basis. The funds pay for basic measures like capping and fencing. The other line items in the Inactive Mines section pay for more extensive reclamation of sites requiring additional measures. The source of funding is the Severance Tax Operational Fund.

Request: The Department requests \$99,850 cash funds and 0.2 FTE for FY 2014-15. This reflects a restoration of funding and FTE to the Abandoned Mine Safety line item following a one-year transfer to the Minerals and Inactive Mines subdivisions to support the development of an electronic permitting system.

Recommendation: Staff recommends the request as summarized in the table below.

Division of Reclamation, Mining, and Safety, Inactive Mines, Abandoned Mine Safety				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0</u>
TOTAL	\$0	\$0	\$0	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$0	\$0	\$0	0.0
Annualize prior year budget actions	<u>99,850</u>	<u>0</u>	<u>99,850</u>	<u>0.2</u>
TOTAL	\$99,850	\$0	\$99,850	0.2
Increase/(Decrease)	\$99,850	\$0	\$99,850	0.2
Percentage Change	0.0%	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$99,850	\$0	\$99,850	0.2
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Inactive Mines subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director's Office.

Request: The Department requests \$179,219 total funds for FY 2014-15. This represents a net decrease in indirect cost recoveries collected from this subdivision.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee's decisions regarding the use of indirect costs in the Executive Director's Office.

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Division of Reclamation, Mining, and Safety, Inactive Mines, Indirect Cost Assessment					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	<u>\$185,626</u>	<u>\$0</u>	<u>\$59,504</u>	<u>\$126,122</u>	<u>0.0</u>
TOTAL	\$185,626	\$0	\$59,504	\$126,122	0.0
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	\$185,626	\$0	\$59,504	\$126,122	0.0
Indirect cost assessment	<u>(6,407)</u>	<u>0</u>	<u>(42,771)</u>	<u>36,364</u>	<u>0.0</u>
TOTAL	\$179,219	\$0	\$16,733	\$162,486	0.0
Increase/(Decrease)	(\$6,407)	\$0	(\$42,771)	\$36,364	0.0
Percentage Change	(3.5%)	0.0%	(71.9%)	28.8%	0.0%
FY 2014-15 Executive Request:	\$179,219	\$0	\$16,733	\$162,486	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

(C) MINERALS

Program Costs

This program issues and enforces mining and reclamation permits for all non-coal mines in Colorado on state, federal, and private lands. The types of minerals regulated under this program include metals (such as gold, silver, and molybdenum) and construction materials (such as sand, gravel, marble, and flagstone). The line item also pays for the operating costs of the Mined Land Reclamation Board. In addition, the Minerals Program regulates oil shale development but coordinates extensively with the Colorado Oil and Gas Conservation Commission in reviewing permits and conducting inspections for oil shale operations. The Minerals Program also oversees uranium and vanadium mining.

The sources of funds for the program include fees deposited in the Mined Land Reclamation Fund and severance tax revenues from the Operational Fund. The majority of the fees charged are set in statute but some are set by rule pursuant to Section 34-32-127, C.R.S.

Request: The Department requests \$2,179,273 cash funds and 24.1 FTE for FY 2014-15. This includes the non-prioritized request for postage, adjustments for compensation common policies, and the elimination of a one-time transfer of funds from the Inactive Mines, Abandoned Mine Safety line item to support the development of an electronic permitting system.

Recommendation: Staff recommends the request as summarized in the table below.

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Division of Reclamation, Mining, and Safety, Minerals, Program Costs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	<u>\$2,257,374</u>	<u>\$0</u>	<u>\$2,257,374</u>	<u>\$0</u>	<u>\$0</u>	<u>24.1</u>
TOTAL	\$2,257,374	\$0	\$2,257,374	\$0	\$0	24.1
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$2,257,374	\$0	\$2,257,374	\$0	\$0	24.1
Non-prioritized request changes	603	0	603	0	0	0.0
Centrally appropriated line item adjustments	21,146	0	21,146	0	0	0.0
Annualize prior year budget actions	<u>(99,850)</u>	<u>0</u>	<u>(99,850)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$2,179,273	\$0	\$2,179,273	\$0	\$0	24.1
Increase/(Decrease)	(\$78,101)	\$0	(\$78,101)	\$0	\$0	0.0
Percentage Change	(3.5%)	0.0%	(3.5%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$2,179,273	\$0	\$2,179,273	\$0	\$0	24.1
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Minerals subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director's Office.

Request: The Department requests \$124,947 cash funds for FY 2014-15. This represents a net decrease in indirect cost recoveries collected from this subdivision.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee's decisions regarding the use of indirect costs in the Executive Director's Office.

Division of Reclamation, Mining, and Safety, Minerals, Indirect Cost Assessment				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	<u>\$144,147</u>	<u>\$0</u>	<u>\$144,147</u>	<u>0.0</u>
TOTAL	\$144,147	\$0	\$144,147	0.0

Division of Reclamation, Mining, and Safety, Minerals, Indirect Cost Assessment				
	Total Funds	General Fund	Cash Funds	FTE
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$144,147	\$0	\$144,147	0.0
Indirect cost assessment	<u>(19,176)</u>	<u>0</u>	<u>(19,176)</u>	<u>0.0</u>
TOTAL	\$124,971	\$0	\$124,971	0.0
Increase/(Decrease)	(\$19,176)	\$0	(\$19,176)	0.0
Percentage Change	(13.3%)	0.0%	(13.3%)	0.0%
FY 2014-15 Executive Request:				
Request Above/(Below) Recommendation	\$0		\$0	0.0

(D) MINES PROGRAM

Colorado and Federal Mine Safety Program

This program regulates active mines for safety, inspects tourist mines, performs safety audits, administers certification programs for mining employees, provides training in mine rescue/safety, and regulates underground diesel equipment and mining explosives. Federal moneys are provided by the Mine Safety and Health Administration, which is part of the U.S. Department of Labor. The primary source of state funding is the Severance Tax Operational Fund, but the program also earns a small amount of fee revenue.

Request: The Department requests \$524,761 total funds and 4.0 FTE for FY 2014-15. This represents continuation-level funding with the non-prioritized request for postage and adjustments for compensation common policies.

Recommendation: Staff recommends the request.

Blaster Certification Program

This program provides certifications required for certain mine positions, including foreman, fire boss, mine electrician, shot-firer, hoistman, blaster, and electrician, pursuant to Section 34-22-105, C.R.S. The source of cash funds is the Severance Tax Operational Fund.

Request: The Department requests \$109,462 total funds and 1.0 FTE for FY 2014-15. This represents continuation-level funding with centrally appropriated line item adjustments.

Recommendation: Staff recommends the request.

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Mines Program subdivision. The Department uses the funds collected to

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offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

Request: The Department requests \$24,581 total funds for FY 2014-15. This represents a small net increase in indirect cost recoveries collected from this subdivision.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee’s decisions regarding the use of indirect costs in the Executive Director’s Office.

Division of Reclamation, Mining, and Safety, Mines Program, Indirect Cost Assessment					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	<u>\$23,835</u>	<u>\$0</u>	<u>\$16,180</u>	<u>\$7,655</u>	<u>0.0</u>
TOTAL	\$23,835	\$0	\$16,180	\$7,655	0.0
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	23,835	\$0	\$16,180	\$7,655	0.0
Indirect cost assessment	<u>746</u>	<u>0</u>	<u>85</u>	<u>661</u>	<u>0.0</u>
TOTAL	\$24,581	\$0	\$16,265	\$8,316	0.0
Increase/(Decrease)	\$746	\$0	\$85	\$661	0.0
Percentage Change	3.1%	0.0%	0.5%	8.6%	0.0%
FY 2014-15 Executive Request:	\$24,581	\$0	\$16,265	\$8,316	0.0
Request Above/(Below)					
Recommendation	\$0	\$0	\$0	\$0	0.0

(E) EMERGENCY RESPONSE COSTS

This appropriation provides funds for the Department of Natural Resources to respond to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies. For a large-scale disaster, there are procedures for the Governor and/or the JBC to make money available, but even those procedures take time. Also, the Department can use this money for smaller scale emergencies. No FTE are associated with this line item, since contractors perform the environmental remediation work.

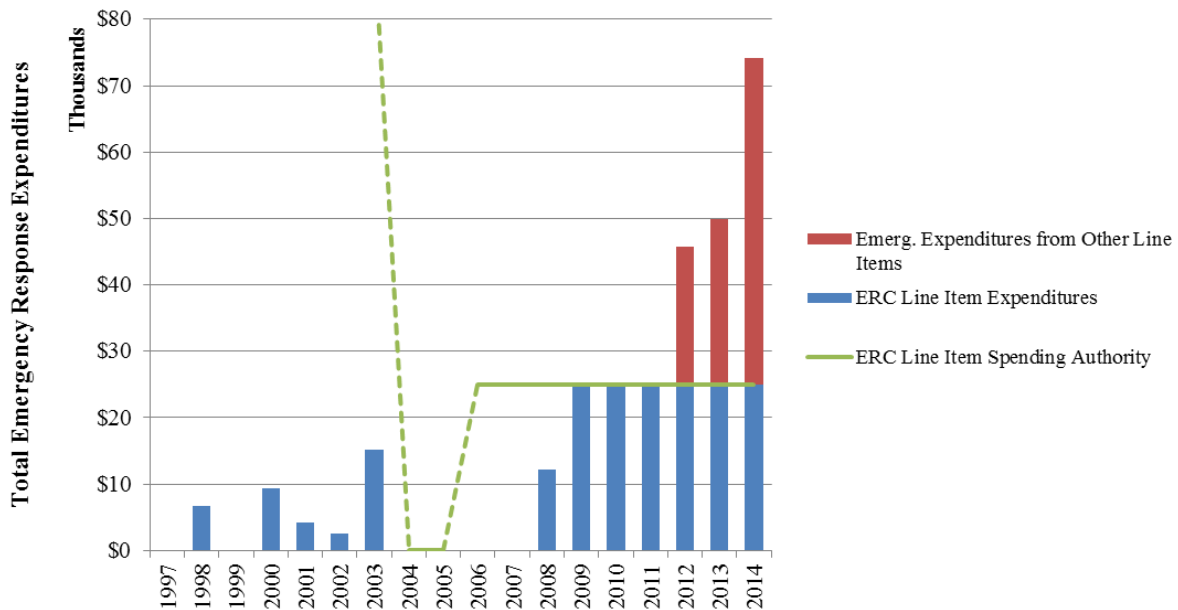
Request: The Department requests continuation level-funding of \$25,000 cash funds for FY 2014-15.

➔ JBC Staff initiated change: Emergency Response Costs

Recommendation: Staff recommends an increase of \$75,000 cash funds from the Severance Tax Operational Fund to bring the total appropriation for the Emergency Response Costs line item to \$100,000. Staff also recommends the addition of a footnote to be clear about the use of this line item to fund all emergency costs for the DRMS.

This staff-initiated recommendation addresses two issues with the Emergency Response Costs line item. The first is that the existing appropriation for emergency response is not sufficient to allow the DRMS to fully address problems as they arise. The second is that the Department is spending money designated to other projects at specific types of mines for emergency remediation and reclamation. This approach lacks transparency and causes delays reclamation activities at abandoned and bond-forfeited mine sites.

Analysis: The following figure shows spending authority and DRMS expenditures on mining emergencies since the Emergency Response Costs line item was established in 1997.



Spending authority for the Emergency Response Cost line item was set at \$500,000 from 1997 to 2003, eliminated from 2004 to 2005, and restored at \$25,000 from 2006 to the present (green line). The DRMS required very little emergency funding (blue bars) for the first 10 years, spending an average of approximately \$4,200 per year. Starting in 2009, the entire \$25,000 appropriation was required and over the past three years the costs associated with mine emergencies have exceeded the Emergency Response Cost line item appropriation by as much as \$50,000 (red bars).

Ideally emergency response funds would never be necessary, but expenditures over the past six years have shown that a single emergency or several smaller problems can easily surpass \$25,000 for initial testing and short-term remediation efforts. This is especially problematic in cases like the recent Red Arrow Gold Mine clean-up where all emergency response funds are spent early in the fiscal year. The entire FY 2013-14 emergency response appropriation was spent in July of 2013, requiring the DRMS to find another source of funding for the remaining \$50,000 needed to stabilize the site before winter.

Staff recommends increasing the Emergency Response Costs appropriation to \$100,000 in cash funds from the Severance Tax Operational Fund. The Red Arrow Gold Mine emergency is the most recent and the most expensive single incident in the past 17 years, requiring \$100,000 to secure the site well enough to begin developing long-term plans for remediation. Although emergencies of this magnitude are relatively rare, the additional funding will give the DRMS the capacity to cover the initial costs of a fairly significant incident and allow more time to assess the potential need for additional funding before the emergency appropriation is exhausted.

Pursuant to HB 08-1398 (Buescher/Johnson), the DRMS is classified as a Tier 1 program and is authorized to receive up to 25.0 percent of available moneys in the Operational Fund. In the past five years, the Division has received an average of only 6.6 percent of those funds. This recommendation would not substantively affect the percentage of severance tax funds going to the DRMS or interfere with the statutory limits on severance tax funding for the Division.

The Emergency Response Costs line item is not intended to provide funding for the full remediation required following a mining emergency. Rather, it is to allow the DRMS to have immediately available resources to do initial testing and remediation while additional funding is pursued via supplemental request if necessary. However, when emergency costs have exceeded the line item appropriation over the past three years, the DRMS opted to make expenditures from the Abandoned Mine Safety and Reclamation of Forfeited Mine Sites (Forfeited Mines) line items instead of submitting a supplemental request to pay for sampling and disposing of hazardous chemicals and contaminated soil.

The following table details emergency expenditures from the Abandoned Mine Safety, and Forfeited Mines line items since 2012:

Emergency Response Expenditures from Abandoned Mine Safety and Forfeited Mines				
FY	Line Item	Expenditures	Mine Site	Purpose
2012	Abandoned Mine Safety	\$20,750	James Creek	Soil sampling disposal, hazardous chemical
2013	Forfeited Mines	\$25,000	Chain O Mines	Site sampling, removal of hazardous materials
2014	Forfeited Mines	\$49,090	Red Arrow Mill	Containment of soils and hazardous liquids

These two line items have specific criteria for the kinds of mines that are eligible to receive funding. The Abandoned Mine Safety line item is for the safeguarding of legacy or pre-law mines that were abandoned prior to 1977. The Reclamation of Forfeited Mine Sites supports the reclamation of post-1977 mines where permits were revoked due to operator failure or the bond

did not cover the necessary reclamation. Two of the three mines requiring emergency action on the part of the DRMS did not meet the criteria for expenditures from these line items.

Additionally, using these line items for other purposes causes delays on the projects that are supposed to be funded by these appropriations. This includes environmental clean-up at legacy mine sites and installing gates and grates to secure abandoned mine openings and protect public safety. The Department estimates that the emergency expenditures from the Abandoned Mines Safety line item delayed 1.5 projects and Forfeited Mines expenditures delayed work on 5.3 bond-forfeited mine sites. Depending on the timing of the expenditure, projects can be delayed up to 12 months until new severance tax funding arrives each July.

The Department indicates that it has not submitted a budget request to address issues with Emergency Response Costs expenditures because existing funds in other line items had already been used to cover the cost of the emergencies. In the case of the Red Arrow Gold Mine, the Department also felt that the timing of the emergency prevented the submission of either a decision item or a supplemental request. At present, should additional emergency funding be required, the DRMS would continue to make use of other line items to cover costs exceeding the line item appropriation.

With an increased appropriation for the line item, the need for additional funding should be reduced. However, to be clear about the use of other line items to fund additional emergency expenditures, *staff recommends the following footnote be added to the Emergency Response Costs line item should the Committee approve the recommended increase in cash funds:*

XX Department of Natural Resources, Division of Reclamation, Mining, and Safety, Emergency Response Costs -- It is the General Assembly's intent that the purpose of increasing this line item appropriation is to fund all emergency response costs for the Division of Reclamation, Mining, and Safety.

Legislative Legal Services was consulted and has approved the language in the proposed footnote. Staff recommendation for this line item is summarized in the following table:

Division of Reclamation, Mining, and Safety, Emergency Response Costs, Emergency Response Costs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$25,000	\$0	\$25,000	\$0	\$0	0.0
TOTAL	\$25,000	\$0	\$25,000	\$0	\$0	0.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$25,000	\$0	\$25,000	\$0	\$0	0.0
JBC Staff initiated change	<u>75,000</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$100,000	\$0	\$100,000	\$0	\$0	0.0

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Division of Reclamation, Mining, and Safety, Emergency Response Costs, Emergency Response Costs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Increase/(Decrease)	\$75,000	\$0	\$75,000	\$0	\$0	0.0
Percentage Change	300.0%	0.0%	300.0%	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$25,000	\$0	\$25,000	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$75,000)	\$0	(\$75,000)	\$0	\$0	0.0

(3) Oil and Gas Conservation Commission

The Oil and Gas Conservation Commission is charged with promoting the responsible exploration, development, and conservation of Colorado's oil and natural gas resources. To achieve these goals, the Commission promulgates regulations governing oil and gas development, issues permits, enforces laws and regulations, maintains a financial surety program to ensure proper reclamation of well sites, and provides information to the public and industry pertaining to oil and gas production. The Commission also has the authority to regulate oil and gas operations to protect public health and prevent significant adverse environmental impacts. In addition to enforcement, the OGCC responds to complaints and inquiries, responds to oil and gas spills and other environmental emergencies at production sites, manages plugging and reclamation work at abandoned well sites, and performs baseline water quality studies.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

The following table summarizes the staff recommendation for the Oil and Gas Conservation Commission. Staff's recommendation for the line items in this division matches the Department's request. Department request (R2) for additional legal services hours for the OGCC enforcement unit and budget amendment (BA3) to provide vehicles for newly-hired inspectors affect line items in the EDO and are not included in the summary table below.

Oil and Gas Conservation Commission						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$11,021,634	\$0	\$10,918,809	\$0	\$102,825	95.4
Other legislation	<u>110,417</u>	<u>0</u>	<u>110,417</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$11,132,051	\$0	\$11,029,226	\$0	\$102,825	95.4
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$11,132,051	\$0	\$11,029,226	\$0	\$102,825	95.4

JBC Staff Figure Setting: FY 2014-15
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Oil and Gas Conservation Commission						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Non-prioritized request changes	529	0	529	0	0	0.0
Centrally appropriated line item adjustments	178,304	0	178,304	0	0	0.0
Annualize prior year budget actions	(362,579)	0	(362,579)	0	0	0.0
Indirect cost assessment	<u>(25,770)</u>	<u>0</u>	<u>(24,530)</u>	<u>0</u>	<u>(1,240)</u>	<u>0.0</u>
TOTAL	\$10,922,535	\$0	\$10,820,950	\$0	\$101,585	95.4
Increase/(Decrease)	(\$209,516)	\$0	(\$208,276)	\$0	(\$1,240)	0.0
Percentage Change	(1.9%)	0.0%	(1.9%)	0.0%	(1.2%)	0.0%
FY 2014-15 Executive Request:	\$10,922,535	\$0	\$10,820,950	\$0	\$101,585	95.4
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

REQUESTS NOT REFLECTED IN DIVISION LINE ITEMS

➔ R2 Additional legal services for enforcement

Request: The Department requests an increase \$327,888 cash funds for an additional 3,600 hours of legal services (equivalent to adding 2.0 FTE) to assist the OGCC’s enforcement program with current and future increases in workload.

Recommendation: Staff recommends an increase of 2,180 legal services hours (\$198,555 cash funds at FY 2013-14 blended rate) for the OGCC. The final dollar amount of the recommendation is pending the Committee decision on a legal services rate.

Analysis: The OGCC Hearings Unit has four main areas of responsibility including enforcement, adjudication, rulemaking, and outreach to the public and local governments. Each of these requires some form of legal assistance provided by the Attorney General’s (AG) Office, but enforcement actions are the most time-intensive and constitute about 75.0 percent of legal services hours used by the OGCC. Hearings Unit enforcement efforts generally fall into three categories:

- **Notices of Alleged Violation (NOAV):** Formal enforcement actions are initiated when the OGCC issues a NOAV to an operator found to be in violation of rules or permit conditions. The notice identifies the legal and factual bases for the alleged violations and specifies corrective actions that are required to bring the operator back into compliance. The Hearings Unit conducts a review of each NOAV to determine the appropriate charges to file given the facts presented in the notice and evaluate the strength and enforceability of each alleged violation. These analyses are estimated to require an average **4.0 hours of staff time** per NOAV to complete.

- Administrative Order by Consent (AOC): One mode of resolving enforcement actions is an AOC, which is a negotiated settlement between OGCC staff and the operator found to have rule or permit violations. Each AOC requires the Hearings Unit to work on case development, prepare a notice of hearing, and draft, negotiate, and finalize the settlement agreement. Processing each AOC requires an estimated average of **104 hours of staff time**.
- Orders Finding Violation (OFV): When enforcement actions cannot be resolved by settlement, the matter is presented in a contested evidentiary hearing on an OFV in front of the Commission, similar to a case being heard in a court. This includes everything required to prepare an AOC, plus preparing the case for trial, participating in discovery, conducting depositions, attending pre-hearing conferences, and preparing motions, briefs, exhibits, and witness. OFVs are the most labor intensive for the Hearings Unit, requiring an average of **600 hours of staff time** to complete.

AOCs and OFVs are the more serious enforcement actions handled by the Hearings Unit with significant assistance from the AG’s Office. The Assistant Attorneys General work closely with OGCC staff on case preparation activities and the presentation of evidence to the Commission. In some cases the AAG can account for the majority of the required hours if assigned to serve as the lead prosecutor on a given enforcement action.

The following table shows trends in available enforcement workload measures from FY 2008-09 through estimates for FY 2013-14:

OGCC Hearings Unit Workload Measures						
	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14*
NOAVs	258	237	337	172	180	180
Enforcement Actions (OFVs + AOCs)	n/a	n/a	29	14	24	20 ^a

* Data for FY 2013-14 is estimated.

a. Enforcement Actions through November 2013 (5 months).

In FY 2012-13, the OGCC used approximately 2,453 legal services hours for enforcement (75.0 percent of total legal services for the division). Based on data from the first five months of FY 2013-14, the Hearings Unit will handle double the number of enforcement actions than in the previous year. Assuming the number of legal services required to handle each enforcement action remains constant, the Hearings Unit should require 4,906 legal services hours for the increase in workload.

Of the FY 2013-14 legal services appropriation for the OGCC, staff estimates that 2,726 hours are available to be used for enforcement. This is 2,180 hours less than the FY 2012-13 data suggests the Hearings Unit requires for the increased workload based on actual prior usage. ***Staff recommends an additional 2,180 legal services hours for the OGCC.*** This is 1,420 hours less than the Department request for FY 2014-15, primarily because data is not currently available to support estimates of increased workload in future years. The recommendation only addresses the 100.0 percent growth in enforcement actions based on data from the last two years.

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The OGCC has indicated that it is starting to make plans to strengthen its enforcement program. This is due, in part, to Executive Order D 2013-004 which called for a review of the enforcement program, penalty structure, and imposition of fine and improvements to ensure compliance with rules and prompt response to any found violations. As part of the change request, the Department indicated that this will likely increase demands for enforcement actions from the OGCC but has not provided the report or specific data on any anticipated workload impacts for the enforcement program or legal services hours. Additionally, as new inspection staff come online the number of violations found is likely to change, although the direction and magnitude of that change is not clearly reflected in any workload data at this point.

The recommendation is intended to address substantive changes in workload in the present based on the available data. However, staff plans to revisit OGCC legal services needs for FY 2014-15 supplementals to assess whether a further increase is warranted based on new information on the Department's plans for the Hearings Unit. Staff recommendation is summarized in the following table, which also includes legal services decision items for other divisions not covered in this packet:

Executive Director's Office, Administration, Legal Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$4,280,030	\$1,003,109	\$3,172,117	\$43,853	\$60,951	0.0
HB 14-1242	<u>163,944</u>	<u>163,944</u>	<u>44,500</u>	<u>0</u>	<u>(44,500)</u>	<u>0.0</u>
TOTAL	\$4,443,974	\$1,167,053	\$3,216,617	\$43,853	\$16,451	0.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$4,443,974	\$1,167,053	\$3,216,617	\$43,853	\$16,451	0.0
R2 Additional legal services for enforcement	198,555	0	198,555	0	0	0.0
BA1 Additional Legal Services	163,944	163,944	0	0	0	0.0
Annualize prior year budget actions	<u>(163,944)</u>	<u>(163,944)</u>	<u>(44,500)</u>	<u>0</u>	<u>44,500</u>	<u>0.0</u>
TOTAL	\$4,642,529	\$1,167,053	\$3,370,672	\$43,853	\$60,951	0.0
Increase/(Decrease)	\$198,555	\$0	\$154,055	\$0	\$44,500	0.0
Percentage Change	4.5%	0.0%	4.8%	0.0%	270.5%	0.0%
FY 2014-15 Executive Request:	\$4,771,862	\$1,167,053	\$3,500,005	\$43,853	\$60,951	0.0
Request Above/(Below) Recommendation	\$129,333	\$0	\$129,333	\$0	\$0	0.0

* Indicates the decision item discussed in this document. All other requests and adjustments were addressed in a previous figure setting presentation for the Department of Natural Resources on February 12, 2014.

➔ BA3 Vehicles for Inspectors

Request: The Department requests an increase of \$45,745 cash funds in the Vehicle Lease Payments line item to provide vehicles for 10.0 new field inspection and environmental specialist positions added to the OGCC in the FY 2013-14 Long Bill. The Committee funded part of this request during the FY 2013-14 supplemental process and Staff recommends that funding be continued in FY 2014-15.

Analysis: Inspectors and environmental specialists for the OGCC operate out of home offices, visiting oil and gas locations within their assigned territory. Proper vehicles are essential for field staff to access oil and gas facilities and successfully complete required tasks, and it is standard practice for the OGCC to provide four-wheel drive vehicles that can handle rough terrain and bad weather while carrying the equipment required for inspections and environmental assessments.

In FY 2013-14, 10 field staff positions were added to the OGCC without a corresponding increase in the Vehicle Lease Payments line item. The Committee approved the Department's supplemental request to provide vehicles for new staff in the last quarter of FY 2013-14. Cash funds to support this request would come from the Oil and Gas Conservation and Emergency Response Fund, which is projected to have a balance of \$6.7 million at the end of FY 13-14 and can accommodate the expense without any effect on the mill levy.

Recommendation: Staff recommends the request as summarized in the table below. The recommendation for the total Vehicle Lease appropriation is pending the approval of a Committee policy. Staff requests permission to adjust the line item based on Committee action.

Executive Director's Office, Administration, Vehicle Lease Payments						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$3,462,996	\$312,940	\$3,092,453	\$3,208	\$54,395	0.0
HB 14-1242	(73,966)	(15,739)	(65,886)	4,011	3,648	0.0
TOTAL	\$3,389,030	\$297,201	\$3,026,567	\$7,219	\$58,043	0.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$3,389,030	\$297,201	\$3,026,567	\$7,219	\$58,043	0.0
R1 Division of Water Resources FTE	1,696	1,696	0	0	0	0.0
R5 New well rules vehicles and equipment	5,088	5,088	0	0	0	0.0
BA2 Colorado Avalanche Information Center Stabilization	8,676	0	7,087	1,589	0	0.0
BA3 Vehicles for inspectors*	45,745	0	45,745	0	0	0.0
Non-prioritized request changes	457,443	(61,661)	508,008	(1,533)	12,629	0.0

JBC Staff Figure Setting: FY 2014-15
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Executive Director's Office, Administration, Vehicle Lease Payments						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Annualize prior year budget actions	73,966	15,739	65,886	(4,011)	(3,648)	0.0
TOTAL	\$3,981,644	\$258,063	\$3,653,293	\$3,264	\$67,024	0.0
Increase/(Decrease)	\$592,614	(\$39,138)	\$626,726	(\$3,955)	\$8,981	0.0
Percentage Change	17.5%	(13.2%)	20.7%	(54.8%)	15.5%	0.0%
FY 2014-15 Executive Request:	\$3,981,644	\$258,063	\$3,653,293	\$3,264	\$67,024	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

* Indicates the budget amendment discussed in this document. All other requests and adjustments were addressed in a previous figure setting presentation for the Department of Natural Resources on February 12, 2014.

LINE ITEM DETAIL

Program Costs

This line item supports the majority of the OGCC's operations and is funded by a mix of cash funds from: (1) the Severance Tax Operational Fund and (2) a statewide mill levy on the value of oil and gas production that is transferred into the Oil and Gas Conservation and Environmental Response Fund.

Request: The Department requests \$8,333,683 cash funds and 93.4 FTE for FY 2014-15. This represents continuation-level funding with the non-prioritized request for postage, adjustments for compensation common policies, and the elimination of one-time appropriations associated prior year budget actions and legislation.

Recommendation: Staff recommends the request as summarized in the table below, and asks permission to adjust this line item pursuant to Committee policy regarding the non-prioritized request for postage and envelope costs.

Oil and Gas Conservation Commission, Program Costs				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	\$8,407,012	\$0	\$8,407,012	93.4
Other legislation	110,417	0	110,417	0.0
HB 14-1242	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$8,517,429	\$0	\$8,517,429	93.4
FY 2014-15 Recommended Appropriation				

JBC Staff Figure Setting: FY 2014-15
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Oil and Gas Conservation Commission, Program Costs				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation	\$8,517,429	\$0	\$8,517,429	93.4
Non-prioritized request changes	529	0	529	0.0
Centrally appropriated line item adjustments	178,304	0	178,304	0.0
Annualize prior year budget actions	<u>(362,579)</u>	<u>0</u>	<u>(362,579)</u>	<u>0.0</u>
TOTAL	\$8,333,683	\$0	\$8,333,683	93.4
Increase/(Decrease)	(\$183,746)	\$0	(\$183,746)	0.0
Percentage Change	(2.2%)	0.0%	(2.2%)	0.0%
FY 2014-15 Executive Request:	\$8,333,683	\$0	\$8,333,683	93.4
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

Underground Injection Program

This program manages the Underground Injection Control Program, including regulation of the underground injection of oil and gas production wastes as well as the injection of liquids underground to enhance fuel recovery, under authority delegated to the OGCC by the U.S. Environmental Protection Agency (EPA). The program includes the inspection and permitting of sites where underground injections occur. Federal funds from the Environmental Protection Agency support this program.

Request and Recommendation: The Department requests continuation-level funding of \$96,559 federal funds and 2.0 FTE with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

Plugging and Reclaiming Abandoned Wells

This line item provides funding to plug and reclaim abandoned oil and gas well sites where there is no known operator responsible for reclamation. The source of funds is the Oil and Gas Conservation and Environmental Response Fund. The General Assembly increased the appropriation from \$220,000 in FY 2010-11 to \$445,000 in FY 2011-12 to respond to an increasing workload for the program.

Request and Recommendation: The Department requests continuation-level funding of \$445,000 cash funds with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

Environmental Assistance and Complaint Resolution

This line item funds environmental assistance projects such as baseline water quality studies, studies on the beneficial reuse of production wastes, remediation projects, and studies to better understand air emissions from oil and gas activities. Funding is also used for water, soil, and air sampling in response to citizen complaints, reported spills, and field investigations. This line provides funding for on-going studies and emergent issues with a direct link to protecting public

safety. The source of funds is the mill levy deposited in the Oil and Gas Conservation and Environmental Response Fund established in Section 34-60-122 (5), C.R.S.

Request and Recommendation: The Department requests continuation-level funding of \$312,033 cash funds with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

Emergency Response

This line item is intended to be used -- if and when necessary -- for emergency responses. Prior to 2006, there were a number of emergency funding requests both during the session and during the interim. The line was created out of concern that emergency funding would be necessary during a time when the JBC was not meeting during the interim and a response would have to wait for an interim supplemental. A request for information associated with the line item requires the Department to submit a report detailing expenditures under the line item each year.

The JBC approved the creation of this line item in 2006 with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. The General Assembly reduced the appropriation to \$1,000,000 in FY 2011-12 and appropriated some of those funds to the Plugging and Reclaiming Abandoned Wells line item discussed above in response to an increasing workload for that program. The Department appears to be using the appropriation as intended and has not abused the spending authority.

Request and Recommendation: The Department requests continuation-level funding of \$1.0 million cash funds with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

Special Environmental Protection and Mitigation Studies

The General Assembly created this line item in FY 2006-07 with an appropriation of \$500,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund. A footnote attached to the line item explains the purpose as follows:

- 51 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies.

The General Assembly reduced funding for this line item from \$500,000 in FY 2008-09 to \$325,000 in FY 2009-10, and the request continues at the reduced funding level.

Request and Recommendation: The Department requests continuation-level funding of \$325,000 cash funds, with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

JBC Staff Figure Setting: FY 2014-15
Staff Working Document – Does Not Represent Committee Decision

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the OGCC. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

Request: The Department requests \$410,260 total funds for FY 2014-15. This represents a net decrease in indirect cost recoveries collected from this Division.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee’s decisions regarding the use of indirect costs in the Executive Director’s Office.

Oil and Gas Conservation Commission, Indirect Cost Assessment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$436,030	\$0	\$429,764	\$0	\$6,266	0.0
TOTAL	\$436,030	\$0	\$429,764	\$0	\$6,266	0.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$436,030	\$0	\$429,764	\$0	\$6,266	0.0
Indirect cost assessment	(25,770)	0	(24,530)	0	(1,240)	0.0
TOTAL	\$410,260	\$0	\$405,234	\$0	\$5,026	0.0
Increase/(Decrease)	(\$25,770)	\$0	(\$24,530)	\$0	(\$1,240)	0.0
Percentage Change	(5.9%)	0.0%	(5.7%)	0.0%	(19.8%)	0.0%
FY 2014-15 Executive Request:	\$410,260	\$0	\$405,234	\$0	\$5,026	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(5) State Board of Land Commissioners

The second largest landholder in Colorado after the federal government, the State Land Board is responsible for managing State lands granted in Colorado's enabling clause when granted statehood in 1876. Additionally, in 1996 a constitutional change was implemented (Amendment 16), designating 300,000 acres to the Stewardship Trust for preservation of long-term benefits. The State Land Board manages approximately 3.0 million acres of state trust land assets and approximately 3,000 surface leases. The revenue generated supports eight beneficiaries, the largest of which is the public school system. The school trust accounts for approximately 96 percent of the land managed by the State Land Board and approximately 98 percent of revenues.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

The following table summarizes the staff recommendation for the State Land Board. There are no decision items for the State Land Board in FY 2014-15 and staff recommendation matches the Department’s request for continuation-level funding with the non-prioritized request for postage and adjustments for compensation common policies, prior year budget actions, and indirect cost assessments.

State Board of Land Commissioners						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	<u>\$5,332,877</u>	<u>\$0</u>	<u>\$5,107,877</u>	<u>\$225,000</u>	<u>\$0</u>	<u>40.0</u>
TOTAL	\$5,332,877	\$0	\$5,107,877	\$225,000	\$0	40.0
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	\$5,332,877	\$0	\$5,107,877	\$225,000	\$0	40.0
Non-prioritized request changes	818	0	818	0	0	0.0
Centrally appropriated line item adjustments	103,083	0	103,083	0	0	0.0
Annualize prior year budget actions	(764,109)	0	(764,109)	0	0	0.0
Indirect cost assessment	<u>(8,191)</u>	<u>0</u>	<u>(8,191)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$4,664,478	\$0	\$4,439,478	\$225,000	\$0	40.0
Increase/(Decrease)	(\$668,399)	\$0	(\$668,399)	\$0	\$0	0.0
Percentage Change	(12.5%)	0.0%	(13.1%)	0.0%	0.0%	0.0%
FY 2014-15 Executive Request:	\$4,664,478	\$0	\$4,439,478	\$225,000	\$0	40.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

LINE ITEM DETAIL

Program Costs

This line item supports the division’s administrative and operating costs. The appropriation includes \$75,000 cash funds from the State Board of Land Commissioners Land and Water Management Fund established in Section 36-1-148 (1), C.R.S. This fund is to be used for the management and improvement of state-owned lands and waters under the control of the Land Board. Expenditures from this fund are capped in statute at \$75,000. This fund receives revenues from fees collected for the issuance of leases, patents, certificates of purchase, rights of way documents, and recording assignments for the making of township plats. The remainder of the appropriation is from the State Land Board Trust Administration Cash Fund which is supported by revenues earned on school trust lands.

JBC Staff Figure Setting: FY 2014-15
Staff Working Document – Does Not Represent Committee Decision

Request: The Department requests \$4,222,710 cash funds and 40.0 FTE for FY 2014-15. This includes the non-prioritized request for postage, centrally appropriated line item adjustments, and the elimination of one-time funding for two FY 2013-14 decision items related to the addition of a minerals field coordinator and efforts to develop new sources of revenue from state trust lands.

Recommendation: Staff recommends the request as summarized in the table below.

State Board of Land Commissioners, Program Costs					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
SB 13-230 (Long Bill)	\$4,132,918	\$0	\$4,132,918	\$0	40.0
HB 14-1242	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$4,132,918	\$0	\$4,132,918	\$0	40.0
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	\$4,132,918	\$0	\$4,132,918	\$0	40.0
Non-prioritized request changes	818	0	818	0	0.0
Centrally appropriated line item adjustments	103,083	0	103,083	0	0.0
Annualize prior year budget actions	<u>(14,109)</u>	<u>0</u>	<u>(14,109)</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$4,222,710	\$0	\$4,222,710	\$0	40.0
Increase/(Decrease)	\$89,792	\$0	\$89,792	\$0	0.0
Percentage Change	2.2%	0.0%	2.2%	0.0%	0.0%
FY 2014-15 Executive Request:	\$4,222,710	\$0	\$4,222,710	\$0	40.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

Public Access Program Damage and Enhancement Costs

The General Assembly created this line item in the FY 2010-11 Long Bill to reflect expenditures associated with the Public Access Program, a collaborative effort with the Division of Wildlife. Under the Public Access Program, the Division of Wildlife leases approximately 550,000 acres from the State Land Board for public access hunting and fishing. The program generates \$900,000 per year for the Land Board, and the Land Board spends approximately 25.0 percent of that funding on access improvements, damage repairs, and property enhancement for public access properties. The funds are classified as reappropriated funds in the State Land Board's budget.

Request and Recommendation: The Department requests continuation level funding of \$225,000 reappropriated funds, with no change from the FY 2013-14 appropriation. **Staff recommends the request.**

JBC Staff Figure Setting: FY 2014-15
Staff Working Document – Does Not Represent Committee Decision

Indirect Cost Assessment

This line item reflects the amount of indirect cost assessments to cash funding sources within the State Land Board. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

Request: The Department requests \$216,768 cash funds for FY 2014-15. This represents a net decrease in indirect cost recoveries collected from this Division.

Recommendation: Staff recommends the request and requests permission to adjust the appropriation based on the Committee’s decisions regarding the use of indirect costs in the Executive Director’s Office.

State Board of Land Commissioners, Indirect Cost Assessment				
	Total Funds	General Fund	Cash Funds	FTE
FY 2013-14 Appropriation				
SB 13-230 (Long Bill)	\$224,959	\$0	\$224,959	0.0
TOTAL	\$224,959	\$0	\$224,959	0.0
FY 2014-15 Recommended Appropriation				
FY 2013-14 Appropriation	\$224,959	\$0	\$224,959	0.0
Indirect cost assessment	(8,191)	0	(8,191)	0.0
TOTAL	\$216,768	\$0	\$216,768	0.0
Increase/(Decrease)	(\$8,191)	\$0	(\$8,191)	0.0
Percentage Change	(3.6%)	0.0%	(3.6%)	0.0%
FY 2014-15 Executive Request:	\$216,768	\$0	\$216,768	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

Long Bill Footnotes and Requests for Information

LONG BILL FOOTNOTES

Staff recommends that the following footnote be **added**:

- XX **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Emergency Response Costs** -- It is the General Assembly's intent that the purpose of increasing this line item appropriation is to fund all emergency response costs for the Division of Reclamation, Mining, and Safety.

Comment: This footnote clarifies the General Assembly's intent for funds appropriated for emergency response costs incurred by the Division of Reclamation, Mining, and Safety.

Staff recommends that the following footnotes be **discontinued**:

- 50 **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Minerals, Program Costs** -- It is the intent of the General Assembly that \$99,850 of the cash funds appropriation to this line item from the Operational Account of the Severance Tax Trust Fund remain available until the completion of the electronic permitting system for the Division of Reclamation, Mining, and Safety or the close of FY 2014-15, whichever comes first. At project completion or the end of the two-year period, any unexpended amount shall revert to the Operational Account of the Severance Tax Trust Fund, from which this appropriation was made.

Comment: This footnote clarifies the General Assembly's intent for funds appropriated for the development of an electronic permitting system. This project is complete and access to funds is no longer necessary for FY 2014-15.

Staff recommends that the following footnotes be **continued** with modifications shown in struck type and small caps:

- 48 **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Mine Site Reclamation** -- It is the intent of the General Assembly that these funds shall remain available until completion of the project or the close of ~~FY 2015-16~~ FY 2016-17, whichever comes first. At project completion or the end of the three-year period, any unexpended balances shall revert to the Operation Account of the Severance Tax Trust Fund from which they were appropriated.

Comment: This footnote provides roll-forward authority at the end of the fiscal year.

- 49 **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Reclamation of Forfeited Mine Sites** -- It is the intent of the General Assembly that the appropriation to this line item remain available until the completion of

the project or the close of ~~FY 2015-16~~ FY 2016-17, whichever comes first. At project completion or the end of the three-year period, any unexpended amount shall revert to the Operational Account of the Severance Tax Trust Fund, from which this appropriation was made.

Comment: This footnote provides roll-forward authority at the end of the fiscal year.

- 51 **Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response** -- It is the intent of the General Assembly that funding for this line item be expended in the event that there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this funding is for investigation, prevention, monitoring, and mitigation of circumstances which are caused by or are alleged to be associated with oil and gas activities and which call for immediate action by the Oil and Gas Conservation Commission. An emergency creates a threat to public health, safety, or welfare or to the environment as proclaimed by the Oil and Gas Conservation Commission Director and approved by order of the Oil and Gas Conservation Commission.

Comment: This footnote sets forth the purpose, conditions, and limitations of the line item. The JBC created the Emergency Response line item in FY 2006-07, with an appropriation of \$1.5 million from the Oil and Gas Conservation and Environmental Response Fund. The current appropriation of \$1.0 million is to be used -- if and when necessary -- for emergency responses. The funding was added due to a concern that emergency funding would be necessary during a time when the JBC may not yet be meeting during the interim (and thus would have to wait for an interim supplemental, delaying the Department's ability to respond adequately).

- 52 **Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies.

Comment: This footnote sets forth the purpose, conditions, and limitations of the line item.

REQUESTS FOR INFORMATION

Staff recommends continuation of the following requests for information:

- 2 **Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response** -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

- 3 **Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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DEPARTMENT OF NATURAL RESOURCES
Mike King, Executive Director

(2) DIVISION OF RECLAMATION, MINING, AND SAFETY

Primary Functions: Provides regulation and enforcement related to the development and reclamation of mining sites. Primary sources of cash funds are fees on metal and aggregate mining operations and the severance tax.

(A) Coal Land Reclamation

Program Costs	<u>2,105,000</u>	<u>2,126,557</u>	<u>2,126,557</u>	<u>2,181,654</u>	<u>2,181,654</u> *
FTE	18.7	19.3	22.0	22.0	22.0
General Fund	0	0	0	0	0
Cash Funds	441,465	449,087	449,087	820,487	820,487
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,663,535	1,677,470	1,677,470	1,361,167	1,361,167
Indirect Cost Assessment	<u>217,185</u>	<u>110,423</u>	<u>145,144</u>	<u>133,005</u>	<u>133,005</u>
General Fund	0	0	0	0	0
Cash Funds	28,575	28,181	30,480	27,931	27,931
Federal Funds	188,610	82,242	114,664	105,074	105,074
SUBTOTAL - (A) Coal Land Reclamation	2,322,185	2,236,980	2,271,701	2,314,659	2,314,659
FTE	<u>18.7</u>	<u>19.3</u>	<u>22.0</u>	<u>22.0</u>	<u>22.0</u>
General Fund	0	0	0	0	0
Cash Funds	470,040	477,268	479,567	848,418	848,418
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,852,145	1,759,712	1,792,134	1,466,241	1,466,241

*This line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
(B) Inactive Mines					
Program Costs	<u>1,540,929</u>	<u>1,256,438</u>	<u>1,636,925</u>	<u>1,686,695</u>	<u>1,686,695</u> *
FTE	7.8	9.1	16.6	16.4	16.4
General Fund	0	0	0	0	0
Cash Funds	501,276	362,469	519,247	519,247	519,247
Federal Funds	1,039,653	893,969	1,117,678	1,167,448	1,167,448
Mine Site Reclamation	<u>496,450</u>	<u>306,656</u>	<u>409,993</u>	<u>411,665</u>	<u>411,665</u>
FTE	0.3	0.0	1.2	1.2	1.2
Cash Funds	496,450	306,656	379,993	381,665	381,665
Reappropriated Funds	0	0	30,000	30,000	30,000
Reclamation of Forfeited Mine Sites	<u>78,657</u>	<u>267,055</u>	<u>171,000</u>	<u>171,000</u>	<u>171,000</u>
Cash Funds	78,657	267,055	171,000	171,000	171,000
Abandoned Mine Safety	<u>99,596</u>	<u>99,850</u>	0	<u>99,850</u>	<u>99,850</u>
FTE	0.1	0.1	0.0	0.2	0.2
Cash Funds	99,596	99,850	0	99,850	99,850
Indirect Cost Assessment	<u>214,354</u>	<u>109,443</u>	<u>185,626</u>	<u>179,219</u>	<u>179,219</u>
Cash Funds	12,026	14,633	59,504	16,733	16,733
Federal Funds	202,328	94,810	126,122	162,486	162,486
SUBTOTAL - (B) Inactive Mines	<u>2,429,986</u>	<u>2,039,442</u>	<u>2,403,544</u>	<u>2,548,429</u>	<u>2,548,429</u>
FTE	<u>8.2</u>	<u>9.2</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>
General Fund	0	0	0	0	0
Cash Funds	1,188,005	1,050,663	1,129,744	1,188,495	1,188,495
Reappropriated Funds	0	0	30,000	30,000	30,000
Federal Funds	1,241,981	988,779	1,243,800	1,329,934	1,329,934

*This line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
(C) Minerals					
Program Costs	<u>2,135,806</u>	<u>2,157,524</u>	<u>2,257,374</u>	<u>2,179,273</u>	<u>2,179,273</u> *
FTE	20.4	20.3	24.1	24.1	24.1
General Fund	0	0	0	0	0
Cash Funds	2,135,806	2,157,524	2,257,374	2,179,273	2,179,273
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Indirect Cost Assessment	<u>121,219</u>	<u>127,188</u>	<u>144,147</u>	<u>124,971</u>	<u>124,971</u>
Cash Funds	121,219	127,188	144,147	124,971	124,971
SUBTOTAL - (C) Minerals	<u>2,257,025</u>	<u>2,284,712</u>	<u>2,401,521</u>	<u>2,304,244</u>	<u>2,304,244</u>
FTE	<u>20.4</u>	<u>20.3</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>
General Fund	0	0	0	0	0
Cash Funds	2,257,025	2,284,712	2,401,521	2,304,244	2,304,244
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

(D) Mines Program

Colorado and Federal Mine Safety Program	<u>477,004</u>	<u>523,441</u>	<u>513,045</u>	<u>524,761</u>	<u>524,761</u> *
FTE	3.4	4.1	4.0	4.0	4.0
General Fund	0	0	0	0	0
Cash Funds	314,785	324,324	324,324	335,116	335,116
Reappropriated Funds	0	0	0	0	0
Federal Funds	162,219	199,117	188,721	189,645	189,645

*This line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
Blaster Certification Program	<u>118,435</u>	<u>108,353</u>	<u>108,353</u>	<u>109,462</u>	<u>109,462</u>
FTE	0.9	0.9	1.0	1.0	1.0
Cash Funds	24,723	22,606	22,606	22,839	22,839
Federal Funds	93,712	85,747	85,747	86,623	86,623
Indirect Cost Assessment	<u>35,146</u>	<u>25,148</u>	<u>23,835</u>	<u>24,581</u>	<u>24,581</u>
Cash Funds	17,668	16,682	16,180	16,265	16,265
Federal Funds	17,478	8,466	7,655	8,316	8,316
SUBTOTAL - (D) Mines Program	630,585	656,942	645,233	658,804	658,804
FTE	<u>4.3</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
General Fund	0	0	0	0	0
Cash Funds	357,176	363,612	363,110	374,220	374,220
Reappropriated Funds	0	0	0	0	0
Federal Funds	273,409	293,330	282,123	284,584	284,584
(E) Emergency Response Costs					
Emergency Response Costs	<u>25,000</u>	<u>24,907</u>	<u>25,000</u>	<u>25,000</u>	<u>100,000</u> SI
General Fund	0	0	0	0	0
Cash Funds	25,000	24,907	25,000	25,000	100,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
SUBTOTAL - (E) Emergency Response Costs	25,000	24,907	25,000	25,000	100,000
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	0	0	0	0
Cash Funds	25,000	24,907	25,000	25,000	100,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

SI - This line item includes a JBC Staff initiated change.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
TOTAL - (2) Division of Reclamation, Mining, and Safety	7,664,781	7,242,983	7,746,999	7,851,136	7,926,136
<i>FTE</i>	<u>51.6</u>	<u>53.8</u>	<u>68.9</u>	<u>68.9</u>	<u>68.9</u>
General Fund	0	0	0	0	0
Cash Funds	4,297,246	4,201,162	4,398,942	4,740,377	4,815,377
Reappropriated Funds	0	0	30,000	30,000	30,000
Federal Funds	3,367,535	3,041,821	3,318,057	3,080,759	3,080,759

JBC Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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(3) GEOLOGICAL SURVEY *

Primary functions: Provides geologic information to the public and government agencies. Cash funds are from severance tax revenues, fees for geological services provided, and grants. Reappropriated funds are from transfers from other state agencies for geological services. The enactment of H.B. 12-1355 transferred most functions of the Geological Survey to the Colorado School of Mines, effective January 31, 2013. The enactment of H.B. 13-1057 retained the Colorado Avalanche Information Center (formerly part of the Geological Survey) within the Department of Natural Resources but moved that function to the Executive Director's Office. As a result of those two bills, the Geological Survey is no longer a division of the Department of Natural Resources, and there is no request or recommendation for FY 2013-14.

Environmental Geology and Geological Hazards					
Program	<u>1,379,957</u>	<u>605,510</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	7.9	0.0	0.0	0.0	0.0
General Fund	0	0	0	0	0
Cash Funds	895,850	475,020	0	0	0
Reappropriated Funds	199,296	109,571	0	0	0
Federal Funds	284,811	20,919	0	0	0
Colorado Avalanche Information Center					
FTE	<u>687,480</u>	<u>238,531</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	8.4	0.0	0.0	0.0	0.0
General Fund	0	0	0	0	0
Cash Funds	275,825	69,383	0	0	0
Reappropriated Funds	398,518	151,311	0	0	0
Federal Funds	13,137	17,837	0	0	0
Mineral Resources and Mapping					
FTE	<u>1,082,194</u>	<u>776,213</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	10.5	0.0	0.0	0.0	0.0
Cash Funds	977,659	708,241	0	0	0
Federal Funds	104,535	67,972	0	0	0

*Please note that, pursuant to HB 12-1355, the Colorado Geological Survey was transferred out of the Department of Natural Resources to the Colorado School of Mines, effective January 31, 2013. While this document addressed the Colorado Geological Survey in prior years, the program is now included in budget presentations for the Department of Higher Education.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
Indirect Cost Assessment	<u>158,082</u>	<u>93,762</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	110,548	74,494	0	0	0
Federal Funds	47,534	19,268	0	0	0
TOTAL - (3) Geological Survey	3,307,713	1,714,016	0	0	0
<i>FTE</i>	<u>26.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	0	0	0	0
Cash Funds	2,259,882	1,327,138	0	0	0
Reappropriated Funds	597,814	260,882	0	0	0
Federal Funds	450,017	125,996	0	0	0

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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(4) OIL AND GAS CONSERVATION COMMISSION

Primary functions: Promoting and regulating responsible development of oil and gas natural resources. Cash funds are from the Oil and Gas Conservation and Environmental Response Fund and the severance tax.

Program Costs	<u>5,866,959</u>	<u>6,378,943</u>	<u>8,517,429</u>	<u>8,333,683</u>	<u>8,333,683</u> *
FTE	63.4	70.2	93.4	93.4	93.4
General Fund	0	0	0	0	0
Cash Funds	5,866,959	6,378,943	8,517,429	8,333,683	8,333,683
Underground Injection Program	<u>96,559</u>	<u>96,559</u>	<u>96,559</u>	<u>96,559</u>	<u>96,559</u>
FTE	2.0	2.0	2.0	2.0	2.0
Federal Funds	96,559	96,559	96,559	96,559	96,559
Plugging and Reclaiming Abandoned Wells	<u>286,235</u>	<u>350,040</u>	<u>445,000</u>	<u>445,000</u>	<u>445,000</u>
Cash Funds	286,235	350,040	445,000	445,000	445,000
Environmental Assistance and Complaint Resolution	<u>311,312</u>	<u>220,155</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>
Cash Funds	311,312	220,155	312,033	312,033	312,033
Emergency Response	<u>264,817</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Cash Funds	264,817	0	1,000,000	1,000,000	1,000,000
Special Environmental Protection and Mitigation Studies	<u>119,756</u>	<u>196,165</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
Cash Funds	119,756	196,165	325,000	325,000	325,000

*This line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
Indirect Cost Assessment	<u>456,220</u>	<u>404,024</u>	<u>436,030</u>	<u>410,260</u>	<u>410,260</u>
General Fund	0	0	0	0	0
Cash Funds	456,220	393,108	429,764	405,234	405,234
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	10,916	6,266	5,026	5,026
TOTAL - (4) Oil and Gas Conservation Commission	7,401,858	7,645,886	11,132,051	10,922,535	10,922,535
<i>FTE</i>	<u>65.4</u>	<u>72.2</u>	<u>95.4</u>	<u>95.4</u>	<u>95.4</u>
General Fund	0	0	0	0	0
Cash Funds	7,305,299	7,538,411	11,029,226	10,820,950	10,820,950
Reappropriated Funds	0	0	0	0	0
Federal Funds	96,559	107,475	102,825	101,585	101,585

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
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(5) STATE BOARD OF LAND COMMISSIONERS

Primary Functions: Manages around 2.8 million surface acres and 4.0 million mineral acres of state trust lands for the benefit of 8 public trusts, the largest of which is the School Trust (96% of holdings). Cash funds are from the Trust Administration Fund. Reappropriated funds are from the Division of Parks and Wildlife.

Program Costs	<u>3,624,726</u>	<u>3,790,477</u>	<u>4,132,918</u>	<u>4,222,710</u>	<u>4,222,710</u>
FTE	36.8	37.0	40.0	40.0	40.0
General Fund	0	0	0	0	0
Cash Funds	3,624,726	3,790,477	4,132,918	4,222,710	4,222,710
Federal Funds	0	0	0	0	0
 Public Access Program Damage and Enhancement					
Costs	<u>209,145</u>	<u>189,274</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
Reappropriated Funds	209,145	189,274	225,000	225,000	225,000
 Asset Management System Upgrade					
Cash Funds	<u>0</u>	<u>0</u>	<u>750,000</u>	<u>0</u>	<u>0</u>
 Indirect Cost Assessment					
Cash Funds	<u>189,581</u>	<u>202,527</u>	<u>224,959</u>	<u>216,768</u>	<u>216,768</u>

TOTAL - (5) State Board of Land Commissioners	4,023,452	4,182,278	5,332,877	4,664,478	4,664,478
FTE	<u>36.8</u>	<u>37.0</u>	<u>40.0</u>	<u>40.0</u>	<u>40.0</u>
General Fund	0	0	0	0	0
Cash Funds	3,814,307	3,993,004	5,107,877	4,439,478	4,439,478
Reappropriated Funds	209,145	189,274	225,000	225,000	225,000
Federal Funds	0	0	0	0	0

JBC Staff Staff Figure Setting - FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	FY 2014-15 Recommendation
TOTAL - Department of Natural Resources	22,397,804	20,785,163	24,211,927	23,438,149	23,513,149
<i>FTE</i>	<u>180.6</u>	<u>163.0</u>	<u>204.3</u>	<u>204.3</u>	<u>204.3</u>
General Fund	0	0	0	0	0
Cash Funds	17,676,734	17,059,715	20,536,045	20,000,805	20,075,805
Reappropriated Funds	806,959	450,156	255,000	255,000	255,000
Federal Funds	3,914,111	3,275,292	3,420,882	3,182,344	3,182,344