

COLORADO GENERAL ASSEMBLY JOINT BUDGET COMMITTEE



FY 2009-10 STAFF FIGURE SETTING RECOMMENDATIONS

DEPARTMENT OF NATURAL RESOURCES

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

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

**Prepared By:
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February 26, 2009**

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| | FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 | | |
|--|------------|------------|---------------|------------|------------|-----------------|
| | Actual | Actual | Appropriation | Request | Staff Rec. | Change Requests |

For FY 2008-09 the General Assembly eliminated the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF NATURAL RESOURCES

Executive Director: Harris Sherman

(2) DIVISION OF RECLAMATION, MINING, AND SAFETY (Ron Cattany, Director)

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 | 2,003,963 | 2,064,990 | 2,087,395 S | 2,174,157 A | 2,173,906 | S-2, BA-2 |
| FTE | <u>20.9</u> | <u>19.3</u> | <u>23.0</u> | <u>23.0</u> | <u>23.0</u> | |
| CF - Severance Tax | 561,584 | 573,832 | 438,355 | 455,979 | 455,927 | |
| Federal Funds | 1,442,379 | 1,491,158 | 1,649,040 | 1,718,178 | 1,717,979 | |
| Indirect Cost Assessment | <u>128,983</u> | <u>104,878</u> | <u>121,427</u> | <u>142,656</u> | <u>142,656</u> | |
| CF - Severance Tax | 29,028 | 33,437 | 53,777 | 30,393 | 30,393 | |
| Federal Funds | 99,955 | 71,441 | 67,650 | 112,263 | 112,263 | |

| | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|--|
| (A) Coal Land Reclamation | 2,132,946 | 2,169,868 | 2,208,822 | 2,316,813 | 2,316,562 | |
| FTE | <u>20.9</u> | <u>19.3</u> | <u>23.0</u> | <u>23.0</u> | <u>23.0</u> | |
| Cash Funds | 590,612 | 607,269 | 492,132 | 486,372 | 486,320 | |
| Federal Funds | 1,542,334 | 1,562,599 | 1,716,690 | 1,830,441 | 1,830,242 | |

(B) Inactive Mines

| | | | | | | |
|---|-------------|------------|-------------|-------------|-------------|-----------|
| Program Costs | 653,448 | 681,803 | 1,790,755 | 1,839,497 A | 1,839,523 | S-2, BA-2 |
| FTE | <u>12.4</u> | <u>5.6</u> | <u>18.4</u> | <u>18.4</u> | <u>18.4</u> | |
| CF - Abandoned Mine Safety Reclamation Fund | 0 | 0 | 500,766 | 520,766 | 520,000 | #10 |
| RF/CFE - Abandoned Mine Safety Reclamation Fund | 81,190 | 75,667 | 0 | 0 | 0 | |
| Federal Funds | 572,258 | 606,136 | 1,289,989 S | 1,318,731 | 1,319,523 | |
| Mine Site Reclamation | 156,914 | 152,324 | 407,658 | 410,790 | 410,790 | |
| FTE | <u>1.2</u> | <u>0.4</u> | <u>1.2</u> | <u>1.2</u> | <u>1.2</u> | |
| CF - Severance Tax | 156,914 | 152,324 | 377,658 | 380,790 | 380,790 | |
| RF/CFE - Public Health and Environment | 0 | 0 | 30,000 | 30,000 | 30,000 | |

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 | | |
|--|----------------------|----------------------|-----------------------------|---------------|---------------|-----------------|
| | | | | Request | Staff Rec. | Change Requests |
| Reclamation of Forfeited Mine Sites | | | | | | |
| CF - Severance Tax | N/A | 0 | 342,000 | 342,000 | 171,000 | |
| Abandoned Mine Safety | | | | | | |
| CF - Severance Tax | 111,665 | 111,611 | 112,113 | 112,623 | 100,000 | |
| FTE | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | |
| Indirect Cost Assessment | <u>85,834</u> | <u>61,373</u> | <u>78,083</u> | <u>93,330</u> | <u>93,330</u> | |
| CF - Severance Tax | 687 | 10,433 | 28,473 | 8,250 | 8,250 | |
| Federal Funds | 85,147 | 50,940 | 49,610 | 85,080 | 85,080 | |
| (B) Inactive Mines | 1,007,861 | 1,007,111 | 2,730,609 | 2,798,240 | 2,614,643 | |
| FTE | <u>13.8</u> | <u>6.2</u> | <u>19.8</u> | <u>19.8</u> | <u>19.8</u> | |
| Cash Funds | 269,266 | 274,368 | 1,361,010 | 1,364,429 | 1,180,040 | |
| Reappropriated Funds/Cash Funds Exempt | 81,190 | 75,667 | 30,000 | 30,000 | 30,000 | |
| Federal Funds | 657,405 | 657,076 | 1,339,599 | 1,403,811 | 1,404,603 | |
| (C) Minerals | | | | | | |
| Program Costs | 1,968,845 | 2,066,937 | 1,931,177 S | 2,207,416 A | 2,206,243 | S-2, BA-2 |
| FTE | <u>22.1</u> | <u>18.8</u> | <u>24.3</u> | <u>24.1</u> | <u>24.1</u> | |
| CF - Severance Tax | 997,825 | 1,033,590 | 970,940 | 1,138,871 | 1,140,823 | |
| CF - Mined Land Reclamation Fund | 872,644 | 930,000 | 960,237 | 1,068,545 | 1,065,420 | |
| CFE - Mined Land Reclamation Fund reserves | 98,376 | 103,347 | 0 | 0 | 0 | |
| Indirect Cost Assessment | | | | | | |
| CF - Severance Tax | 121,212 | 126,522 | 114,718 | 109,392 | 109,392 | |
| (C) Minerals | 2,090,057 | 2,193,459 | 2,045,895 | 2,316,808 | 2,315,635 | |
| FTE | <u>22.1</u> | <u>18.8</u> | <u>24.3</u> | <u>24.1</u> | <u>24.1</u> | |
| Cash Funds | 1,991,681 | 2,090,112 | 2,045,895 | 2,316,808 | 2,315,635 | |
| Reappropriated Funds/Cash Funds Exempt | 98,376 | 103,347 | 0 | 0 | 0 | |
| (D) Mines Program | | | | | | |
| Colorado and Federal Mine Safety Program | 455,348 | 572,790 | 505,140 S | 519,170 A | 519,176 | S-2 |
| FTE | <u>4.8</u> | <u>5.0</u> | <u>5.0</u> | <u>5.0</u> | <u>5.0</u> | |
| CF - Severance Tax | 287,681 | 286,222 | 303,397 | 318,303 | 318,309 | |
| CF - Fees | 6,000 | 5,975 | 6,000 | 10,000 | 10,000 | |

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 | | |
|---|----------------------|----------------------|-----------------------------|---------------|---------------|-----------------|
| | | | | Request | Staff Rec. | Change Requests |
| Federal Funds | 161,667 | 280,593 | 195,743 | 190,867 | 190,867 | |
| Blaster Certification Program | 103,866 | 103,494 | 106,714 | 109,486 | 109,486 | |
| FTE | <u>1.0</u> | <u>1.0</u> | <u>1.0</u> | <u>1.0</u> | <u>1.0</u> | |
| CF - Severance Tax | 21,743 | 21,734 | 22,410 | 22,842 | 22,842 | |
| Federal Funds | 82,123 | 81,760 | 84,304 | 86,644 | 86,644 | |
| Indirect Cost Assessment | <u>27,864</u> | <u>28,346</u> | <u>23,066</u> | <u>29,958</u> | <u>29,958</u> | |
| CF - Severance Tax | 16,372 | 16,881 | 15,850 | 14,644 | 14,644 | |
| Federal Funds | 11,492 | 11,465 | 7,216 | 15,314 | 15,314 | |
| (D) Mines Program | 587,078 | 704,630 | 634,920 | 658,614 | 658,620 | |
| FTE | <u>5.8</u> | <u>6.0</u> | <u>6.0</u> | <u>6.0</u> | <u>6.0</u> | |
| Cash Funds | 331,796 | 330,812 | 347,657 | 365,789 | 365,795 | |
| Federal Funds | 255,282 | 373,818 | 287,263 | 292,825 | 292,825 | |
| (E) Emergency Response Costs | | | | | | |
| CF - Severance Tax | 0 | 12,200 | 25,000 | 25,000 | 25,000 | |
| (2) DIVISION OF RECLAMATION, MINING, AND SAFETY - SUBTOTAL a/ | 5,817,942 | 6,087,268 | 7,645,246 | 8,115,475 | 7,930,460 | |
| FTE | <u>62.6</u> | <u>50.3</u> | <u>73.1</u> | <u>72.9</u> | <u>72.9</u> | |
| Cash Funds | 3,183,355 | 3,314,761 | 4,271,694 | 4,558,398 | 4,372,790 | |
| Reappropriated Funds/Cash Funds Exempt | 179,566 | 179,014 | 30,000 | 30,000 | 30,000 | |
| Federal Funds | 2,455,021 | 2,593,493 | 3,343,552 | 3,527,077 | 3,527,670 | |
| a/ Prior to FY 2006-07, this division was known as the Division of Minerals and Geology. The name was changed pursuant to S.B. 06-140. | | | | | | |
| (3) COLORADO GEOLOGICAL SURVEY (Vince Matthews, Director and State Geologist) | | | | | | |
| Primary functions: providing 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.) | | | | | | |
| Environmental Geology and Geological | | | | | | |
| Hazards Program | 1,646,001 | 1,515,437 | 2,418,626 S | 2,692,243 A | 2,543,380 | S-2, BA-2 |
| FTE | <u>14.4</u> | <u>13.8</u> | <u>17.2</u> | <u>17.2</u> | <u>17.2</u> | |
| CF - Severance Tax | 902,794 | 833,907 | 861,752 | 1,079,008 | 930,953 | #5 |
| CF - Fees for geological services | 361,951 | 281,574 | 500,635 | 554,026 | 553,218 | |
| RF/CFE - Other state agencies | 303,983 | 288,256 | 456,429 | 456,429 | 456,429 | |
| Federal Funds | 77,273 | 111,700 | 599,810 | 602,780 | 602,780 | |

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 | | |
|---|----------------------|----------------------|-----------------------------|----------------|----------------|-----------------|
| | | | | Request | Staff Rec. | Change Requests |
| Coalbed Methane Stream Depletion Study | | | | | | |
| CF - Severance Tax | 138,000 | 0 | 0 | 0 | 0 | |
| Mineral Resources and Mapping | 1,163,740 | 1,185,793 | 1,357,457 S | 1,460,932 A | 1,459,591 | S-2 |
| FTE | <u>9.1</u> | <u>8.5</u> | <u>10.5</u> | <u>10.5</u> | <u>10.5</u> | |
| CF - Severance Tax | 916,016 | 920,925 | 955,662 | 1,041,719 | 1,040,380 | |
| CF - Local government payments for geo. services | 27,115 | 58,099 | 81,124 | 92,392 | 92,390 | |
| Federal Funds | 220,609 | 206,769 | 320,671 | 326,821 | 326,821 | |
| Colorado Avalanche Information Center | 581,760 | 526,210 | 639,603 | 690,146 | 690,034 | #2 |
| FTE | <u>7.0</u> | <u>7.3</u> | <u>7.7</u> | <u>7.7</u> | <u>7.7</u> | |
| CF - Severance Tax | 145,361 | 149,200 | 151,424 | 159,509 | 159,509 | |
| CF - Fees/Grants | 0 | 2,251 | 116,997 | 125,193 | 125,081 | |
| RF/CFE - Fees | 415,672 | 368,843 | 346,597 | 387,053 | 387,053 | |
| Federal Funds | 20,727 | 5,916 | 24,585 | 18,391 | 18,391 | |
| Indirect Cost Assessment | <u>45,503</u> | <u>59,169</u> | <u>179,226</u> | <u>186,137</u> | <u>186,137</u> | |
| CF - Severance Tax | 0 | 0 | 134,901 | 167,844 | 167,844 | |
| Federal Funds | 45,503 | 59,169 | 44,325 | 18,293 | 18,293 | |
| (3) COLORADO GEOLOGICAL SURVEY | | | | | | |
| - SUBTOTAL | 3,575,004 | 3,286,609 | 4,594,912 | 5,029,458 | 4,879,142 | |
| FTE | <u>30.5</u> | <u>29.6</u> | <u>35.4</u> | <u>35.4</u> | <u>35.4</u> | |
| Cash Funds | 2,491,237 | 2,245,956 | 2,802,495 | 3,219,691 | 3,069,375 | |
| Reappropriated Funds/Cash Funds Exempt | 719,655 | 657,099 | 803,026 | 843,482 | 843,482 | |
| Federal Funds | 364,112 | 383,554 | 989,391 | 966,285 | 966,285 | |
| (4) OIL AND GAS CONSERVATION COMMISSION (David Neslin, Interim Director) | | | | | | |
| (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 | 4,254,302 | 4,836,176 | 5,670,895 S | 6,329,779 A | 6,082,644 | S-2, BA-2 |
| FTE | <u>41.4</u> | <u>51.0</u> | <u>71.0</u> | <u>78.0</u> | <u>71.0</u> | #1 |
| CF - Severance Tax | 2,117,279 | 2,199,310 | 2,837,132 | 3,027,119 | 3,026,137 | |
| CF - OGC Environmental Response Fund | 0 | 1,946,095 | 2,833,763 | 3,302,660 | 3,056,507 | #1 |
| RF/CFE - OGC Environmental Response Fund | 2,137,023 | 690,771 | 0 | 0 | 0 | |

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 | | |
|---|----------------------|----------------------|-----------------------------|------------------|------------------|-----------------|
| | | | | Request | Staff Rec. | Change Requests |
| Underground Injection Program | | | | | | |
| Federal Funds | 92,374 | 89,115 | 96,559 | 96,559 | 96,559 | |
| FTE | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | |
| Plugging and Reclaiming Abandoned Wells | <u>598,302</u> | <u>219,959</u> | <u>220,000</u> | <u>220,000</u> | <u>220,000</u> | |
| CF - OGC Environmental Response Fund | 0 | 0 | 220,000 | 220,000 | 220,000 | |
| RF/CFE - OGC Environmental Response Fund | 598,302 | 219,959 | 0 | 0 | 0 | |
| Environmental Assistance and Complaint Resolution | <u>283,498</u> | <u>296,932</u> | <u>312,033</u> | <u>312,033</u> | <u>312,033</u> | |
| CF - OGC Environmental Response Fund | 283,498 | 296,932 | 312,033 | 312,033 | 312,033 | |
| RF/CFE - OGC Environmental Response Fund | 0 | 0 | 0 | 0 | 0 | |
| Emergency Response | <u>71,904</u> | <u>344,678</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | |
| CF - OGC Environmental Response Fund | 0 | 0 | 1,500,000 | 1,500,000 | 1,500,000 | |
| RF/CFE - OGC Environmental Response Fund | 71,904 | 344,678 | 0 | 0 | 0 | |
| Special Environmental Protection and Mitigation Studies | | | | | | |
| CF - OGC Environmental Response Fund | 265,271 | 326,396 | 500,000 | 500,000 | 325,000 | |
| Piceance and D-J Basin Water Studies and Environmental Data Tool Development | | | | | | |
| RF/CFE - OGC Environmental Response Fund | 222,907 | 0 | 0 | 0 | 0 | |
| Phase II Raton Basin Gas Seep Investigation | | | | | | |
| RF/CFE - OGC Environmental Response Fund | 92,442 | 0 | 0 | 0 | 0 | |
| Data Cleanup Project - CF | | | | | | |
| CF - Severance Tax | 0 | 96,029 | 0 | 0 | 0 | |
| S.B. 07-198 Coalbed Methane Seepage Projects | | | | | | |
| CF - OGC Environmental Response Fund | 0 | 96,259 | 2,003,400 | 445,200 | 445,200 | |
| Indirect Cost Assessment - Total Funds | <u>186,702</u> | <u>227,811</u> | <u>325,071</u> | <u>313,768</u> | <u>313,768</u> | |
| CF - OGC Environmental Response Fund | 186,702 | 222,254 | 319,294 | 310,119 | 310,119 | |
| Federal Funds | 0 | 5,557 | 5,777 | 3,649 | 3,649 | |
| (4) OIL & GAS CONSERVATION COMMISSION | | | | | | |
| - SUBTOTAL | 6,067,702 | 6,533,355 | 10,627,958 | 9,717,339 | 9,295,204 | |

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 | | |
|--|----------------------|----------------------|-----------------------------|-------------|-------------|-----------------|
| | | | | Request | Staff Rec. | Change Requests |
| FTE | <u>43.4</u> | <u>53.0</u> | <u>73.0</u> | <u>80.0</u> | <u>73.0</u> | |
| Cash Funds | 2,852,750 | 5,183,275 | 10,525,622 | 9,617,131 | 9,194,996 | |
| Reappropriated Funds/Cash Funds Exempt | 3,122,578 | 1,255,408 | 0 | 0 | 0 | |
| Federal Funds | 92,374 | 94,672 | 102,336 | 100,208 | 100,208 | |

(5) STATE BOARD OF LAND COMMISSIONERS (John Brejcha, Acting Director)

(Primary Functions: Manages around 2.6 million surface acres and 4.5 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.)

| | | | | | | | |
|--|-------------|-------------|-------------|--------------------|----------|-------------|-----------|
| Program Costs | 2,639,444 | 3,673,354 | 3,642,177 | 3,818,088 | A | 3,816,096 | S-2, BA-2 |
| FTE | <u>33.1</u> | <u>29.0</u> | <u>38.0</u> | <u>38.0</u> | | <u>38.0</u> | |
| CF - Land Board Trust Administration Fund | 717,723 | 810,441 | 3,567,177 | S 3,743,088 | | 3,741,096 | |
| CF - SBLC Land and Water Management Fund | 0 | 75,000 | 75,000 | 75,000 | | 75,000 | |
| RF/CFE - Land Board Trust Administration Fund | 2,111,950 | 2,787,913 | 0 | 0 | | 0 | |
| State Trust Land Asset Management and Analysis | | | | | | | |
| CF - Land Board Trust Administration Fund | 659,509 | 0 | 0 | 0 | | 0 | |
| Indirect Cost Assessment | | | | | | | |
| CF - Land Board Trust Administration Fund | 167,095 | 156,845 | 221,075 | 165,450 | | 165,450 | |

| | | | | | | | |
|---|-------------|-------------|-------------|-------------|--|-------------|--|
| (5) STATE LAND BOARD - SUBTOTAL a/ | 3,466,048 | 3,830,199 | 3,863,252 | 3,983,538 | | 3,981,546 | |
| FTE | <u>33.1</u> | <u>29.0</u> | <u>38.0</u> | <u>38.0</u> | | <u>38.0</u> | |
| Cash Funds | 894,846 | 1,042,286 | 3,863,252 | 3,983,538 | | 3,981,546 | |
| Reappropriated Funds/Cash Funds Exempt | 2,571,202 | 2,787,913 | 0 | 0 | | 0 | |

a/ Senate Bill 05-196 continuously appropriated \$1,000,000 cash funds exempt for the SLB Investment and Development Fund.

As these moneys are continuously appropriated, they are not appropriated by the General Assembly and are not shown in the Long Bill, nor are the reflected in the JBC staff numbers pages.

| | | | | | | | |
|--|--------------|--------------|--------------|--------------|--|--------------|--|
| DEPARTMENT OF NATURAL RESOURCES | | | | | | | |
| TOTAL FUNDS | 18,926,696 | 19,737,431 | 26,731,368 | 26,845,810 | | 26,086,352 | |
| FTE | <u>169.6</u> | <u>161.9</u> | <u>219.5</u> | <u>226.3</u> | | <u>219.3</u> | |
| Cash Funds | 9,422,188 | 11,786,278 | 21,463,063 | 21,378,758 | | 20,618,707 | |
| Reappropriated Funds/Cash Funds Exempt | 6,593,001 | 4,879,434 | 833,026 | 873,482 | | 873,482 | |
| Federal Funds | 2,911,507 | 3,071,719 | 4,435,279 | 4,593,570 | | 4,594,163 | |
| CF - Severance Tax | 6,524,161 | 6,578,157 | 7,745,562 | 8,434,286 | | 8,102,193 | |

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

(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 manages issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation. Often, there are 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., up to 30 percent of the moneys in the Operational Account of the Severance Tax Trust Fund may be appropriated for programs in the Division of Mining, Reclamation, and Safety.

(A) Coal Land Reclamation

Program COSTS

Description: This program is administered pursuant to a cooperative agreement with the Office of Surface Mining, which is part of the U.S. Department of the Interior. It is a regulatory program charged with reviewing and issuing coal mining and reclamation permits. Ongoing monitoring, inspection, and enforcement duties are performed at coal mining operations to ensure that permit provisions and mining regulations are followed. The Coal Land Reclamation Program is also required for the State to receive federal funds to safeguard Colorado's inactive mines. The line item pays for 23.0 FTE and associated operating expenses. The program is funded with a mix of federal funds and cash funds from the Operational Account of the Severance Tax Trust Fund. There is a minimum 21% state matching requirement for the federal funds.

| Coal Land Reclamation Staffing Summary | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 Request | FY 2009-10 Recommendation |
|---|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| Management | 2.0 | 1.2 | 1.2 | 1.2 |
| Administration | 5.3 | 4.0 | 4.0 | 4.0 |
| Environmental Protection Specialist | 12.0 | 17.8 | 17.8 | 17.8 |
| Total | 19.3 | 23.0 | 23.0 | 23.0 |

Request: The Department requests continuation level funding according to OSPB's common policies. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

Recommendation: Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests. The Department projects that the workload for the coal regulatory program in FY 2009-10 will be fairly consistent with prior years. Also, the state funding for this program matches federal funding. The staff recommendation is based on maintaining current service levels.

| | FY 2006-07 Actual | FY 2007-08 Actual | FY 2008-09 Estimate | FY 2009-10 Estimate |
|----------------------|----------------------|----------------------|------------------------|------------------------|
| Permitting actions | 229 | 215 | 232 | 238 |
| Required inspections | 474 | 426 | 430 | 430 |

The components of the staff recommendation are summarized in the following table. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

Finally, 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 match the federal grant.

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Reclamation Program Expenses — Department of Natural Resources | | | | |
|--|--------------------|-------------------|--------------------|-------------|
| | Total | CF - Severance | Federal Funds | FTE |
| Personal Services estimate | \$1,806,800 | \$379,430 | \$1,427,370 | 23.0 |
| Operating estimate | <u>280,595</u> | <u>58,925</u> | <u>221,670</u> | |
| FY 2008-09 Appropriation | \$2,087,395 | \$438,355 | \$1,649,040 | 23.0 |
| Salary Survey | 44,299 | 8,710 | 35,589 | |
| Base-building Performance Pay | 20,038 | 4,207 | 15,831 | |
| Restore one-time hiring freeze savings | 26,914 | 5,651 | 21,263 | |
| Postal Increase - PENDING | 0 | | | |
| IT Consolidation - PENDING | 0 | | | |
| S-2 Reduction in cell phone costs | (202) | (43) | (159) | |
| BA-2 Discontinue participation in State Fair | (4,538) | (953) | (3,585) | |
| Adjust federal and cash funds to match projected federal grant amount - PENDING | <u>0</u> | | | |
| FY 2009-10 Recommendation | \$2,173,906 | \$455,927 | \$1,717,979 | 23.0 |

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request reflects the statewide and departmental indirect cost plan.

Recommendation: **Staff recommends the requested amount,** to capture the division's share of statewide and departmental indirect costs.

(B) Inactive Mines

| Inactive Mines Staffing Summary | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 Request | FY 2009-10 Recommendation |
|------------------------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Management | 1.6 | 1.6 | 1.6 | 1.6 |

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Inactive Mines Staffing Summary | FY 2007-08 Actual | FY 2008-09 Appropriation | FY 2009-10 Request | FY 2009-10 Recommendation |
|--|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| Administration | 1.6 | 4.7 | 4.7 | 4.7 |
| Environmental Protection Specialist | 3.0 | 13.5 | 13.5 | 13.5 |
| Total | 6.2 | 19.8 | 19.8 | 19.8 |

Program Costs

Description: 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. Approximately 15,300 eligible abandoned mines remain in Colorado. The Department can also use this federal money for thirty-seven coal mine fires pending safeguarding, and 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 Operational Account of the Severance Tax Trust Fund to the Abandoned Mine Reclamation Fund for this program. Pursuant to Section 34-34-102, C.R.S., moneys appropriated from 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 from the 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 grants for site work of approximately \$5.5 million.

Request: The Department requests decision item #10 for an additional \$20,000 cash funds spending authority from interest earnings of the Abandoned Mine Reclamation Fund. The Department indicates this would safeguard an additional 2-4 mine openings per year.

For personal services expenses, the Department requests continuation level funding according to OSPB's common policies. The Department's request reflects a reduction of \$9,021 federal funds for

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

one-time costs associated with additional federally-funded FTE added last year. The following department-wide or state-wide requests impact this line item:

- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);
- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

Recommendation: **Based on current law, staff recommends the requested decision item #10 for \$20,000,000 cash funds spending authority from interest earnings of the Abandoned Mine Reclamation Fund.** The annual \$500,000 transfer from the Operational Account of the Severance Tax Trust Fund to the Abandoned Mine Reclamation Fund is in statute. It would take a statutory change to reduce or eliminate the transfer. If the transfer occurs, staff believes the Department should have authority to spend the interest earnings. The majority of the money in the Abandoned Mine Reclamation Fund is used for construction projects, and the Department has statutory authority to roll appropriated amounts forward for up to three years. Because of the occasional delays and rolling forward construction money from one year to the next, the Department projects that the fund will continue to earn approximately \$20,000 per year in interest for at least the next few years. The money in the Abandoned Mine Reclamation Fund can not be used for any other purpose than reclaiming mines.

If the JBC is willing to consider legislation to adjust expenditures from the Operational Account, either to address the projected shortfall in the Operational Account, or to supplement the General Fund, then staff would recommend that the JBC address the transfer to the Abandoned Mine Reclamation Fund. Staff believes it is questionable whether this should be a tier 1 instead of a tier 2 expenditure from the Operational Account. Tier 1 expenditures generally support salaries and on-going core programs of the Department of Natural Resources. Tier 2 programs support grants, loans, research, and construction. The reserve requirement for tier 1 programs is equal to one full year of operating appropriations. The reserve requirement for tier 2 programs is equal to fifteen percent of authorized expenditures. Tier 2 programs are subject to proportional reduction, if a mid-year projection indicates there will be insufficient revenues to the Operational Account to support all statutorily authorized expenditures. Since the Abandoned Mine Reclamation Fund is primarily used for construction, it may be more appropriately categorized as a tier 2 expenditure.

The \$500,000 annual transfer from the Operational Account to the Abandoned Mine Reclamation Fund is the only tier 1 expenditure in statute instead of subject to annual appropriation. If reclaiming abandoned mines remains a tier 1 expenditure, staff is unsure why this expenditure should be in statute rather than subject to annual appropriation.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Finally, staff believes this may not be the highest priority use of limited severance tax dollars in the Operational Account. The 2006 federal reauthorization of the Surface Mining Control and Reclamation Act significantly increased federal funding to Colorado for reclaiming these mines by a total of approximately \$30.0 million to be disbursed from 2008-2014, thereby lessening the need for state funding. While these mines present a public safety hazard, many of them are in remote areas and have gone a century or more without safeguards. The youngest mines eligible for funding for reclamation through this line item were abandoned in 1977. As shown in the table below, since 2000 there were two deaths and two injuries associated with these mines

| Colorado Deaths and Injuries Related to Abandoned Mines | | |
|---|-------------|---------------|
| Span of years | # of Deaths | # of Injuries |
| 1955-1958 | 3 | 1 |
| 1960-1969 | 3 | 3 |
| 1970-1979 | 2 | 4 |
| 1980-1989 | 8 | 8 |
| 1990-1999 | 2 | 7 |
| 2000-present | 2 | 2 |
| TOTAL | 20 | 25 |

For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests. The components of the staff recommendation for the line item are summarized in the table below. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife. The staff estimate of the savings by fund source associated with discontinuing the Department's participation in the State Fair is slightly different than the Department's request.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources | | | | |
|---|--------------------|--|--------------------------|-------------|
| | Total | Abandoned Mine Safety Reclamation Fund (originally severance tax) | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$1,790,755 | \$500,766 | \$1,289,989 | 18.4 |
| Salary Survey | 31,178 | 0 | 31,178 | |
| Base-building Performance Pay | 13,221 | 0 | 13,221 | |
| Remove one-time expenses for new federal FTE approved in FY 2008-09 | (9,021) | 0 | (9,021) | |
| Postal Increase - PENDING | 0 | | | |
| IT Consolidation - PENDING | 0 | | | |
| S-2 Reduction in cell phone costs | (560) | 0 | (560) | |
| BA-2 Discontinue participation in State Fair | (6,050) | (766) | (5,284) | |
| #10 Spending authority for interest earnings of the Abandoned Mine Reclamation Fund | <u>20,000</u> | <u>20,000</u> | <u>0</u> | |
| Total Recommendation | \$1,839,523 | \$520,000 | \$1,319,523 | 18.4 |

Mine Site Reclamation

Description: This line item is used for 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 decades -- after mining operations have ceased. Today's mining companies are required to include the cost of water treatment when application is made for mining permits. These costs are also used to determine the financial warranty 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.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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 to accelerate water quality improvement projects, using additional funds from the Operational Account of the Severance Tax Trust Fund. 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 Operational Account of the Severance Tax Trust Fund, the Department receives \$30,000 from the Department of Public Health and Environment to cover a portion of the salary for the coordinator position.

Request: The Department requests continuation level funding, calculated pursuant to OSPB's common policies.

Staff Recommendation: **Staff recommends continuation level funding calculated pursuant to the JBC's common policies.** The JBC previously approved a request by the Department to allocate severance tax funds to accelerate water quality improvement projects. The staff recommendation for continuation level funding is based on the assumption that the JBC wants to continue this policy. Water quality is a public and wildlife safety issue.

The components of the staff recommendation are summarized in the table below.

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Mine Site Reclamation — Department of Natural Resources | | | | |
|--|----------------|--------------------------|--|------------|
| | TOTAL | CF - Severance Tax | RF - Public Health and Environment | FTE |
| FY 2008-09 Appropriation | 404,600 | 374,600 | 30,000 | 1.2 |
| Salary Survey | 1,970 | 1,970 | 0 | |
| Base-building Performance Pay | 1,162 | 1,162 | 0 | |
| Total Recommendation | 407,732 | 377,732 | 30,000 | 1.2 |

RECLAMATION OF FORFEITED MINE SITES

Description: This line item was created 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

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

35 sites forfeited between 1977 and 1993 that need work. Mines forfeited prior to 1977 qualify for federal funding from the Office of Surface Mining. The Program Costs and Mine Site Reclamation line items also provide some Severance Tax funds for these sites. Mines established after 1993 have individually calculated bond requirements based on size, type of disturbance, on-site structures, surrounding environmental impacts, and construction costs. The Department indicates that the bonds from forfeited mines after 1993 have generally been adequate to address 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 for the reclamation required. Risks associated with the un-reclaimed sites include water contamination, unstable soils, volatile gases and explosives, and open pits. These sites are not eligible for the federal funds that can be used for pre-1977 mines.

Request: The Department requests continuation level funding.

Recommendation: **Staff recommends reducing the appropriation by \$171,000, or half the FY 2008-09 level.** The December 2008 Legislative Council Staff forecast indicates there will be insufficient revenue to the Operational Account of the Severance Tax Trust Fund to support all the statutory authorizations. Expenditures from the Operational Account are divided by statute into two tiers. The tier 1 programs generally are subject to annual appropriation and support salaries and core operating expenditures of the Department of Natural Resources. Tier 2 programs support grants, loans, research, and construction, and are subject to proportional reduction, if a mid-year projection indicates there will be insufficient revenues to the Operational Account to support all authorized expenditures. If the JBC approves all the Department's requests for tier 1 programs, the tier 2 programs would need to be reduced by a little more than 50 percent to match the December 2008 Legislative Council Staff forecast.

This program is a tier 1 expenditure from the Operational Account, and it addresses public and wildlife safety issues. However, the reclamation work ranges in urgency based on variables such as threats to drinking water, proximity to humans, and impacts on fragile wildlife habitat. Based on the FY 2008-09 funding level, the Department had a plan to address all the sites in five years. Reducing the funding by half, as proposed by staff, would require the Department to further prioritize the reclamation work, and extend the projected time frame for completing reclamation at all the sites. The Operational Account is not the only source of revenue for reclaiming these sites. The majority of the work is being done with forfeited bonds. The money from the Operational Account supplements the forfeited bonds.

Tier 1 programs require a reserve equal to 100 percent of the appropriation. So, reducing this expenditure by \$171,000 also reduces the reserve requirement by \$171,000.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Abandoned Mine Safety

Description: These moneys are utilized to safeguard the roughly 17,000 mine openings in Colorado abandoned prior to bonding requirements in 1977, including a high number in the Central City and Blackhawk area. This line item pays for basic measures like capping and fencing. The other line items in the Inactive Mines section pay for more extensive reclamation of sites that need it. The source of funding is the Operational Account of the Severance Tax Trust Fund.

Request: The Department requests continuation level funding calculated according to the OSPB budget instructions.

Staff Recommendation: **Staff recommends reducing the funding level by \$12,623.** The rationale for reducing this line item is similar to the rationale for reducing the Reclamation of Forfeited Mine Sites line item. However, the proposed reduction here is significantly smaller. Staff has concerns that a deeper decrease in mines safeguarded per year would result in a suboptimal use of existing FTE with knowledge of the safeguarding process. The staff recommendation would allow the Department to continue chipping away at the vast number of mines that lack safeguards, but at a slightly slower pace. The staff recommendation represents an 11.2 percent reduction in the line item and leaves an even \$100,000 for on-going work.

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Abandoned Mine Safety — Department of Natural Resources | | |
|--|----------------|------------|
| | Severance | FTE |
| FY 2007-08 Appropriation | 112,623 | 0.2 |
| Salary Survey | 0 | |
| Base-building Performance Pay | 0 | |
| Reduce tier 1 Operational Account expenditures | (12,623) | |
| FY 2008-09 Recommendation | 100,000 | 0.2 |

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request is based on the statewide and departmental indirect cost recovery plans.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Recommendation: **Staff recommends the requested amount**, to capture the division's share of statewide and departmental indirect costs.

(C) Minerals

Program Costs

Description: 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. Oil shale development is under the regulation of the Minerals Program, although the Minerals Program coordinates extensively with the Colorado Oil and Gas Commission in reviewing permits and conducting inspections. The Minerals Program also oversees uranium and vanadium mining, which have recently increased significantly in Colorado.

The sources of funds for the program in FY 2008-09 include fees deposited in the Mined Land Reclamation Fund, and the Operational Account of the Severance Tax Trust 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.

In FY 2007-08 the Department received funding for 1.0 additional FTE to review and process an increase in permits requested for oil shale, uranium, and vanadium. In FY 2008-09 H.B. 08-1161 increased regulation and fees of in situ uranium mining. From the bill the Department received an additional \$42,540 cash funds spending authority and 0.4 FTE.

Request: The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. The request includes a reduction of \$13,942 and 0.2 FTE for discontinuing one-time costs associated with implementing H.B. 08-1161. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);
- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

Staff Recommendation: **Staff recommends continuation level funding pursuant to the JBC's common policies, with adjustments for the department-wide and state-wide requests.** The legislature recently expanded this program to address regulatory concerns, particularly with regard

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

to new technologies for development of oil shale and uranium. The staff recommendation is based on maintaining this expanded level of regulation.

The components of the staff recommendation for the line item are summarized in the table below. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals Program Costs — Department of Natural Resources | | | | |
|---|--------------------|--------------------|--------------------------------|--------------|
| | Total | Severance Tax | Mined Land Reclamation Fund | FTE |
| FY 2008-09 Appropriation | \$1,931,177 | \$970,940 | \$960,237 | 24.3 |
| Salary Survey | 41,525 | 41,525 | | |
| Base-building Performance Pay | 18,797 | 18,797 | | |
| Restore one-time hiring freeze savings | 234,090 | 112,445 | 121,645 | |
| Postal Increase - PENDING | 0 | | | |
| IT Consolidation - PENDING | 0 | | | |
| S-2 Reduction in cell phone costs | (866) | (433) | (433) | |
| BA-2 Discontinue participation in State Fair | (4,538) | (2,451) | (2,087) | |
| Eliminate one-time expenditures for H.B. 08-1161 | <u>(13,942)</u> | <u>0</u> | <u>(13,942)</u> | <u>(0.2)</u> |
| Total Recommendation | \$2,206,243 | \$1,140,823 | \$1,065,420 | 24.1 |

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Request: The Department's request is based on the statewide and departmental indirect cost recovery plans.

Recommendation: **Staff recommends the requested amount**, to capture the division's share of statewide and departmental indirect costs.

(D) Mines Program

Colorado and Federal Mine Safety Program

Description: 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 Operational Account of the Severance Tax Trust Fund, but the program also earns a small amount of fee revenue.

Request: The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. The request includes the state-wide and department-wide requests to annualize the supplementals regarding IT consolidation and cell phone savings (S-2). The request also includes a fund source adjustment reflecting changes in projected federal funds and fees.

Staff Recommendation: **Staff recommends continuation level funding calculated pursuant to the JBC's common policies, with adjustments for the department-wide and state-wide requests.** The federal government recently increased coal mine rescue training requirements, significantly increasing the workload of the program. The purpose of funding the program from the Operational Account instead of user fees is to prevent user fees from being an impediment to proper training and the dissemination of best safety practices.

The Department's performance data indicates that the injury rate at coal mines where training was provided was lower than the national average by 12-19 percent. However, staff has concerns that injury rates at non-coal mines exceeded the national average after training from the Department. This could be attributable to a number of factors, such as the types of mines in Colorado versus the nation, or the time devoted by the Department to the new federal standards for coal mine rescue training. It could also be an indicator that the Department's training is ineffective. While staff is recommending continuation funding for FY 2009-10, staff believes that the Department needs to conduct a review of the non-coal mine training and demonstrate improvement, or provide better evidence of the effectiveness of the training, in order to justify continued funding in the future.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

The components of the staff recommendation for the line item are summarized in the table below. The table does not include an amount for the statewide request to annualize the IT consolidation supplemental, because the JBC has not yet established a common policy on this statewide request. **Part of the recommendation is for permission to adjust the amount based on the JBC's common policies.** The table does include an amount for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones. This amount is consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Colorado and Federal Mine Safety — Department of Natural Resources | | | | | |
|--|------------------|--------------------------|-----------------|--------------------------|------------|
| | Total | Severance Tax | Fees | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$505,140 | \$303,397 | \$6,000 | \$195,743 | 5.0 |
| Salary Survey | 10,310 | 10,310 | | | |
| Base-building Performance Pay | 4,726 | 4,726 | | | |
| IT Consolidation - PENDING | 0 | | | | |
| S-2 Reduction in cell phone costs | (398) | (244) | 0 | (154) | |
| Fund source adjustment | <u>(602)</u> | <u>120</u> | <u>4,000</u> | <u>(4,722)</u> | |
| Total Recommendation | \$519,176 | \$318,309 | \$10,000 | \$190,867 | 5.0 |

Blaster Certification Program

Description: 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 Operational Account of the Severance Tax Trust Fund.

Request: The Department requests continuation level funding calculated pursuant to the OSPB budget instructions.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Staff Recommendation: **Staff recommends continuation level funding calculated pursuant to the JBC's common policies.** There is a 21.0 percent state matching requirement for the federal funds. The components of the staff recommendation are summarized in the table below.

| Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Blaster Certification — Department of Natural Resources | | | | |
|---|------------------|--------------------------|--------------------------|------------|
| | Total | Severance Tax | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$106,714 | \$22,410 | \$84,304 | 1.0 |
| Salary Survey | 1,994 | 268 | 1,726 | |
| Base-building Performance Pay | 778 | 164 | 614 | |
| Adjust federal and cash funds to match projected federal grant amount - PENDING | <u>0</u> | | | |
| Total Recommendation | \$109,486 | \$22,842 | \$86,644 | 1.0 |

Finally, 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 match the federal grant.

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request is based on the statewide and departmental indirect cost recovery plans.

Recommendation: **The staff recommendation on the Department's indirect cost plan will be presented during figure setting for the Executive Director's Office.**

(E) Emergency Response Costs

Description: 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

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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. In FY 2005-06 and FY 2006-07 the Department reverted the entire appropriation. In FY 2007-08 it used \$12,200. No FTE are associated with this line item, since contractors perform the environmental remediation work.

Request: The Department requests continuation level funding.

Staff Recommendation: **Staff recommends continuation level funding.** The current appropriation is a reasonable approach for making a small amount of emergency funds available to the Department. However, since in most years the Department does not need this appropriation, a better approach might be to capitalize a cash fund, such as the Emergency Response Cash Fund created in Section 34-32-122, C.R.S., with a one-time appropriation. The cash fund could then be periodically replenished as needed. However, this approach would require a change in statute, as the Emergency Response Cash Fund is not currently authorized to retain uncommitted balances for future years. This is not a critical enough issue for staff to recommend that the JBC sponsor legislation just on this subject. If the JBC decided to sponsor legislation regarding the Operational Account, this could be included in such a bill.

(3) GEOLOGICAL SURVEY

Environmental Geology and Geological Hazards

Description: This program is designed to lessen the impact of, and increase the awareness and understanding of, geological hazards in Colorado. This program includes three main activities: (1) technical assistance; (2) data acquisition, and; (3) land use reviews.

1. Technical assistance is provided to other state agencies, the federal government, and local governments. Technical assistance projects address a wide range of geological hazards, including the study of hydrocompactive and expansive soils, monitoring and evaluating landslide potential, promoting earthquake awareness, and coordinating information on heaving bedrock. In addition to general research on geological hazards, the program advises efforts to mitigate/prevent geological hazards and improve emergency preparedness and planning by local governments. This program also includes analysis and monitoring of underground storage tank removal by state agencies, rockfall mitigation for the Colorado Department of Transportation, and assisting the Department of Public Health and Environment to remediate uranium processing sites.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

2. Data acquisition includes efforts to characterize, study, and understand geological conditions and hazards. A major project under this program is aimed at improving the water quality data in the State. The project compiles existing water quality data as well as obtaining new data where gaps exist. Information is managed within a geographic information system (GIS) framework to enhance its usefulness to data users. New sampling focuses on high elevation waters upstream of mining areas, in an attempt to better understand baseline water quality. This baseline data can then be used to better determine the true impact that mining activity, agricultural/residential runoff, and other sources have on downstream water quality. Data acquisition also includes efforts to investigate and characterize environmental degradation at abandoned mine sites.
3. Land use review activities include mandatory geological reviews of subdivisions and school sites, as well as other non-mandatory reviews performed upon request for local governments and state agencies. This program also provides coal mine subsidence information to government agencies and the general public.

Pursuant to Section 34-1-105, C.R.S. the Colorado Geological Survey is allowed to charge fees to recover the direct costs of services provided to the general public, industries, and local governments through an agreement, or when a local government is required to review geologic issues by statute, and to recover the direct costs of services provided to state agencies. These fee revenues are deposited in the Geological Survey Cash Fund and are subject to annual appropriation by the General Assembly. In addition to fee revenue, the Colorado Geological Survey receives appropriations from the Operational Account of the Severance Tax Trust Fund and federal funds to perform its duties.

Request: The Department requested decision item #5 for \$148,044 cash funds spending authority from the Operational Account of the Severance Tax Trust Fund to study groundwater aquifers. For the base, the Department requests continuation level funding according to OSPB's common policies. This includes a reduction of \$3,455 from the severance tax for one-time costs in FY 2008-09 associated with a new FTE to study geothermal energy. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);
- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Decision item #5 would allow the Department to map water aquifers, assess the water resources, set up well monitoring to track usage and recharge, and study the feasibility of pumping water into aquifers. The Department explains that previous research has focused on surface water and groundwater of the Denver Basin. Groundwater resources in other parts of the state have not been studied in as much detail by the Department. Groundwater could supplement over-burdened surface water supplies, and groundwater storage is less prone to evaporation than surface storage. The Department would publish the results of studies and make the data available to water districts, state and local government, water professionals, and the public.

The Department indicates it does not have the funds to fill two vacant positions, and so requested money but no FTE. According to the Department, since FY 2001-02 common policy increases for the Colorado Geological Survey have not kept pace with increases in wages, forcing the division to reduce operating expenditures, reduce contracts and temporary staff, reduce management positions, and hold positions vacant. A memo prepared by the Colorado Geological Survey argues the division is underfunded by 7.3 FTE compared to FY 2001-02. However, some of those positions were reduced by policy decisions of the General Assembly. The budget request indicates that in FY 2007-08 the division employed 4.4 FTE fewer than authorized by the appropriations for the Environmental Geology and Geological Hazards and the Mineral Resources and Mapping line items combined. The 4.4 FTE is a better indicator of the size of the structural deficit that the Department argues is hampering the Colorado Geological Survey. The 7.3 FTE is an indicator of what the division believes is an appropriate staffing level.

The memo prepared by the Colorado Geological Survey included the following possible explanations for why common policy increases for the two line items failed to provide sufficient funding for the full FTE authorization:

- The division decreased the number of physical science research/scientist I and II positions and increased the number of physical science research/scientist III positions, "because of lower-level scientists being lured away by higher pay in industry;" and,
- In FY 2007-08 \$105,000 severance tax funding was removed from the Colorado Geological Survey due to what the division views as a misunderstanding, or mistake, with JBC staff; and
- Federal funding for geological mapping increased, but required the division to allocate an additional \$120,000 in state matching funds for this work that is primarily done by contractors, leaving less money for state salaries.

Staff Recommendation: **Staff recommends that the JBC deny decision item #5.** While staff agrees with the Department's assessment that more information about groundwater resources would be

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

valuable to the state, collecting this data is already part of the Colorado Geological Survey's mission and should be done within existing resources. Staff is concerned that part of the explanation for why the work is not getting done may relate to the way the division is prioritizing resources. While the need to study groundwater is ostensibly the basis for the request, much of the Department's justification focused on the overall funding level for the Colorado Geological Survey, which staff believes is the real policy issue.

Rather than hiring the full FTE authorized by the General Assembly, management for the division has made the decision to hire fewer employees at a higher pay grade. Higher grade employees may start with more experience and training, and that may make them more efficient at their jobs, but generally fewer employees means fewer work hours to get the job done.

The Department has not attempted to demonstrate that higher grade employees are necessary because the geological work is more complex. Rather, the division indicates it upgraded positions based on competition from the industry. There is some lag in the salary survey, which can be problematic in occupation groups where industry salaries are escalating rapidly. However, recent developments in the oil and gas industry suggest that the industry demand for geologists may be waning. If the division feels that the salary survey is inaccurate for this occupation group, staff would recommend that the division work with the Department of Personnel to improve the salary survey. Also, staff would note that not all turnover is related to compensation. There may be things management can do to improve working conditions and job satisfaction to promote retention. The division should also look at training procedures to see if improvements could minimize program disruption caused by turnover.

Regarding the FY 2007-08 misunderstanding, or mistake, with the JBC staff that the Department believes contributed to a structural deficit in funding, staff reviewed the figure setting documents and did not find an error. The division is responsible in statute for reviewing proposed subdivision plans in unincorporated areas to evaluate potential geologic hazards and potential mineral resource conflicts. Fees had not kept pace with the cost of conducting the reviews and severance tax revenues were used instead. The FY 2007-08 staff recommendation, adopted by the JBC, was to increase the appropriation from fees and reduce the appropriation from the severance tax. The recommendation stated that the severance tax money was currently being used for reviewing the subdivision plans, and so, obviously, it was not needed for other functions of the division. The division might disagree with the policy and argue that what was needed was an overall increase in funding to address an increase in workload related to reviewing the subdivision plans. But, there was no error in logic in the staff recommendation, and the staff recommendation should not have caused the division to be unable to fill all of the authorized FTE positions.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Diverting severance funds from salaries to matching federal funds for contract mapping would reduce the division's ability to fill all of the authorized FTE positions. However, the increase in federal funds increased the division's capacity to do geological work, even if a higher proportion of the work was done by contract employees instead of state employees. Staff does not view the additional federal funds and the corresponding state matching requirement as a justification for increasing severance tax appropriations to fill vacant positions. However, staff does believe the division can do with fewer FTE, since more of the work is being done by contractors. The \$120,000 increase in the state matching requirement equates to approximately 1.7 FTE mid-range physical science research/scientist I positions. For the Mineral Resources and Mapping line, staff has a recommendation to reduce 1.7 FTE to reflect that more mapping work is being done by contract employees rather than state FTE.

Staff believes the Department should look at whether general education activities of the division are taking too much time away from providing critical strategic and technical advice to policy makers. A number of the division's publications are aimed at teachers, students, and the public. The division's mission is broad and these types of publications certainly fit in that mission. The publications are valuable in education, raising public awareness, and creating good will for the division. Some of the publications are sold and generate revenue for the division. However, staff questions whether these publications should be a priority if critical work like mapping groundwater aquifers is going undone. The division may need to request a change in the mix of funding from fees versus the severance tax. If sales revenue doesn't completely pay for the cost of the publications, but employee salaries are dependent on earning the sales revenue, then the publications are taking staff time away from other work.

Finally, staff took into consideration that the December 2008 Legislative Council Staff forecast indicates insufficient revenue to the Operational Account of the Severance Tax Trust Fund to pay for all of the statutory obligations for the next few years. This may not be the time to create a new, on-going, tier 1 expenditure.

For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests. The components of the staff recommendation for the line item are summarized in the table below. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife. The staff estimate of the savings by fund source associated with discontinuing the Department's participation in the State Fair is slightly different than the Department's request.

| Summary of Recommendation – (3) Colorado Geological Survey Environmental Geology and Geological Hazards — Department of Natural Resources | | | | | | |
|--|--------------------|--------------------------|------------------|-------------------------------------|--------------------------|-------------|
| | Total | Severance Tax | Fees | Other State Agencies | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$2,418,626 | \$861,752 | \$500,635 | \$456,429 | \$599,810 | 17.2 |
| Salary Survey | 36,582 | 17,295 | 17,295 | 0 | 1,992 | |
| Base-building Performance Pay | 16,312 | 7,667 | 7,667 | 0 | 978 | |
| Restore one-time hiring freeze savings | 82,470 | 52,201 | 30,269 | 0 | 0 | |
| Postal Increase - PENDING | 0 | | | | | |
| IT Consolidation - PENDING | 0 | | | | | |
| S-2 Reduction in cell phone costs | (469) | (295) | (174) | 0 | 0 | |
| BA-2 Discontinue participation in State Fair | (6,686) | (4,212) | (2,474) | 0 | 0 | |
| Eliminate one-time costs for geothermal energy | (3,455) | (3,455) | 0 | 0 | 0 | |
| DI #5 Groundwater resources | 0 | 0 | 0 | 0 | 0 | |
| Total Recommendation | \$2,543,380 | \$930,953 | \$553,218 | \$456,429 | \$602,780 | 17.2 |

Mineral Resources and Mapping

Description: The Mineral Resources and Mapping program promotes the development of the state's mineral resources through the publication and distribution of maps, reports, and presentations on geological conditions, mineral potential, mineral reserves, and actual mineral production.

This section includes two major sub-programs: (1) the Mineral Resource Development and Information Program, and; (2) the Geological Mapping Program. The Mineral Resources Development and Information Program promotes the development of the state's mineral resources, including the development, publication, and distribution of maps, reports, and presentations to the

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

mining industry, local government, and interested citizens. The Geological Mapping Program provides information on the basic geological structures and formations in mapped areas. Funding provides for about seven to eight quadrangles to be mapped each year. Federal funds are from the U.S. Geological Survey. This program also includes reports on the location and production of active mines and quarries in Colorado.

Request: The Department requests continuation level funding according to OSPB's common policies. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2); and
- an increase for postal costs.

Staff recommendation: **For the reasons explained in the discussion of the Environmental Geology and Geological Hazards line item, staff recommends a reduction of 1.7 FTE to reflect a greater portion of the mapping work being done by contract employees instead of state FTE.**

Otherwise, staff recommends continuation level funding pursuant to the JBC's common policies, with adjustments for the department-wide and state-wide requests. The staff recommendation is based on maintaining current service levels. The components of the staff recommendation for the line item are summarized in the table below. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

| Summary of Recommendation – (3) Geologic Survey Mineral Resource Mapping — Department of Natural Resources | | | | | |
|---|--------------------|------------------|-----------------|------------------|-------------|
| | Total | Severance | Fees | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$1,357,457 | \$955,662 | \$81,124 | \$320,671 | 10.5 |
| Salary Survey | 19,288 | 7,514 | 7,513 | 4,261 | |

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation – (3) Geologic Survey Mineral Resource Mapping — Department of Natural Resources | | | | | |
|---|--------------------|--------------------|-----------------|------------------|-------------|
| Base-building Performance Pay | 9,444 | 3,778 | 3,777 | 1,889 | |
| Restore one-time hiring freeze savings | 73,741 | 73,741 | 0 | 0 | |
| Postal Increase - PENDING | 0 | | | | |
| IT Consolidation - PENDING | 0 | | | | |
| S-2 Reduction in cell phone costs | (339) | (315) | (24) | | |
| Total Recommendation | \$1,459,591 | \$1,040,380 | \$92,390 | \$326,821 | 10.5 |

Colorado Avalanche Information Center

Description: The Colorado Avalanche Information Center is designed to promote safety. It provides avalanche forecasting services and education to ski patrols, back country recreation users, industry, and travelers. The program is funded from the Operational Account of the Severance Tax Trust Fund, cash funds from training and publication fees, donations, federal grants, and a transfer from the Colorado Department of Transportation to provide assistance in monitoring and mitigating avalanche dangers along State Highways.

Request: The Department requests decision item #2 for spending authority for a grant from the Colorado Department of Transportation (CDOT). For the base the Department requests continuation level funding according to OSPB's common policies.

Decision item #2 is based on an analysis by the Department of Natural Resources and CDOT that CDOT wasn't paying enough for current contracts with the Colorado Avalanche Information Center. A personnel audit found that the Avalanche Center had some positions underclassified. The Department of Natural Resources also made some corrections to the Department's indirect cost plan, including charges to the federal government.

In addition to addressing the underpayment for existing contracts, decision item #2 would allow CDOT to purchase some additional monitoring on Lizzard Head Pass, south of Telluride, between Telluride and Rico.

Staff Recommendation: **Staff recommends approval of the request.** The decision item address technical issues and improved monitoring on a stretch of road that is at high risk for an avalanche. The components of the staff recommendation are summarized in the table below.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources | | | | | | |
|--|------------------|------------------|------------------|------------------|-----------------|------------|
| | Total | Severance | Fees | State Agencies | Federal Funds | FTE |
| FY 2008-09 Appropriation | \$639,603 | \$151,424 | \$116,997 | \$346,597 | \$24,585 | 7.7 |
| Salary Survey | 10,761 | 5,381 | 5,380 | 0 | 0 | |
| Base-building Performance Pay | 5,408 | 2,704 | 2,704 | 0 | 0 | |
| DI #2 CDOT contract | <u>34,262</u> | 0 | <u>0</u> | <u>40,456</u> | <u>(6,194)</u> | |
| Total Recommendation | \$690,034 | \$159,509 | 125,081 | 387,053 | 18,391 | 7.7 |

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request reflects the statewide and departmental indirect cost plan.

Recommendation: **Staff recommends the requested amount,** to capture the division's share of statewide and departmental indirect costs.

(4) OIL AND GAS CONSERVATION COMMISSION

Program Costs

Description: The Oil and Gas Conservation Commission (OGCC) is responsible for promoting the exploration, development, and conservation of Colorado's oil and natural gas resources in a responsible fashion. 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 so as 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.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

The Program Costs line is funded by a mix of dollars from the Operational Account of the Severance Tax Trust Fund and a 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 decision item #1 for \$246,154 cash funds from the Oil and Gas Environmental Response Fund to increase staffing levels by 4.0 FTE and 2 contract positions. For the base, the Department requests continuation level funding according to OSPB's common policies. This includes restoring one-time vacancy savings associated with the hiring freeze, and a reduction for one-time costs in FY 2008-09 associated with an increase in appropriated FTE. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);
- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

Decision item #1 would address backlogs in information management, according to the Department. The requested permanent FTE include:

- Production Analyst -- Processes monthly production reports submitted by oil and gas operators. Monitoring and analyzing the reports helps identify wells at risk of being improperly abandoned or orphaned. The Department is concerned that in the current oil and gas environment a number of wells are being "shut-in." These wells are capable of production or injection by opening valves, activating existing equipment, or supplying a power source. Therefore, the wells are not reclaimed. But, if a well remains shut-in for a long period of time, it may be abandoned, and the Department wants to make sure that it is identifying these wells in a timely fashion so that it can take appropriate action. In addition to identifying regulatory issues, timely processing of the monthly production reports helps industry and government to project and validate mineral and energy activity levels.

The Department indicates a backlog has developed due to the increase in the number of active wells, and consequently the number of monthly reports submitted. An August 2008 snapshot identified nearly 30,000 FY 2007-08 production reports that were missing or rejected due to errors/incomplete data, and there are 36,000 missing reports from FY 2006-07. Competing demands on staff time mean the Department has not been able to follow-up with operators to resolve the missing reports. The requested staff would reduce the backlog

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

of missing reports, and bring the ratio of monthly reports to production analysts in line with FY 2004-05 staffing levels.

- Imaging System Administrator -- The Department scans massive quantities of data for publication on the OGCC web site. The data is used by the OGCC regulatory staff, other state, federal, and local government entities, oil and gas operators, and the public. Examples of the data include:
 - well records (APD's, regulatory reports, and photos);
 - hearing records;
 - rulemaking records;
 - operator records;
 - baseline and environmental assessments;
 - site investigation reports and remediation plans; and
 - well logs.

The Department reports it has backlogs in scanning the data and provided the following examples based on experience in July:

| Report | Months |
|------------------------------|--------|
| Adjudicatory hearing records | 6 |
| Operator records | 7 |
| Environmental files | 36 |

The Department has made efforts to automate the imaging process, but believes peak capacity is near 90,000 documents per year without additional staff.

- 2.0 Records Technicians -- These staff would maintain well files, sort and distribute mail, index scanned documents, data enter regulatory reports, and respond to calls and visits to the public room. The staff would do some regulatory review, for example to ensure that APD's include all the necessary information. The Department reports, "a multi-month backlog of forms that need to be matched to well files, and subsequently data entered."
- 2.0 Contractors -- The Department did not specify specific duties for the contract employees. Presumably they would be used as needed to support the proposed permanent employees. The Department estimates the rate for qualified contract employees at \$16.50 per hour.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

For the proposed 4.0 permanent positions, the Department argues that state employees make the work unit more efficient, due to fewer hours dedicated to training temporary staff. Also, state employees would be more knowledgeable and capable of a wider variety of tasks, and more efficient at those tasks. It is reasonable to expect that state employees with a broader understanding of the Department would provide better customer service in responding to public inquiries.

After accounting for training, the Department estimates contract employees cost approximately \$8,300 less per year than a state employee Production Analyst. Whether a state employee or contract employee makes sense depends in part on the value assigned to the assumed efficiency and better public service associated with a state employee. It also depends on assumptions about future workload.

Staff Recommendation: **Staff does not recommend decision item #1, and instead recommends continuation level funding pursuant to the JBC's common policies, with adjustments for the department-wide and state-wide requests.** In FY 2008-09 the General Assembly provided 21.0 new FTE for the OGCC, and funding for 5 contract staff, including 2 records administrators and 3 permit/compliance technicians. During supplementals, the JBC replaced three of those FTE with contract positions, out of concern that growth in the oil and gas industry is slowing. The Department still has not filled all of the newly authorized FTE, and so staff believes it may be premature to approve an additional increase for the line. The FY 2008-09 new FTE were not directly intended to address the administrative functions identified in the FY 2009-10 decision item #1, but there is some overlap with the contract positions. Also, the Department has some flexibility in deciding who to hire with the appropriated funds, if the Department has decided that these administrative functions are the highest priority.

The Department indicates that the Production Analyst position is the most critical of the requested positions. The Imaging Systems Administrator and the two Records Technicians might improve public service and the efficiency of Department staff, but the JBC staff believes the impact of those positions on public safety would be tangential. Accordingly, those positions may be a low priority in a tight economy. Hiring a Production Analyst to reduce the backlog of missing reports is much more likely to provide a public safety benefit, since the monthly production reports are a key tool in identifying problems with wells.

However, staff believes part of the backlog of missing reports is attributable to OGCC staff being diverted to working on the new rules, and the explosive growth in permit applications in recent years.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

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

With the rules complete and a projected decrease in new permit applications, OGCC staff should have more time to follow up with operators to complete missing production reports.

It is difficult to identify a single best workload measure for the OGCC, because staff have multiple responsibilities. Staff that review permits might also do inspections, enforcement, and plugging of abandoned wells. While the number of new permit requests is expected to decline, the number of active wells remains elevated over prior years and continues to grow. At the end of this document is an appendix with data gathered by the Department charting some of the traditional workload measures used for the OGCC. All of the tables assume a 40 percent decline in new permit applications. The Department calculated the ratios of permits and active wells to FTE assuming one of the requested 4.0 additional FTE is approved for FY 2009-10, but it is not hard to extrapolate the impact if none of the additional FTE are approved.

The projected ratio of 68 permits per FTE is between the ratios considered appropriate by the legislature in FY 2002-03 and FY 2003-04. The question is whether the legislature wants to return to the service levels in those years, or maintain a ratio more like the 153 permits per FTE in FY 2005-06. More permits per FTE mean longer waits for permit reviews, which presents a cost and inconvenience to the industry, but is not a public safety issue. However, new permit requests can also be an indicator of new wells. The capacity of the OGCC to observe and inspect the drilling and completion of new wells does relate to public safety.

The components of the staff recommendation are summarized in the following table. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources | | | | |
|--|------------------|------------------|--|-------------|
| | Total | Severance Tax | OGCC Conservation and Environmental Response Cash Fund | FTE |
| FY 2008-09 Appropriation | 5,670,895 | 2,774,708 | 2,896,187 | 53.0 |
| Salary Survey | 121,355 | 60,678 | 60,677 | |
| Base-building Performance Pay | 47,619 | 23,810 | 23,809 | |
| Restore one-time hiring freeze savings | 679,000 | 368,000 | 311,000 | |
| Postal Increase - PENDING | 0 | | | |
| IT Consolidation - PENDING | 0 | | | |
| S-2 Reduction in cell phone costs | (65) | (32) | (33) | |
| BA-2 Discontinue participation in State Fair | (8,824) | (4,452) | (4,372) | |
| One-time costs for FY 2008-09 new FTE | (427,336) | (196,575) | (230,761) | |
| DI #1 Administrative FTE and contracts | <u>0</u> | | | |
| Total Recommendation | 6,082,644 | 3,026,137 | 3,056,507 | 53.0 |

Underground Injection Program

Description: The Commission has been delegated authority to manage the Underground Injection Control Program by the U.S. EPA. The Commission is responsible for regulating the underground injection of oil and gas production wastes, as well as the injection of liquids underground to enhance fuel recovery. The program includes the inspection and permitting of sites where underground injections occur. This program is federally funded with money from the Environmental Protection Agency.

Request: The Department requests continuation level funding calculated according to OSPB's common policies.

Staff Recommendation: **Staff recommends the requested amount based on the projected federal grant.**

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Plugging and Reclaiming Abandoned Wells

Description: This line item provides funding for plugging and reclaiming abandoned oil and gas well sites. The source of funds is the Oil and Gas Conservation and Environmental Response Fund.

Request: The Department requests \$220,000 spending authority from the Oil and Gas Conservation and Environmental Response Fund, which is identical to the FY 2008-09 appropriation level.

Staff Recommendation: **Staff recommends the request for \$220,000 cash funds exempt from the Oil and Gas Conservation and Environmental Response Fund.** The Department identifies more abandoned wells than it can address in a year and must prioritize the projects. The cost and complexity of reclamation varies, but in recent years the funding has allowed reclamation of 25-30 wells. According to the Department, staff time is as much or more of a limiting factor on the number of wells that they can plug in a year than the appropriation.

Environmental Assistance and Complaint Resolution

Description: 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. 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: The Department requests \$312,033 from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2008-09 appropriation.

Staff Recommendation: **Staff recommends approval of the request for a continuation appropriation of \$312,033 cash funds.** This line provides funding for on-going studies and emergent issues with a direct link to protecting public safety.

Emergency Response

Description: In 2006, the JBC approved the creation of this line item with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. This line item was 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 may not yet be meeting during the interim (and thus would have to wait for a "1331") if the

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

substantial increase in drilling activities combined with the encroachment of residential and commercial development resulted in additional emergencies that required immediate funding. A footnote attached to the line item requires the Department to submit a report detailing expenditures.

Staff Recommendation: **Staff recommends continuation level funding.** The Department appears to be using the appropriation as intended and has not abused the spending authority.

Special Environmental Protection and Mitigation Studies

Description: The line item was created 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:

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.

Request: The Department requests continuation level funding for FY 2009-10.

Staff Recommendation: **Staff recommends reducing the appropriation by \$175,000.** In both FY 2006-07 and FY 2007-08 the Department underspent the appropriation. Last year staff identified \$25,000 for an educational video where it was questionable whether the expenditure met the footnote criteria. In FY 2007-08 there were two more expenditures that could fit the footnote criteria, but could also be questioned. Staff believes there is value in providing the Department with a flexible pot of funds to address environmental studies, but would like to see a smaller appropriation to limit the potential for abuse. Following is the Department's description of the expenditures that staff believes only marginally fit the footnote criteria:

- Mule Deer Study \$150,000 -- The COGCC and DOW have a common interest in planning and managing oil and gas operations in a manner that balances development with wildlife conservation in recognition of the state's obligation to protect wildlife resources and the hunting, fishing, and recreation traditions they support. Therefore the COGCC has a direct interest in the success of DOW's mule deer population performance study, which focuses on developing strategies to avoid, minimize, and mitigate impacts to wildlife habitat from oil and gas activities in the Piceance Basin.

DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

The primary goal of this study is to develop approaches to energy extraction that maintain viable mule deer populations for future recreational and ecological purposes. This may be accomplished using two general strategies: 1) modify energy development practices, and 2) enhancing nutritional quality of key habitats.

To test these strategies, the CDOW will monitor changes in (1) mule deer movement patterns, (2) adult female deer body condition, (3) over-winter fawn survival, and (4) deer density, in response to selected improved development practices and/or habitat treatments. The results will determine which practices will be most beneficial to implement for future maintenance of viable mule deer populations exposed to energy development.

The \$150,000 was used to purchase radio-collars that will be placed on female mule deer this winter. The transmissions from the collars are used to track deer movement.

This is a 10 year study. During FY 07-08 DOW collaborated with the COGCC, industry, and other stakeholders to develop a scope of work and began pretreatment monitoring. In FY 08-09 DOW will continue pretreatment monitoring and prepare a detailed progress report.

- Elbert County Pit Study \$24,893 -- An investigation of oil and gas exploration and production pits in Elbert County was conducted. The objective of the investigation was to evaluate the accuracy and completeness of the information in the COGCC database and to locate and evaluate the status of pits listed in for Elbert County. The status of 176 pits currently in the COGIS database was evaluated. The investigation found that 115 of the pits are closed and the database contained 53 duplicate records. Corrections are being made to the COGIS database and additional follow up projects for other counties planned.

The 10-year Mule Deer Study looks at wildlife habitat, while the footnote describing the purpose of the line item fairly clearly focuses primarily on the public safety of humans. The Elbert County Pit Study funded database cleanup and management that staff believes should be fairly routine. There may be benefits to public safety from the database cleanup, but they are indirect.

By itself, the staff recommendation on this line item is not likely large enough to cause the Department to change the mill levy rate, but funding this line item at a lower level would contribute to minimizing the mill levy.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

S.B. 07-198 Coalbed Methane Seepage Projects

Description: Senate Bill 07-198 created the Coalbed Methane Seepage Cash Fund and continuously appropriated moneys in the Fund to the Department to determine the most cost-effective methods of mitigating the seepage of methane gas along the outcrop of the Fruitland formation in La Plata county, and to install wells to monitor the seepage of methane gas in the Fruitland formation in Archuleta county, through June 30, 2010. The General Assembly may appropriate an amount not to exceed \$2,003,400 in FY 2008-09 and \$445,200 in FY 2009-10 from the Oil and Gas Conservation and Environmental Response Fund.

Request: The Department requested the maximum allowable statutory appropriation of \$445,200 to the fund.

Staff Recommendation: Staff recommends the requested amount. The Department projects there will be sufficient revenues to the Oil and Gas Conservation and Environmental Response Fund to support the full appropriation without an FY 2009-10 increase in the mill levy rate.

Indirect Cost Assessment

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request reflects the statewide and departmental indirect cost plan.

Recommendation: **Staff recommends the requested amount,** to capture the division's share of statewide and departmental indirect costs.

(5) STATE BOARD OF LAND COMMISSIONERS

Program Costs

Description: 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, which owns 96 percent of the land managed by the State Land Board. The

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

dollars generated by the school lands are available to the General Assembly to distribute to schools through the School Finance Act.

Only the administrative costs of the State Land Board are appropriated in this division. 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.

Request: The Department requests continuation level funding according to OSPB's common policies. The following department-wide or state-wide requests impact this line item:

- restoring one-time vacancy savings associated with the hiring freeze;
- annualization of the supplemental requests regarding IT consolidation and cell phone savings (S-2);
- BA-2 to discontinue the Department's participation in the State Fair; and
- an increase for postal costs.

Staff Recommendation: **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests.**

The components of the staff recommendation are summarized in the following table. The table does not include amounts for the statewide requests for a postal increase, or to annualize the IT consolidation supplemental, because the JBC has not yet established common policies on these statewide requests. **Part of the recommendation is for permission to adjust these amounts based on the JBC's common policies.** The table does include amounts for the department-wide requests to annualize the supplemental reduction in appropriations for cell phones, and for discontinuation of the Department's participation in the state fair. These amounts are consistent with the recommendations presented in the figure setting for the Executive Director's Office, Division of Parks & Outdoor Recreation, Water Conservation Board, Water Resources Division, and Division of Wildlife.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

| Summary of Recommendation (3) State Land Board Program Costs — Department of Natural Resources | | |
|---|------------------|-------------|
| | Cash Funds | FTE |
| FY 2008-09 Appropriation | 3,642,177 | 38.0 |
| Salary Survey | 88,621 | |
| Base-building Performance Pay | 27,142 | |
| Restore one-time hiring freeze savings | 69,141 | |
| Postal Increase - PENDING | | |
| IT Consolidation - PENDING | | |
| S-2 Reduction in cell phone costs | (603) | |
| BA-2 Discontinue participation in State Fair | <u>(10,382)</u> | |
| FY 2008-09 Recommendation | 3,816,096 | 38.0 |

Indirect Costs

Description: This line reflects the amount of indirect cost assessments made against cash and federal funding sources within the division. The funds collected here are used to offset General Fund that would otherwise be required in the Executive Director's Office.

Request: The Department's request reflects the statewide and departmental indirect cost plan.

Recommendation: **Staff recommends the requested amount,** to capture the division's share of statewide and departmental indirect costs.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

FOOTNOTES

Staff recommends **continuation** of the following footnotes with modifications in struck type and small caps:

- 49 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 2010-11~~ FY 2011-12, 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.

- 50 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 2010-11~~ FY 2011-12, 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.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2009-10**

JBC Working Papers - Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

- 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.

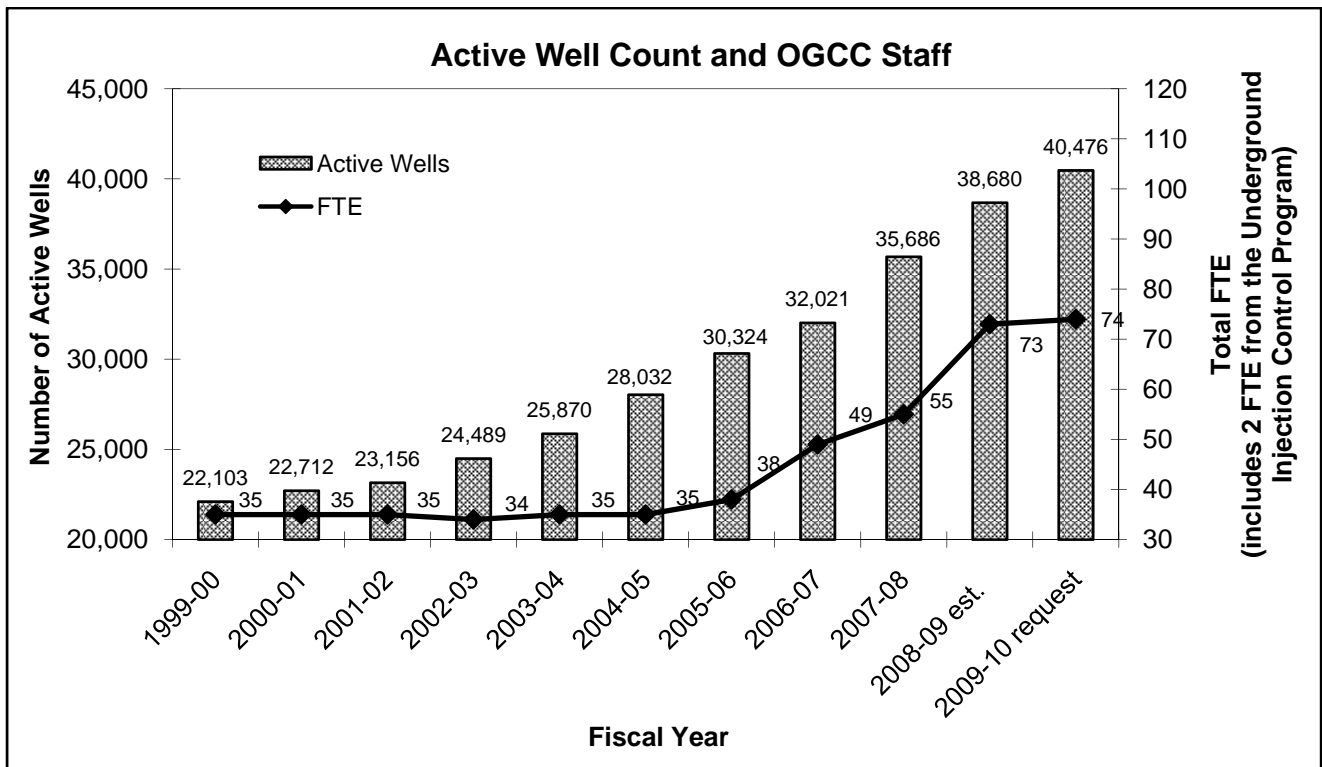
OGCC's FY 09-10 Budget Request

Summary of Workload Measures - Assuming a 40% Decline in Activity Starting January 2009

FY 2008-09 estimate year = 73.0 FTE (76 FTE – 3 FTE negative supplemental)

FY 2009-10 request year = 74.0 FTE (73 FTE estimate year + 1 FTE in DNR Decision Item #1)

Figure 1 - *The number of active wells continues to increase, regardless of a decline in permitting activity. Every well drilled generates additional workload.*



Figures 2 and 3, below, demonstrate the impact of the active well count on the production staff, whose workload is directly related to the number of wells that are required to submit monthly production reports. The number of active wells (Fig. 2) and, hence, the corresponding required production reports (Fig. 3) increased by over 200% in the last 20 years, while the staff of 2.0 Production Analysts remained steady.

Figure 2 – The ratio of active wells to production staff has nearly doubled in the last 10 years, creating large backlogs in this work unit.

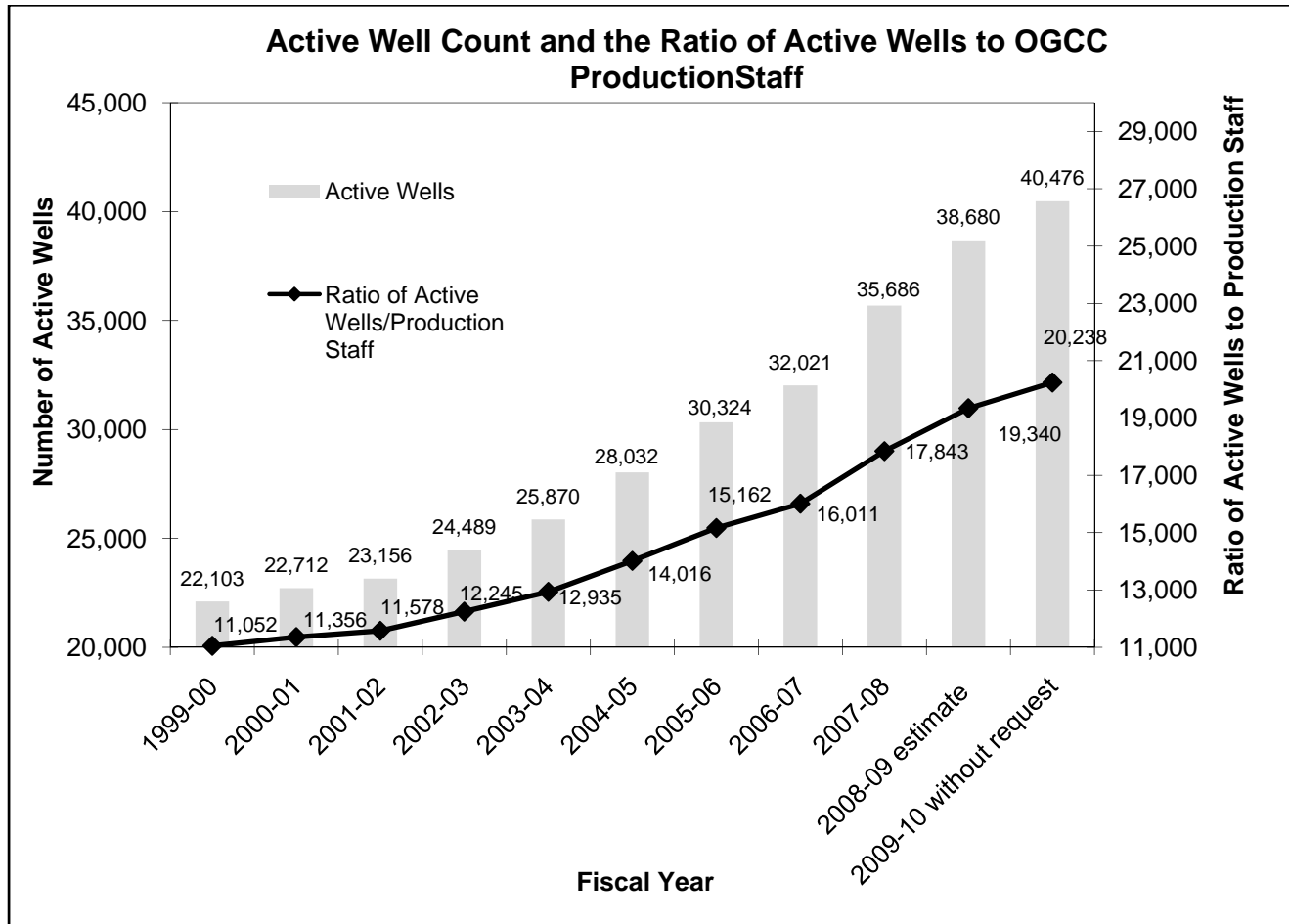
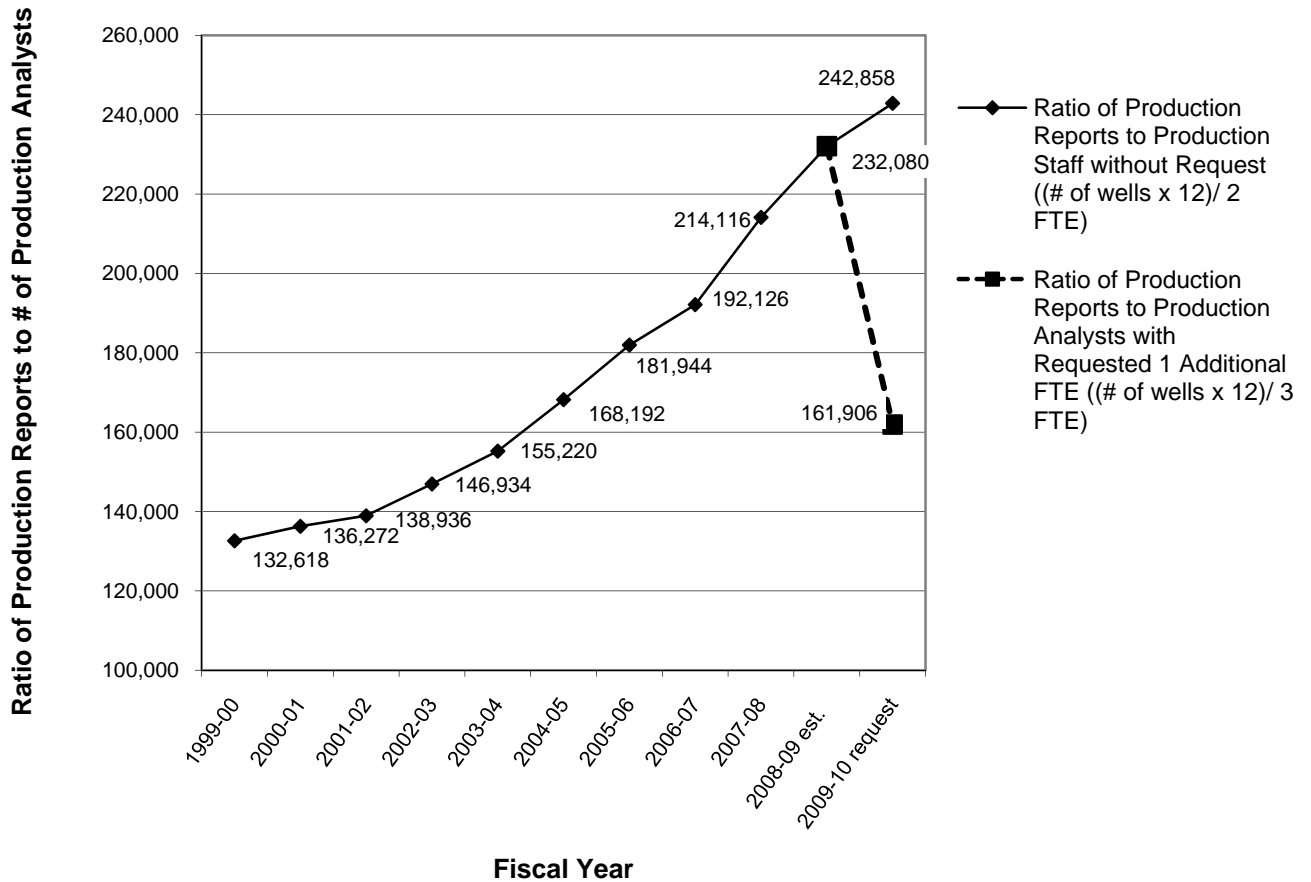
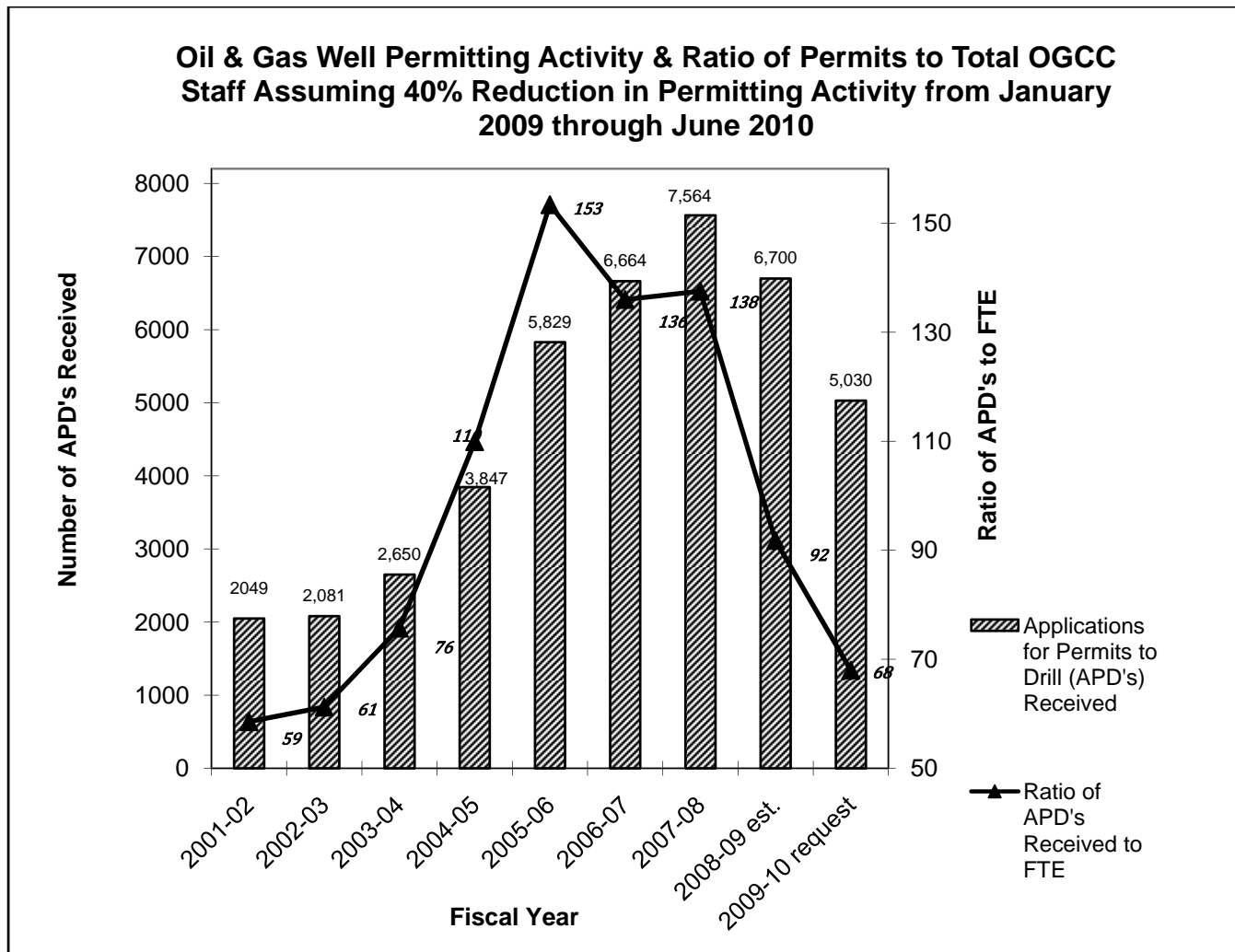


Figure 3 - Every active well generates a minimum of 12 annual production reports. Operators frequently submit amended reports, which are not captured in these figures. The request for 1.0 additional FTE in the production unit will reduce the ratio to about 162,000 reports per analyst, a workload that will continue to be high and require the assistance of contractors.



While it is difficult to predict the full impact of the nation-wide recession on Colorado's oil and gas activity, some industry representatives are expecting an overall decline as much as 40% from second half CY 2008 levels. If those projections are accurate, the number of APD's will fall to about 5,030 in FY 10. The OGCC's total FY 10 request of 74.0 FTE would give the agency a ratio of 68 APD's per FTE, or slightly above FY 03's ratio of 61 (see Figure 4 below).

Figure 4



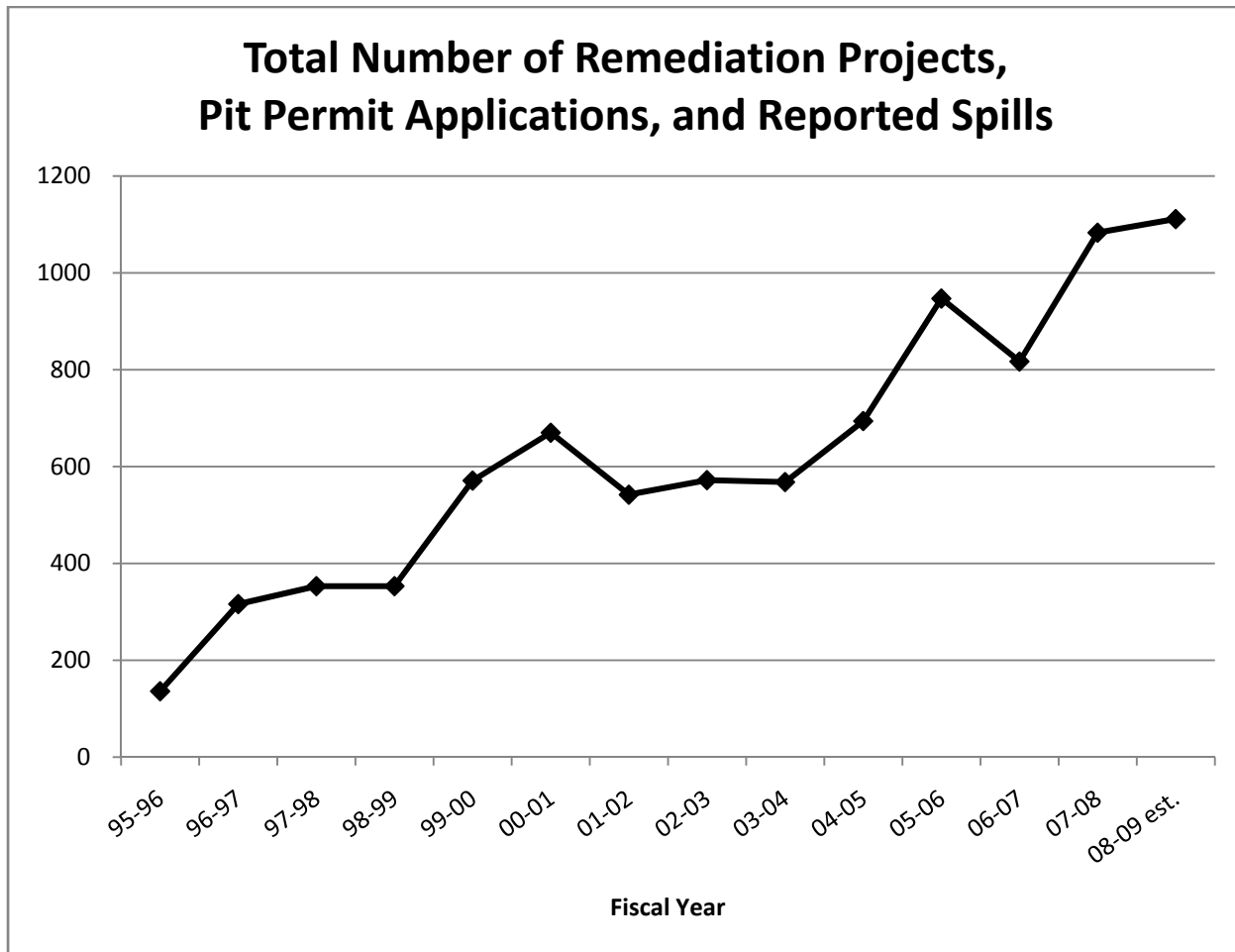
The OGCC considers FY 02-03 to be a reasonable baseline year, in terms of maximum workload per FTE, because it immediately precedes the latest oil and gas boom that commenced in FY 04 and resulted in problematic agency-wide backlogs. Although contractors were routinely needed prior to FY 04, the backlog of work was not formally addressed until FY 05 when the agency sought three additional FTE for FY 06. In hindsight, the OGCC significantly underestimated its staffing needs for FY 06 and the next few years. The demands placed on the agency, including permit requests, well inspections, public complaints regarding oil and gas activities, remediation of industry impacts, methane seepage issues, and requests for information from the public, the industry, local governments,

and the legislature, have far exceeded staff's capacity. The agency's primary workload measures do not capture or adequately define a significant portion of the growth in workload, and to further reduce staff, due to a temporary reduction in APD's, would be short-sighted. That action assumes the agency was adequately staffed before the current slow-down and that very little has changed in terms of overall responsibility or expectations since FY 03. The work associated with one permit, one active well, or one drilling rig today is far more time consuming than it was a decade ago, before the widespread convergence of urban areas and oil and gas fields and the promulgation of rules that were routinely developed throughout this time frame.

Figure 5

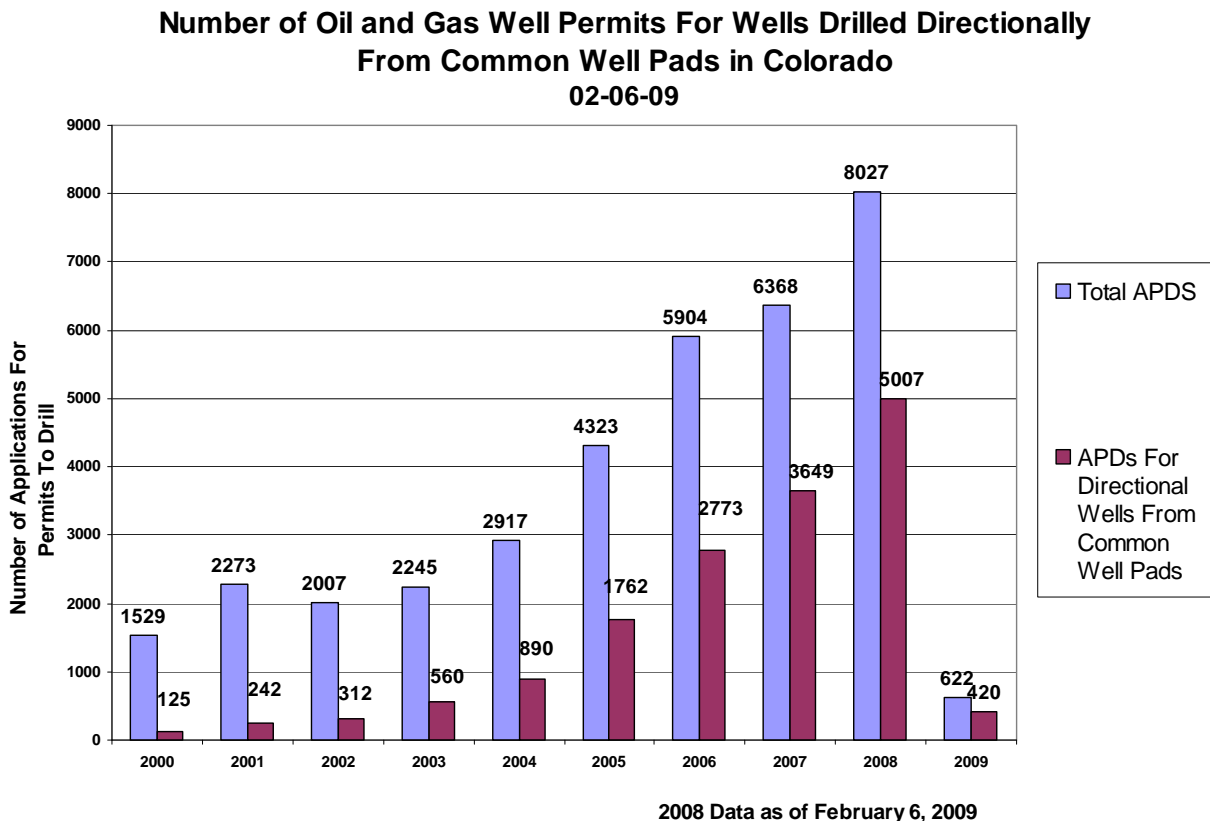
While the OGCC considers the number of Alleged Violations (NOAV's) that it issues a measure of its work output rather than a workload measure, the information above is compelling. The spike in NOAV's during FY 2007-08 is the result of a concerted effort to investigate pits in NE Colorado as a collaborative effort with the U.S. Fish and Wildlife Service to mitigate migratory bird deaths in production pits. Over 100 pit violations, in NE Colorado alone, were discovered that year. If that level of attention to oil and gas operations were sustainable statewide, without pulling resources away from other essential functions, such as reviewing drilling permits and conducting plugging and abandonment activities on orphaned wells, FY 07-08 would have been a more normal year, rather than an outlier. A decline in drilling activity during 2009 may result in more NOAV's if the agency is able to shift more resources to problems that have been inadequately addressed in recent years.

Figure 6



The OGCC environmental staff devotes about 50% of its time reviewing pit permit applications and remediation projects submitted by the industry, in addition to responding to reported spills at oil and gas facilities. The workload driven by these various requests and incidents has grown from a total of 136 in FY 96 to an estimated 1,238 in FY 09, and, although environmental staff has increased during this time period, the ratio of this workload measure to environmental FTE has grown from 45 to 155 per FTE.

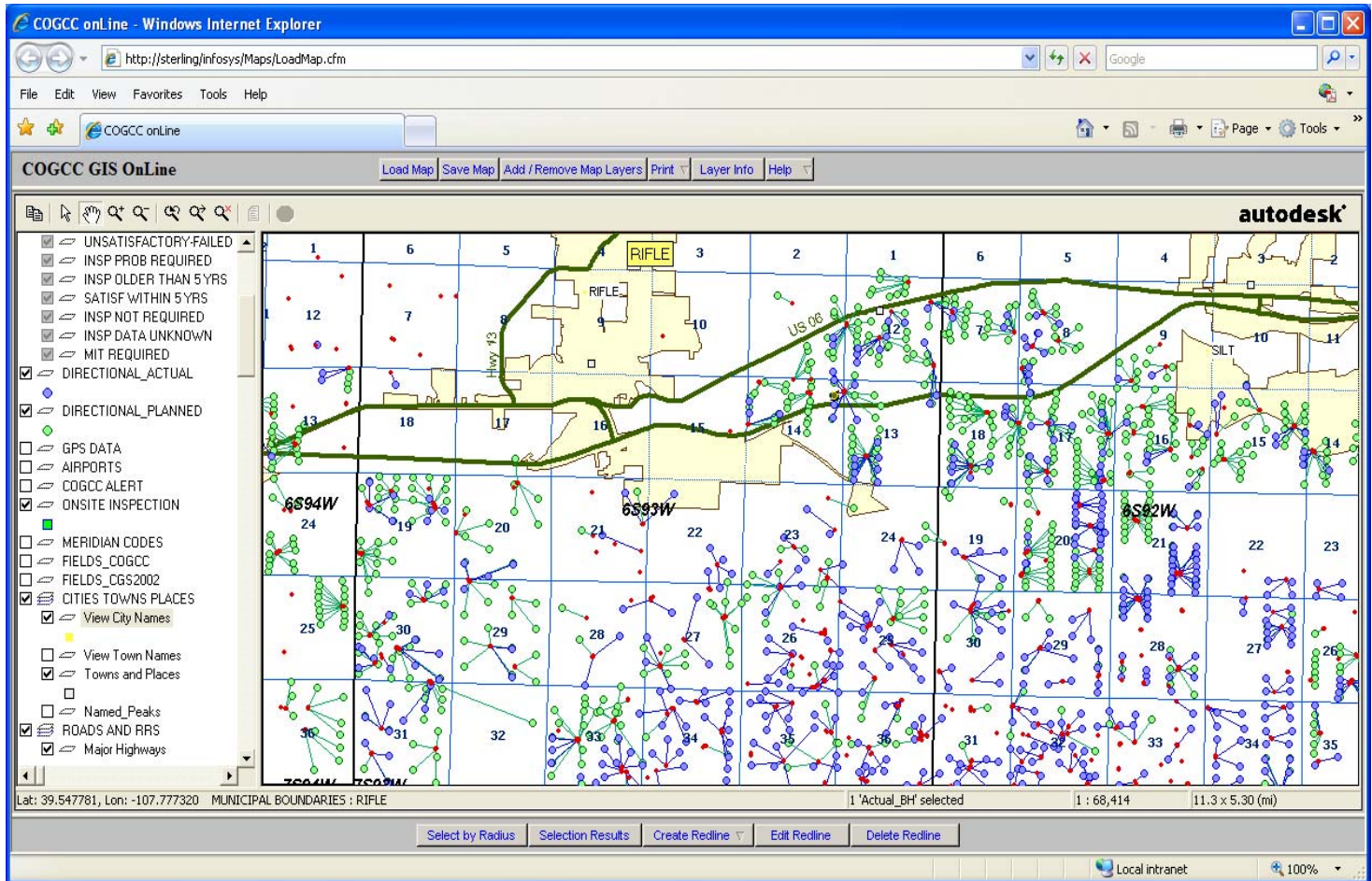
Figure 7



As shown in Figure 7 above, the number of wells drilled directionally from common well pads has increased significantly over the last 10 years. The percentage of directional wells grew from 8% in 2000 to 67% in 2009. Although the use of common well pads is strongly encouraged, the review of permit applications for directionally drilled wells is much more time-consuming than reviews of vertical wells, because the permit/compliance tech must calculate and analyze the directional plan to ensure that bottom hole locations are in the proper drilling window and that correlative rights are protected.

The map below (Fig. 8), taken from OGCC's website, is a plan view of directional wellbores southeast of Rifle. The vast number of directional wells in this area adds to the complexity of the permitting process.

Figure 8

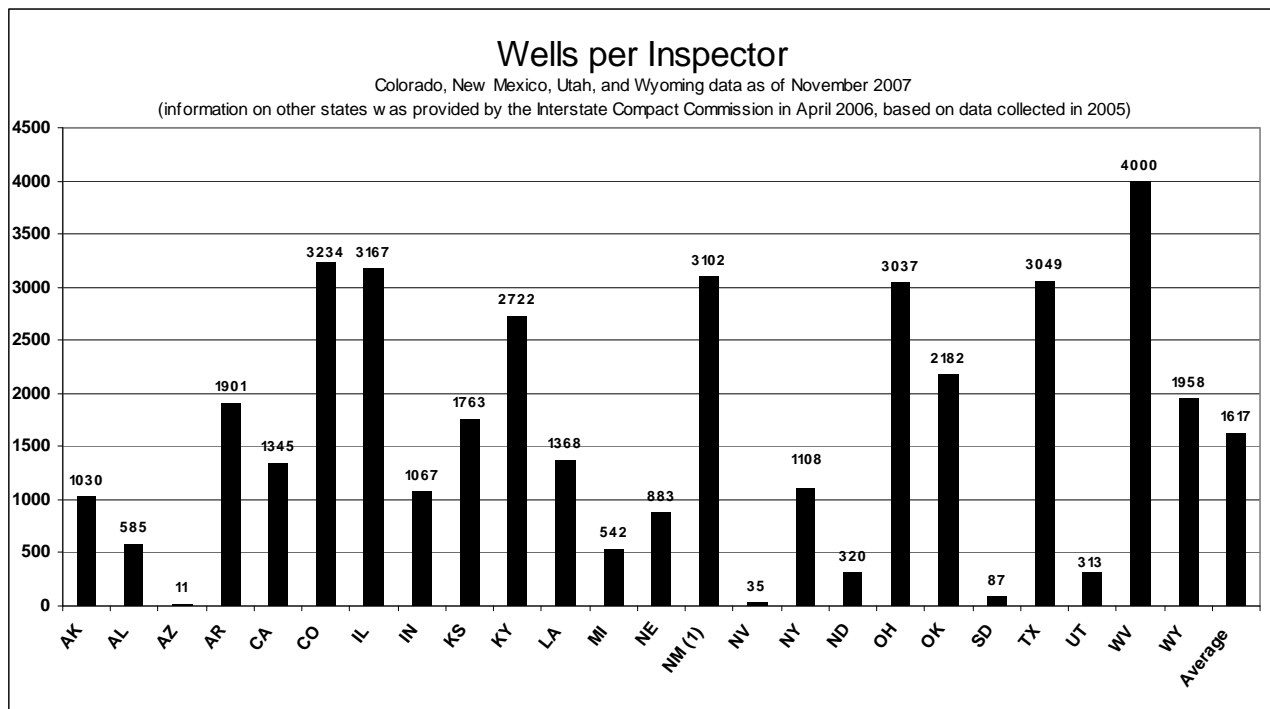


Summary of Workload Issues for the OGCC

- The number of active wells will continue to increase, even though permit activity may decline as much as 40% during the second half of FY 09 and all of FY 10.
- The workload for the OGCC's production staff is directly tied to the number of active wells, for which a minimum of 12 production reports are submitted annually. In addition to their importance as regulatory tools for the agency, production records are relied on by royalty owners, joint interest partners, and government entities to project and validate mineral revenues, while the industry uses the data to evaluate oil and gas development opportunities.
- The ratio of production reports to production analysts has increased from 132,600 per FTE to 232,000 over the last ten years, a 75% increase. This workload is causing significant delays and problems with the State's production data.
- With a 40% decline in permitting activity, the ratio of APD's to FTE would still be higher than the OGCC's baseline year of FY 03.
- Under the assumption that the number of APD's decline 40% in FY 10, the ratio of APD's to permit FTE will fall to 774, below the baseline year ratio of 1041 APDs per permit tech. Considering the review time for permits has increased by at least one-third, the ratio of actual permit workload to FTE is expected to be about the same as it was in FY 03, before the most recent oil and gas boom.
- The agency's primary workload measures do not capture or adequately define a significant portion of the growth in workload, and to further reduce staff, due to a temporary reduction in APD's, would be short-sighted. That action assumes the agency was adequately staffed before the current slow-down and that very little has changed in terms of overall responsibility or expectations since FY 03.
- In response to recent releases of oil and gas field wastes on the Roan Plateau, the OGCC implemented a new policy regarding drilling pits that resulted in additional oversight responsibilities for OGCC engineers. This policy, which went into effect in 2008, is just one example of workload increases that are not fully captured in standard workload measures, such as the number of permits, active wells, and drilling rigs.
- As a comparison, the Bureau of Land Management (BLM) employed approximately 100 FTE in Colorado in 2008 to process about 800 drilling permits, while the OGCC employed an average of 53 FTE to process over 8,000 drilling permits and oversee 37,000 active wells. The BLM is directly responsible, from an inspection standpoint, for only about 11% of these wells.

- The OGCC is not expecting its requested 74.0 FTE to fully eliminate the need for contractors, as five are still included in the FY 10 request (3 from the JBC supplemental and 2 from DNR Decision Item #1). Those five contractors will make up 6% of the total staff and provide the agency with enough flexibility should the activity levels drop more than 40%.
- Colorado’s current wells-per-inspector ratio of about 3,400 more than doubles a recent national average of approximately 1,600 wells per inspector. See Figure 9 below.

Figure 9 – This figure was included in the OGCC’s FY 08-09 request. Colorado’s inspector ratio at the time was 3234 wells per inspector.



Note: Wells located on surfaces owned by the Federal Government or the Southern Ute Indian Tribe are not included in the figures. Although they impact nearly every aspect of the OGCC’s workload, such as reviewing permit applications, maintaining well files, collecting production data, and processing mill levy payments, the agency does not typically conduct well inspections on these properties.