

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2008-09 STAFF FIGURE SETTING
RECOMMENDATIONS:
DEPARTMENT OF NATURAL RESOURCES**

**(FOR THE FOLLOWING DIVISIONS:
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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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			Change Requests
				Request	Staff Rec. Old Format	Staff Rec. New Format	

For FY 2008-09 the JBC approved eliminating 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. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. 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	2,072,211	2,003,963	2,065,336	2,135,538	2,116,618	2,116,618
FTE	<u>21.6</u>	<u>19.2</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>
CF - Severance Tax	516,600	561,584	573,832	668,122	444,490	444,490
Federal Funds	1,555,611	1,442,379	1,491,504	1,467,416	1,672,128	1,672,128
Indirect Cost Assessment	<u>132,768</u>	<u>128,983</u>	<u>101,929</u>	<u>102,181</u>	<u>Pending</u>	<u>Pending</u>
CF - Severance Tax	21,449	29,028	33,437	34,531		
Federal Funds	111,319	99,955	68,492	67,650		

(A) Coal Land Reclamation	2,204,979	2,132,946	2,167,265	2,237,719	2,116,618	2,116,618
FTE	<u>21.6</u>	<u>19.2</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>
Cash Funds	538,049	590,612	607,269	702,653	444,490	444,490
Federal Funds	1,666,930	1,542,334	1,559,996	1,535,066	1,672,128	1,672,128

(B) Inactive Mines

Program Costs	892,107	653,448	1,355,304	1,796,979	1,792,842	1,792,842
FTE	<u>13.6</u>	<u>12.4</u>	<u>12.4</u>	<u>18.4</u>	<u>18.4</u>	<u>18.4</u> #15
RF/CFE - Abandoned Mine Safety Reclamation Fund	435,253	81,190	499,762	500,811	500,766	500,766
Federal Funds	456,854	572,258	855,542	1,296,168	1,292,076	1,292,076 #15
Mine Site Reclamation	201,175	156,914	404,600	407,795	407,658	407,658 #17
FTE	<u>0.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			
				Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests
CF - Severance Tax	201,175	156,914	374,600	377,795	377,658	377,658	
RF/CFE - Public Health and Environment	0	0	30,000	30,000	30,000	30,000	
Reclamation of Forfeited Mine Sites							
CF - Severance Tax	N/A	N/A	342,000	342,000	342,000	342,000	#6
Abandoned Mine Safety							
CF - Severance Tax	111,665	111,665	111,611	112,136	112,113	112,113	
FTE	0.2	0.2	0.2	0.2	0.2	0.2	
Indirect Cost Assessment	<u>51,461</u>	<u>85,834</u>	<u>42,096</u>	<u>60,483</u>	<u>Pending</u>	<u>Pending</u>	
CF - Severance Tax	0	687	10,433	10,873			
Federal Funds	51,461	85,147	31,663	49,610			
(B) Inactive Mines	1,256,408	1,007,861	2,255,611	2,719,393	2,654,613	2,654,613	
FTE	<u>13.8</u>	<u>13.8</u>	<u>13.8</u>	<u>19.8</u>	<u>19.8</u>	<u>19.8</u>	
Cash Funds	312,840	269,266	838,644	842,804	831,771	831,771	
Reappropriated Funds/Cash Funds Exempt	435,253	81,190	529,762	530,811	530,766	530,766	
Federal Funds	508,315	657,405	887,205	1,345,778	1,292,076	1,292,076	
(C) Minerals							
Program Costs	1,920,985	1,968,845	2,066,937	2,129,151	2,110,110	2,110,110	
FTE	<u>20.3</u>	<u>20.3</u>	<u>23.9</u>	<u>23.9</u>	<u>23.9</u>	<u>23.9</u>	
CF - Severance Tax	921,060	997,825	1,033,590	1,047,693	1,085,906	1,085,906	
CF - Mined Land Reclamation Fund	903,841	872,644	930,000	975,000	921,890	1,024,204	
CFE - Mined Land Reclamation Fund reserves	96,084	98,376	103,347	106,458	102,314	0	
Indirect Cost Assessment							
CF - Severance Tax	101,955	121,212	126,522	119,488	Pending	Pending	
(C) Minerals	2,022,940	2,090,057	2,193,459	2,248,639	2,110,110	2,110,110	
FTE	<u>20.3</u>	<u>20.3</u>	<u>23.9</u>	<u>23.9</u>	<u>23.9</u>	<u>23.9</u>	
Cash Funds	1,926,856	1,991,681	2,090,112	2,142,181	2,007,796	2,110,110	
Reappropriated Funds/Cash Funds Exempt	96,084	98,376	103,347	106,458	102,314	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			
				Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests
(D) Mines Program							
Colorado and Federal Mine Safety Program	410,727	455,348	487,824	506,937	506,082	506,082	
FTE	<u>4.3</u>	<u>4.6</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	
CF - Severance Tax	273,968	287,681	286,222	304,978	304,123	304,123	
CF - Fees	6,000	6,000	6,000	6,000	6,000	6,000	
Federal Funds	130,759	161,667	195,602	195,959	195,959	195,959	
Blaster Certification Program	102,265	103,866	103,494	106,867	106,714	106,714	
FTE	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
CF - Severance Tax	21,476	21,743	21,734	22,442	22,410	22,410	
Federal Funds	80,789	82,123	81,760	84,425	84,304	84,304	
Indirect Cost Assessment	<u>22,553</u>	<u>27,864</u>	<u>24,510</u>	<u>23,398</u>	<u>Pending</u>	<u>Pending</u>	
CF - Severance Tax	13,950	16,372	16,881	16,182			
Federal Funds	8,603	11,492	7,629	7,216			
(D) Mines Program							
FTE	<u>5.2</u>	<u>5.6</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
Cash Funds	315,394	331,796	330,837	349,602	332,533	332,533	
Federal Funds	220,151	255,282	284,991	287,600	280,263	280,263	

(E) Emergency Response Costs

CF - Severance Tax	0	0	25,000	25,000	25,000	25,000	
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**(2) DIVISION OF RECLAMATION, MINING,
AND SAFETY - SUBTOTAL**

FTE	<u>60.9</u>	<u>58.9</u>	<u>66.7</u>	<u>72.7</u>	<u>72.7</u>	<u>72.7</u>	
Cash Funds	3,093,139	3,183,355	3,891,862	4,062,240	3,641,590	3,743,904	
Reappropriated Funds/Cash Funds Exempt	531,337	179,566	633,109	637,269	633,080	530,766	
Federal Funds	2,395,396	2,455,021	2,732,192	3,168,444	3,244,467	3,244,467	

* 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 and from fees for geological services provided. Cash funds exempt are from transfers from other state agencies for geological services and from grants and donations.)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			
				Request	Staff Rec. Old Format	Staff Rec. New Format	Change Requests
Environmental Geology and Geological Hazards Program	1,988,873	1,646,001	2,365,652	2,504,137	2,499,478	2,499,478	
FTE	<u>14.9</u>	<u>14.4</u>	<u>16.2</u>	<u>17.2</u>	<u>17.2</u>	<u>17.2</u>	#8
CF - Severance Tax	845,825	902,794	833,907	919,309	916,022	916,022	#8
CF - Fees for geological services	386,213	361,951	487,979	527,685	527,217	527,217	
RF/CFE - Other state agencies	482,713	303,983	446,295	456,519	456,429	456,429	
Federal Funds	274,122	77,273	597,471	600,624	599,810	599,810	
Coalbed Methane Stream Depletion Study							
CF - Severance Tax	0	138,000	0	0	0	0	
Mineral Resources and Mapping	1,145,068	1,163,740	1,397,631	1,506,040	1,433,326	1,433,326	
FTE	<u>9.7</u>	<u>9.1</u>	<u>10.5</u>	<u>11.5</u>	<u>10.5</u>	<u>10.5</u>	#12
CF - Severance Tax	919,836	916,016	1,023,809	1,103,796	1,031,496	1,031,496	#12
CF - Fees for geological services		27,115	58,099	81,159	81,159	81,159	
Federal Funds	225,232	220,609	315,723	321,085	320,671	320,671	
Colorado Avalanche Information Center	577,173	581,760	590,158	637,713	639,603	639,603	
FTE	<u>6.8</u>	<u>7.0</u>	<u>7.3</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	#11
CF - Severance Tax	146,160	145,361	149,200	151,689	151,424	151,424	
CF - Fees	2,910	0	2,251	27,582	30,497	30,497	#11
RF/CFE - Fees	406,359	415,672	414,615	433,815	433,097	433,097	
Federal Funds	21,744	20,727	24,092	24,627	24,585	24,585	
Indirect Cost Assessment	<u>28,161</u>	<u>45,503</u>	<u>31,736</u>	<u>184,834</u>	<u>Pending</u>	<u>Pending</u>	
CF - Severance Tax	0	0	0	140,509			
Federal Funds	28,161	45,503	31,736	44,325	0		
(3) COLORADO GEOLOGICAL SURVEY							
- SUBTOTAL	3,739,275	3,575,004	4,385,177	4,832,724	4,572,407	4,572,407	
FTE	<u>31.4</u>	<u>30.5</u>	<u>34.0</u>	<u>36.4</u>	<u>35.4</u>	<u>35.4</u>	
Cash Funds	2,300,944	2,491,237	2,555,245	2,951,729	2,737,815	2,737,815	
Reappropriated Funds/Cash Funds Exempt	889,072	719,655	860,910	890,334	889,526	889,526	
Federal Funds	549,259	364,112	969,022	990,661	945,066	945,066	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			Change Requests
				Request	Staff Rec. Old Format	Staff Rec. New Format	

(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. Cash funds exempt are from Oil and Gas Fund reserves.)

Program Costs	3,174,352	4,254,302	4,862,468	6,780,374	6,355,411	6,355,411	
FTE	<u>36.0</u>	<u>43.4</u>	<u>53.0</u>	<u>74.0</u>	<u>74.0</u>	<u>74.0</u>	#1
CF - Severance Tax	911,191	2,117,279	2,218,182	2,303,999	3,148,178	3,148,178	
CF - OGC Environmental Response Fund	2,253,364	0	1,946,095	4,122,973	2,859,915	3,207,233	#1, #1a, #6a
RF/CFE - OGC Environmental Response Fund	9,797	2,137,023	698,191	353,402	347,318	0	
Underground Injection Program							
Federal Funds	97,878	92,374	96,559	96,559	96,559	96,559	
FTE	2.0	2.0	2.0	2.0	2.0	2.0	
Plugging and Reclaiming Abandoned Wells	<u>216,897</u>	<u>598,302</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	
CF - OGC Environmental Response Fund	0	0	0	0	0	220,000	
RF/CFE - OGC Environmental Response Fund	216,897	598,302	220,000	220,000	220,000	0	
Environmental Assistance and Complaint Resolution	<u>264,676</u>	<u>283,498</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>	
CF - OGC Environmental Response Fund	0	283,498	312,033	312,033	312,033	312,033	
RF/CFE - OGC Environmental Response Fund	264,676	0	0	0	0	0	
Emergency Response	<u>0</u>	<u>71,904</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	
CF - OGC Environmental Response Fund	0	0	0	0	0	1,500,000	
RF/CFE - OGC Environmental Response Fund	0	71,904	1,500,000	1,500,000	1,500,000	0	
Special Environmental Protection and Mitigation Studies							
CF - OGC Environmental Response Fund	0	265,271	500,000	500,000	500,000	500,000	
Piceance and D-J Basin Water Studies and Environmental Data Tool Development							
RF/CFE - OGC Environmental Response Fund	46,525	222,907	0	0	0	0	
Phase II Raton Basin Gas Seep Investigation							

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			Change Requests
				Request	Staff Rec. Old Format	Staff Rec. New Format	
RF/CFE - OGC Environmental Response Fund	0	92,442	0	0	0	0	
Hearing and Environmental Record Imaging and Indexing CF - OGC Environmental Response Fund	22,015	0	0	0	0	0	
Data Cleanup Project - CF CF - Severance Tax	0	0	119,356	0	0	0	
S.B. 07-198 Coalbed Methane Seepage Projects CF - OGC Environmental Response Fund	0	0	2,003,400	2,003,400	2,003,400	2,003,400	
Indirect Cost Assessment - Total Funds	<u>155,375</u>	<u>186,702</u>	<u>227,811</u>	<u>338,152</u>	<u>Pending</u>	<u>Pending</u>	
CF - OGC Environmental Response Fund	155,375	186,702	222,254	332,569			
Federal Funds	0	0	5,557	5,583			

(4) OIL & GAS CONSERVATION COMMISSION

- SUBTOTAL	3,977,718	6,067,702	9,841,627	11,750,518	10,987,403	10,987,403	
FTE	<u>38.0</u>	<u>45.4</u>	<u>55.0</u>	<u>76.0</u>	<u>76.0</u>	<u>76.0</u>	
Cash Funds	3,341,945	2,852,750	7,321,320	9,574,974	8,823,526	10,890,844	
Reappropriated Funds/Cash Funds Exempt	537,895	3,122,578	2,418,191	2,073,402	2,067,318	0	
Federal Funds	97,878	92,374	102,116	102,142	96,559	96,559	

(5) STATE BOARD OF LAND COMMISSIONERS (Britt Weygandt, 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). Both cash and cash funds exempt sources are from the Trust Administration Fund; cash funds represent revenue from leases, timber sales and interest, and cash funds exempt sources represent revenue from property sales or use of non-renewable minerals.)

Program Costs	2,623,613	2,639,444	3,695,905	3,827,183	3,710,162	3,710,162 #9	
FTE	31.5	33.1	38.0	38.0	38.0	38.0	
State Trust Land Asset Management and Analysis	659,509	659,509	0	0	0	0	
Indirect Cost Assessment	147,377	167,095	156,845	230,267	Pending	Pending	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09			Change Requests
				Request	Staff Rec. Old Format	Staff Rec. New Format	
(5) STATE LAND BOARD - SUBTOTAL	3,430,499	3,466,048	3,852,750	4,057,450	3,710,162	3,710,162	
FTE	<u>31.5</u>	<u>33.1</u>	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>	
Cash Funds	115,000	894,846	894,846	1,094,507	1,094,507	3,710,162	
Reappropriated Funds/Cash Funds Exempt	3,315,499	2,571,202	2,957,904	2,962,943	2,615,655	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	17,167,364	18,926,696	25,336,717	28,508,645	26,789,109	26,789,109	
FTE	<u>161.8</u>	<u>167.9</u>	<u>193.7</u>	<u>223.1</u>	<u>222.1</u>	<u>222.1</u>	
Cash Funds	8,851,028	9,422,188	14,663,273	17,683,450	16,297,438	21,082,725	
Reappropriated Funds/Cash Funds Exempt	5,273,803	6,593,001	6,870,114	6,563,948	6,205,579	1,420,292	
Federal Funds	3,042,533	2,911,507	3,803,330	4,261,247	4,286,092	4,286,092	
<i>CF - Severance Tax</i>	<i>5,006,310</i>	<i>6,524,161</i>	<i>7,300,316</i>	<i>7,700,542</i>	<i>7,960,820</i>	<i>7,960,820</i>	

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2008-09**

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 also ensuring that mined land is reclaimed to a beneficial use. The division also manages issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation. Often, there are no legally responsible parties identified to fund and administer such clean-up projects. Pursuant to Section 39-29-109 (1) (c) (I) (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, pursuant to Section 39-29-109 (1) (a) (II), C.R.S. There is a minimum 21% state matching requirement for the federal funds.

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

Recommendation: **Staff recommends continuation level calculated according to the JBC's common policies, with a fund source adjustment to reflect a projected increase in available federal funds.** The Department projects that the workload for the coal regulatory program in FY 2008-09 will be fairly consistent with prior years. There appears to be a high level of compliance with the Department's regulations. The staff recommendation is based on maintaining current service levels.

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2008-09**

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Estimate	FY 2008-09 Estimate
Permitting actions	289	229	290	295
Required inspections	487	474	500	500
Inspected sites in regulatory compliance	95.0%	94.0%	100.0%	100.0%

The staff recommendation is summarized in the following table.

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	\$1,784,741	\$514,907	\$1,269,834	23.0
Operating estimate	<u>280,595</u>	<u>58,925</u>	<u>221,670</u>	
FY 2007-08 Appropriation	\$2,065,336	\$573,832	\$1,491,504	23.0
Salary Survey	52,443	11,013	41,430	
Base-building Performance Pay	17,385	3,645	13,740	
Common policy -1.0 percent base PS reduction	(18,546)	(5,296)	(13,250)	
Adjust federal and cash funds to match projected federal grant amount	<u>0</u>	<u>(138,704)</u>	<u>138,704</u>	
FY 2008-09 Recommendation	\$2,116,618	\$444,490	\$1,672,128	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: **The staff recommendation on the Department's indirect cost plan will be presented during figure setting for the Executive Director's Office.** The indirect cost plan submitted by the Department with the November request collects money from cash funds for costs that should be paid by the General Fund, if the Department and statewide overhead expenses are

**DEPARTMENT OF NATURAL RESOURCES
FIGURE SETTING FY 2008-09**

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allocated based on personal services. Staff is working with the Department on a revision to the plan to ensure that user fees are not over-assessed. If the JBC approves the revision, it will require an increase in General Fund appropriations for the Department. At this time, staff estimates that the magnitude of the General Fund increase would be in the range \$200,000, but an exact figure will be presented during figure setting for the Executive Director's Office. Users of the services of the Division of Wildlife are picking up the majority of the costs staff believes should be born by the General Fund. The indirect cost plan submitted by the Department for FY 2008-09 is not materially different from the indirect plan that has been used for the Department for several years, but staff is not aware of this issue coming to the attention of the JBC in the past.

(B) Inactive Mines

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 16,000 eligible abandoned mines remain in Colorado.

Pursuant to Section 39-29-109 (1) (c) (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. 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. Federal funds spent for site work totaled \$2.7 million in FY 2005-06 and \$2.4 million in FY 2006-07.

Request: The Department requests decision item #15 for a total of \$408,265 federal funds (\$394,292 in this line item) and 6.0 FTE, based on the December 2006 reauthorization of the federal Abandoned Mine Land program under Title IV of the Surface Mining Control and Reclamation Act of 1977. The Department projects that the reauthorization will result in close to \$30.0 million more

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in federal funding for inactive mines in Colorado over the next seven years (2008-2014). The Department proposes that of the additional money \$408,265 be used for 6.0 FTE for coordinating the work. The Department also requests a notation in the Long Bill indicating that "a portion or all of the FTE will be deleted from the Long Bill if, as projected, the additional federal funding ends after FY 2014-15."

Recommendation: Staff recommends the requested decision item #15 (including the notation about the FTE being eliminated in FY 2014-15) and continuation of the base level funding pursuant to the JBC's common policies. The impact of decision item #15 by line item is summarized in the table below.

Line Item	Dollars	FTE
Executive Director's Office		
Amortization Equalization Disbursement	\$5,265	
Supplemental Amortization Equalization Disbursement	\$2,468	
Vehicle Lease Payments (4 vehicles for 4 months)	\$6,240	
Division of Reclamation, Mining, and Safety		
Inactive Mines, Program Costs	\$394,292	6.0
TOTAL	\$408,265	6.0

The federal funds associated with decision item #15 do not require a state match. The JBC could approve an amount less than the Department's request, and thereby force more of the federal funds to be spent for site work and less for coordination and planing. However, staff believes that the Department's proposed budget for coordination and planning is reasonable and spending less might result in inefficient use of the construction funds, and/or failure to use all of the construction funds in the allotted time frame for the federal grants.

The components of the staff recommendation for the line item are summarized in the table below. In the old budget format, appropriations from the Abandoned Mine Safety Reclamation Fund were characterized as a cash funds exempt expenditure from a reserve, but in the new format they will be characterized as cash funds.

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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 2007-08 Appropriation	\$1,355,304	\$499,762	\$855,542	12.4
Salary Survey	32,056	765	31,291	
Base-building Performance Pay	11,190	239	10,951	
Common policy -1.0 percent base PS reduction	under 20.0 FTE			
Decision item #15	<u>394,292</u>		<u>394,292</u>	<u>6.0</u>
Total Recommendation	\$1,792,842	\$500,766	\$1,292,076	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 revegetation. 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.

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 pursuant to Section 39-20-109, C.R.S. 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

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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, and decision item #17 to clarify a letter note in the Long Bill on the transfer from the Department of Public Health and Environment. The Department would like the letternote to read: ". . . \$30,000(T) shall be transferred from the Department of Public Health and Environment FROM FEDERAL FUNDS ANTICIPATED TO BE RECEIVED FROM THE U.S. ENVIRONMENTAL PROTECTION AGENCY."

Staff Recommendation: **Staff recommends continuation level funding calculated pursuant to the JBC's common policies, and the letternote change requested by the Department in decision item #17.** Although, the letternote will no longer include a (T) notation in the new funding format. In the old funding format, the transfer from the Department of Public Health and Environment was characterized as cash funds exempt. In the new format it will be described as reappropriated funds.

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.

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 2007-08 Appropriation	404,600	374,600	30,000	1.2
Salary Survey	2,330	2,330		
Base-building Performance Pay	728	728		
Common policy -1.0 percent base PS reduction	under 20.0 FTE			
Total Recommendation	407,658	377,658	30,000	1.2

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RECLAMATION OF FORFEITED MINE SITES

Description: This line item was created in FY 2007-08 and it provided 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 interpreted the FY 2007-08 as a one-time appropriation.

Request: The Department submitted decision item #6 requesting that funding be provided for another five years, from FY 2008-09 through FY 2013-14, with an annual amount equal to the FY 2007-08 appropriation. Part of the request includes a footnote providing roll-forward for the appropriation for three years. The Department has identified 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. The request is to supplement the bond recoveries from forfeited mines between 1977 and 1993. The table below lists the 35 sites identified by the Department as requiring additional reclamation work, the type of work, and the projects prioritized by the Department for FY 2008-09.

Operator-Site Name/ Permit Year	County	Estimated Cost to Finish Reclamation	Forfeited Bond Amount	Additional Funding Required	Site Problem(s)
Projects for Year 1-FY08-09					
H&M Joint Ventures (1985) – <i>Year-1 funding</i> 10 acres	Clear Creek	\$ 175,000	\$ 1,500	\$ 100,000 (<i>Year 1</i>)	Environmental degradation/ hazardous materials removal
Druid (1990) – <i>Year-1 funding</i> 1 acre	Gilpin	\$ 297,124	\$ 147,124	\$ 112,000 (<i>Year 1</i>)	Environmental degradation/ public health and safety
Sherman Mine & Mill (1986) (\$110,000 funded in FY08) – <i>Year-2 funding</i> 167 acres	Lake	\$ 660,000	\$ 92,000	\$ 100,000 (<i>Year 2</i>)	Environmental degradation/ hazardous materials removal

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Arrigo Milling & Mining (1978) 9 acres	San Juan	\$ 35,000	\$ 5,000	\$ 30,000	Environmental degradation/ public health and safety
Subtotal		\$1,167,124	\$245,624	\$342,000	
Minus Reclamation Costs Addressed in Years 2-5		(\$579,500)			
Subtotal - Year-1 FY2008-09 Request		\$587,624	\$245,624	\$342,000	
Projects for Years 2-5 (FY2009-10 through FY2012-13)					
H&M Joint Ventures (1985) – Year-2 funding 10 acres	Clear Creek	\$75,000	See under FY09	\$75,000 (Year 2)	Environmental degrade/hazardous materials removal
Druid (1990) – Year-2 funding 1 acre	Gilpin	\$38,000	See under FY09	\$38,000 (Year 2)	Environmental degrade/public health and safety
Fortune (1983) 1 acre	Boulder	\$6,900	\$1,900	\$5,000	Environmental degradation
Colina Oro Molino (1993) 1 acre	Boulder	\$5,500	\$500	\$5,000	Environmental degradation
Bueno Mine (1992) – Year-2 funding 8 acres	Boulder	\$50,000	Spent in FY08	\$50,000	Envir degrad/ hazardous materials
Virginia Canyon (1979) 6 acres	Clear Crk	\$78,374	\$48,374	\$30,000	Envir degrad/ hazardous materials
Clear Creek (1985) 1 acre	Clear Crk	\$31,500	\$1,500	\$30,000	Envir degrad/heavy metals/erosion
Internatl Mining (1987) 1 acre	Clear Crk	\$4,000	\$2,000	\$2,000	Envir degradation
Fools Luck Placer (1984) 10 acres	Gilpin	\$10,478	\$2,978	\$7,500	Envir degradation
Saratoga Mines (1982) 16 acres	Gilpin	\$47,400	\$32,400	\$15,000	Envir degradation
Central Gold (1981) 7 acres	Gilpin	\$5,500	\$500	\$5,000	Envir degradation
O’Mines (1981) 1 acre	Gilpin	\$5,500	\$500	\$5,000	Envir degradation
London Mine (1980) 20 acres	Park	\$112,000	\$12,000	\$100,000	Envir degradation
Fair Chance (1981)	Teller	\$5,383	\$1,883	\$3,500	Envir degradation

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1 acre					
Sleepy Jim (1987) 1 acre	Teller	\$7,000	\$2,000	\$5,000	Envir degradation
Huerfano Peak (1979) 10 acres	Huerfano	\$7,500	\$2,500	\$5,000	Envir degradation
Sherman Mine (1986) – Year-3 funding 167 acres	Lake	\$550,000	See under FY09	\$550,000	Envir degrad/hazard materials removal
Pinyon Sand & Gravel (1988) 7 acres	Pueblo	\$35,000	\$17,500	\$17,500	Envir degradation
Levicy (1978) 6 acres	Gunnison	\$9,750	\$4,750	\$5,000	Envir degradation
Enterprise/Carpenter (1983) 10 acres	Gunnison	\$8,800	\$3,800	\$5,000	Envir degradation
Tomichi (1983) 10 acres	Gunnison	\$20,000	\$5,000	\$15,000	Envir degradation
Bennett Mining Co. (1977) 3 acres	Montrose	\$5,887	\$887	\$5,000	Envir degrad/public health & safety
Truck Stop Placer (1988) 2 acres	Montrose	\$9,500	\$2,000	\$7,500	Envir degrad/ revegetation
Little Silver (1981) 8 acres	Dolores	\$15,845	\$10,845	\$5,000	Envir degrad/grading
Tippecanoe (1996) 1 acre	La Plata	\$12,361	\$2,361	\$10,000	Envir degrad/ grading/reveg (remote)
Bessie G (1984) 10 acres	La Plata	\$32,450	\$17,450	\$15,000	Envir degrad/grading/reveg
Jack Knife (1977) 6 acres	San Miguel	\$5,700	\$700	\$5,000	Envir degradation
San Miguel Gold (1987) 5 acres	San Miguel	\$14,939	\$4,939	\$10,000	Envir degrad/ grading/reveg
Summitville (1984) 167 acres	Rio Grande	\$322,000	(bond included in bankruptcy settlement)	\$322,000	Acid mine drainage water treatment; bio- remediation pilot project for water pollution source control
Caprock Corporation (1986) 1 acre	Jackson	\$10,000	No bond	\$10,000	Envir degradation
American Energy (1980) 9 acres	Rio Blanco	\$7,500	\$2,500	\$5,000	Envir degradation

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Subtotal – Years 2-5		\$1,549,767	\$181,767	\$1,368,000
Total – Years 1-5		\$2,137,391	\$427,391	\$1,710,000

Recommendation: **Staff recommends approval of the request.** The revenue from the forfeited bonds is not adequate to complete the reclamation of these sites. There are several potential hazards if the sites are not fully reclaimed, including 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. The five-year time horizon proposed by the Department to address the projects appears to be a reasonable pace to accomplish the work without increasing the current staffing level for the Inactive Mines program.

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 continuation funding pursuant to the JBC's common policies. There is a huge backlog of mine openings that have not been safeguarded. Given the number of mines that need safeguarding, the request is to chip away at the list a little at a time. The staff recommendation for continuation level funding will maintain the current pace of safeguarding. A significant increase in mines safeguarded per year would require an increase in FTE. A significant decrease in mines safeguarded per year would result in a suboptimal use of existing FTE with knowledge of the safeguarding process. The calculation of the staff recommendation is summarized in the table below.

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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	111,611	0.2
Salary Survey	383	
Base-building Performance Pay	119	
Common policy -1.0 percent base PS reduction	<u>Under 20.0 FTE</u>	
FY 2008-09 Recommendation	112,133	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.

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

(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 2007-08 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.

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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.

Request: The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. Part of the request includes a reduction of \$8,815 for one-time costs associated with hiring the 1.0 FTE last year for oil shale, uranium, and vanadium permits. The request also includes an increase in the portion of funding for the line item from the Mined Land Reclamation Fund. Senate Bill 07-185 increased the statutory fees deposited in the Mined Land Reclamation Fund.

Staff Recommendation: Staff recommends continuation level funding pursuant to the JBC's common policies. The table below shows the recent permit and inspection workload for the program and the Department's projections for FY 2007-08 and FY 2008-09. Although permits and inspections were down somewhat in FY 2006-07, the Department has spent considerable time studying new technologies for oil shale and uranium mining to try to ensure that the public and environment are protected. Staff does not feel that the one-year dip in permits and inspections justifies a reduction in staffing levels.

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

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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 2007-08 Appropriation	\$2,066,937	\$1,033,590	\$1,033,347	23.9
Salary Survey	53,392	53,392		
Base-building Performance Pay	17,461	17,461		
Common policy -1.0 percent base PS reduction	(18,865)	(9,722)	(9,143)	
One-time expenditures in FY 2007-08	<u>(8,815)</u>	<u>(8,815)</u>		
Total Recommendation	\$2,110,110	\$1,085,906	\$1,024,204	23.9

In the old budget format, the portion of expenditures from the Mined Land Reclamation Fund that was from reserves was characterized as cash funds exempt. In the new budget format, all expenditures from the Mined Land Reclamation Fund will be characterized as cash funds.

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.**

(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

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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.

Staff Recommendation: Staff recommends continuation level funding calculated pursuant to the JBC's common policies, with a fund source adjustment to match the projected federal funds.

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 2007-08 Appropriation	\$487,824	\$286,222	\$6,000	\$195,602	23.9
Salary Survey	13,916	13,916			
Base-building Performance Pay	4,342	4,342			
Common policy -1.0 percent base PS reduction	under 20.0				
Fund source adjustment	<u>0</u>	<u>(357)</u>		<u>357</u>	
Total Recommendation	\$506,082	\$304,123	\$6,000	\$195,959	23.9

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.

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.

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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 2007-08 Appropriation	\$103,494	\$21,734	\$81,760	1.0
Salary Survey	2,458	516	1,942	
Base-building Performance Pay	762	160	602	
Common policy -1.0 percent base PS reduction	under 20.0			
Fund source adjustment	<u>0</u>			
Total Recommendation	\$106,714	\$22,410	\$84,304	1.0

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 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: Pursuant to Section 34-32-122, C.R.S., the Emergency Response Cash Fund provides custodial moneys that enable the Department of Natural Resources to respond to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies. No FTE are associated with this line item, since contractors perform the environmental remediation work.

Emergency response costs incurred in cleaning up the Solution Gold (Druid Mine) site and the Socorro Mining and Milling site ranged as high as \$400,000. The funding had provided money for about one significant emergency a year. In the last several years, only a small portion of funds have

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been needed, and only a few thousand dollars were expended from this fund. Expenditures from the Fund were restricted to certain uses, under certain procedures, by Sections 34-32-122 and 124.5, C.R.S. The funding associated with this line item (\$486,613) was transferred into the General Fund in S.B. 03-271 to augment the declining General Fund revenues in FY 2003-04 (on July 1, 2003). In 2005, through a decision item, the line item was restored with an appropriation of \$25,000. The Department reverted the appropriation in 2005-06.

Request: The Department requested continuation level funding.

Staff Recommendation: Staff recommends continuation level funding.

(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.

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.

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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 #8 for 1.0 FTE and \$72,392 (\$70,990 for this line item) from the Operational Account of the Severance Tax Trust Fund to study Colorado's geothermal energy resources. The Department requested continuation level funding for the base, calculated pursuant to the OSPB budget instructions, which includes a \$40,000 decrease for a one-time grant from the Colorado Water Conservation Board Construction Fund that was provided in FY 2007-08 pursuant to S.B. 07-239.

The Colorado Geological Survey conducted significant research into Colorado's geothermal resources in the 1970s and early 80s, mostly using federal grant funds, but has done very little since then. The Department argues that research is necessary now due to advances in technology that increase the feasibility of power generation from geothermal resources that are at lower temperatures and/or found at greater depths. The Department also cited increasing energy costs and demands, and the 20 percent by 2020 renewable portfolio standard.

JBC staff discovered that none of the employees who worked on geothermal issues in the 1970s and early 80s are still at the Colorado Geological Survey, and so the division does not have a knowledge advantage over other experts in geology and the physical sciences that might be qualified to conduct this type of research, such as higher education institutions. However, the Department argues that the Colorado Geological Survey has a specific statutory duty to advise the state on geothermal resources in Section 34-1-103 (1) (j), C.R.S. Also, the Department points out that the Colorado Geological Survey has a mission specific to promoting Colorado resources, while research by higher education institutions typically has broader applications than promoting one state. Finally, the Department argues that the Colorado Geological Survey is the best place to do this type of research because the division is a repository for Colorado-specific geologic information, and would thus be the supplier

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of much of the information for any study of geothermal resources as well as the keeper and disseminator of the results of that study.

Staff asked the Department whether incentives or research was the best strategy if the goal was to attract geothermal projects to Colorado. The Department responded that both would be beneficial, but with limited resources the Department believes that research has a better return on investment, since the results can be disseminated widely, while the cost of incentives increases when more companies take advantage of them.

Staff Recommendation: Staff recommends approval of decision item #8 and continuation funding for the base calculated pursuant to the JBC's common policies. The use of severance taxes to explore geothermal resources appears consistent with addressing the social and economic impacts of severing nonrenewable energy resources from the state. Many of the businesses that contribute to the severance tax would also be the business likely to get involved in the development of geothermal resources. The Department reports that geothermal energy has successfully been developed in other states, including California (2,492.1 MW), Nevada (276.4 MW), Utah (26 MW), Hawaii (35 MW), Alaska (400 kW), and Idaho (13 MW under construction).

A case could be made that this is part of what the Colorado Geological Survey is currently funded to do, and that no additional resources should be provided. However, staff believes that the rapidly increasing costs and demands for energy, combined with environmental concerns about CO₂ emissions, are external factors that justify funding an accelerated level and pace of research over what the Colorado Geological Survey would be able to accomplish within existing resources. A case could also be made that funding for this purpose should be provided on a one-time or short-duration basis. However, based on the development timeline of coalbed methane described by the Department, staff believes that a consistent research effort for 5-10 years is most likely to result in successful development of geothermal resources in Colorado.

The staff calculation of the cost for decision item #8 is somewhat lower than the Department's request. Staff used the minimum FY 2007-08 starting salary for a Physical Science Researcher/Scientist II. Also, staff did not include costs for AED or SAED. This approach is consistent with the way Legislative Council Staff estimates the cost of new FTE for fiscal notes. The staff calculation for decision item #8 is summarized in the table below.

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Item	Amount
Phy Sci Res/Sci II	\$57,912
PERA	\$5,878
Medicare	\$840
Personal Services	\$64,630
Operating	\$950
One-time outlay	\$3,455
Total	\$69,035

The staff recommendation for the line item is summarized in the following table.

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 2007-08 Appropriation	\$2,365,652	\$833,907	\$487,979	\$446,295	\$597,471	16.2
Salary Survey	48,629	9,904	29,710	7,484	1,531	
Base-building Performance Pay	16,162	3,176	9,528	2,650	808	
Common policy -1.0 percent	under 20.0					
DI #8	<u>69,035</u>	<u>69,035</u>				<u>1.0</u>
Total Recommendation	\$2,499,478	\$916,022	\$527,217	\$456,429	\$599,810	17.2

In the old budget format, the portion of fees from other state agencies was characterized as cash funds exempt. In the new budget format, these fees will be characterized as reappropriated funds.

Coalbed Methane Stream Depletion Study

Description: The Geological Survey received a one-time appropriation of \$153,000 from the Operational Account of the Severance Tax Trust Fund for a Coalbed Methane Stream Depletion Assessment Study in FY 2006-07. Coalbed methane development has accelerated in recent years and is anticipated to continue at a fast pace. Concern has been raised that the removal of water from coalbeds and adjacent aquifers, which are potentially tributary to surface water, could be resulting

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in stream depletions or a reduction in spring flows and or formation outflows. The Colorado Geological Survey provided the geologic research using existing resources. The hydrogeological flow modeling required in the study was outsourced and funded with this line item.

Request: The Department did not request funding, since this was a one-time appropriation for FY 2006-07 only.

Recommendation: Staff recommends no funding.

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 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 decision item #12 for \$72,392 (\$70,990 for this line item) from the Operational Account of the Severance Tax Trust Fund and 1.0 FTE to study the potential and feasibility of carbon sequestration in Canon City Embayment and in Northwestern Colorado. The Department requests continuation level funding for the base, calculated pursuant to the OSPB budget instructions.

Carbon sequestration is the process of trying to mitigate climate change by storing captured carbon dioxide (CO₂) from point sources, such as power plants, in geologic features instead of releasing it into the atmosphere. The Department proposes research to identify where CO₂ could be stored, and conducting pilot projects to assess the costs and effectiveness (does it stay captured in the formation or seep into undesired places) of storage.

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This type of research fits within the broad duties of the Colorado Geological Survey. The division is currently part of a federally funded Southwest Regional Partnership on CO₂ Sequestration. The Department would like to apply the knowledge it has gained in studying the feasibility of CO₂ sequestration in the Raton basin to studying sites around Canon City and in northwestern Colorado. According to the Department, federal funds are not currently available for research outside the Raton basin.

At the hearing the Department indicated it does not foresee any state or federal rules that will specifically require carbon sequestration in the near future. However, the Department believes there will be either federal or state regulations that will direct states to limit the production of greenhouse gases, and carbon sequestration is one strategy that could help accomplish that goal. The Department predicts the emergence of a "cap-and-trade" market in which polluters pay for technologies that reduce their CO₂ emissions. The Department wants to position Colorado to make money or get credit toward meeting CO₂ caps from injecting CO₂ underground. In addition to the environmental benefits of sequestering CO₂, it can be used to increase the pressure in a geologic formation and enhance the recovery of oil and gas. This could be a way to defer costs, or even make money, from CO₂ sequestration.

Staff recommendation: Staff recommends continuation funding with no increase for decision item #12. Staff feels that the decision item is based on speculation about the future regulatory environment. Even if a market develops for CO₂ in the manner predicted by the Department, staff does not see Colorado getting shut out or placed at a competitive disadvantage due to failure to fund this request. There is plenty of CO₂ to go around. In support of decision item #8 to study geothermal energy, there is a specific statutory duty assigned to the Colorado Geological Society. That is not the case for decision item #12. Studying carbon sequestration is consistent with the broad duties of the Colorado Geological Survey, but there is no specific statutory mission in this area. If the Department is proposing this decision item as a precursor to state regulations that the administration will recommend, then perhaps the decision item should be authorized through a bill rather than the budget process.

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

Summary of Recommendation – (3) Geologic Survey Mineral Resource Mapping — Department of Natural Resources					
	Total	Severance	Fees	Federal Funds	FTE

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Summary of Recommendation – (3) Geologic Survey Mineral Resource Mapping — Department of Natural Resources					
FY 2007-08 Appropriation	\$1,397,631	\$1,023,809	58,099	315,723	10.5
Salary Survey	27,029	5,830	17,490	3,709	
Base-building Performance Pay	8,666	1,857	5,570	1,239	
Common policy -1.0 percent	Under 20.0				
Total Recommendation	\$1,433,326	\$1,031,496	81,159	320,671	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 #11 for \$25,553 (\$25,085 in this line item) from fees and 0.4 FTE so that the Department can add two more months of funding for two seasonal positions. The Department requests continuation level funding for the base, calculated pursuant to the OSPB budget instructions.

The extra months from the two seasonal positions would increase the number of staff available to repair and maintain remote weather stations during the summer months when it is safe to access and work on them. The two extra months would also help the program develop forecasting tools and educational materials.

To raise the funds for the extra two months, the Department proposes revising its fee structure. In FY 2005-06 the program received a \$13,000 increase from the Operational Account of the Severance Tax Trust Fund to provide avalanche training at no charge. Many of the users are for-profit entities that require their employees to have the training, or have training budgets to improve the skills of their employees. The program has provided training for entities that then charge the participants for what the Avalanche Information Center is providing for free. The Department no longer feels that all training should be provided free of charge. It proposes that for-profit groups would be charged the actual cost for the instructor's time, while non-profits and government agencies could continue to receive training for free. Covering a portion of instructional activities through fees will free up

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moneys from the Operational Account of the Severance Tax Trust Fund that can then be applied to extending the number of months worked by seasonal employees. Section 34-1-105 (1) (a), C.R.S. allows the Colorado Geological Survey (of which the Colorado Avalanche Information Center is a part) to charge fees for the direct costs of services provided pursuant to an agreement with the general public, industries, and unites of local government.

Staff Recommendation: Staff recommends approval of the request. The remote weather stations can only reasonably be maintained during the summer. The Department demonstrated that at the current summer staffing level the Colorado Avalanche Information Center is unable to keep up with the repairs and maintenance. It is reasonable to expect users to pay for the cost of avalanche education. The Department's proposal makes provisions for nonprofit groups that, presumably, have less ability to pay. At the proposed rate of a little under \$25.00 per hour (including preparation and travel time), when the cost of an instructor is spread over an entire class the rate per student would not be prohibitive.

The Department's calculation of the cost for two months for two employees is slightly higher than the method Legislative Council Staff would use for FTE added in a bill. However, the Department did not include any adjustment in operating expenses other than travel, and staff believes that in addition to staff time the Department needs operating funds to maintain the remote weather stations. In reality, the amount the program can spend will be constrained by what the Colorado Avalanche Information Center is able to generate from instruction fees. Staff recommends an even \$28,000 for this decision item, all in the Colorado Avalanche Information Center line item.

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Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources					
	Total	Severance	Fees	Federal Funds	FTE
FY 2007-08 Appropriation	\$590,158	\$149,200	416,866	24,092	7.3
Salary Survey	16,371	1,666	14,333	372	
Base-building Performance Pay	5,074	558	4,395	121	
Common policy -1.0 percent	Under 20.0				
DI #11	<u>28,000</u>		<u>28,000</u>		<u>0.4</u>
Total Recommendation	\$639,603	\$151,424	463,594	24,585	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: **The staff recommendation on the Department's indirect cost plan will be presented during figure setting for the Executive Director's Office.**

(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.

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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.

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 requested decision item #1, budget amendment #1a, and budget amendment #6a. All three decision items are to address increased workload. In addition, decision item #1 and budget amendment #1a reflect a significant reorganization of the Department and a change in how the Department reviews permits and wells to emphasize protecting the environment and wildlife from negative impacts. The cumulative impact of all three items is 21.0 FTE, the equivalent of 5.0 contract employees, and \$2,284,138 (\$2,104,634 in this line item) from the Oil and Gas Conservation and Environmental Response Fund.

For the briefing and hearing, the Department identified the following types of conditions that might be applied to permits and wells based on the environmental review conducted by the staff requested in decision item #1.

a. Requiring onsite inspections between the surface owner representative, the OGCC, the operator, and/or other regulatory agencies to identify any potential public health, safety and welfare or significant adverse environmental impacts regarding the proposed surface location that may not be adequately addressed by OGCC rules or orders. Additional site specific drilling permit conditions may be applied to prevent or mitigate public health, safety and welfare or significant adverse environmental impacts.

b. visual or aesthetic impacts - moving the proposed surface well site location or access road to take advantage of natural features for screening; installing low profile artificial lift methods; constructing artificial features for screening.

c. surface impacts - moving or reducing the size, shape, or orientation of the surface well site location or access road to avoid disturbance of natural features or to enhance the success of future reclamation activities; using an existing surface well site location or access road to avoid the impacts of new construction; using a closed

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drilling fluid system instead of reserve pits to avoid impacts to sensitive areas. Encouraging the use of directional drilling.

d. noise impacts - installing electric motors where practicable; locating or orienting motors or compressors to reduce noise; installing sound barriers to achieve compliance with OGCC rules; restricting completion operations [the plumbing after the well has been drilled] to the hours of 7 a.m. to 7 p.m. and notifying all area residents prior to completion activities.

f. dust impacts - watering roads to control dust during drilling and completion operations.

g. ground water and surface water impacts - collecting and analyzing water and gas samples from existing water wells, springs, surface water; installing monitoring wells, collecting samples, and reporting water, gas and pressure data.

h. safety impacts - soil gas surveys, soil gas sampling and analysis; residential crawl space gas sampling and analysis; installing security fencing around wellheads and production equipment.

i. outcrop impacts - performing outcrop gas seep surveys; performing produced water quality analysis; periodic pressure transient testing of high water/gas ratio wells; limiting water production in wells with anomalously high water rates and water/gas ratios.

j. wildlife impacts - limiting drilling and completion operations during certain seasonal time periods when specific site conditions warrant.

The Department indicated that these types of conditions are placed on permits within the current regulatory structure. The Department proposes hiring staff with an environmental science background that would be better able to identify and analyze the need for these types of conditions than the current staff employed by the OGCC. At the budget hearing, the Department argued that decision item #1 was unrelated to the passage of H.B. 07-1341 and H.B. 07-1298.

The Department indicates that budget amendment #1a does reflect their projection of upcoming changes in the regulatory environment attributable to H.B. 07-1341 and H.B. 07-1298. House Bill 07-1341 required the OGCC to promulgate rules in consultation with the Department of Public

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Health and Environment to protect the health, safety, and welfare of the general public in the conduct of oil and gas operations. Meanwhile, H.B. 07-1298 directs the OGCC to work with the Division of Wildlife to "minimize adverse impacts to wildlife resources affected by oil and gas operations" by, among other things, "encouraging operators to utilize comprehensive drilling plans and geographic area analysis strategies to provide for orderly development of oil and gas fields" and "minimizing surface disturbances and fragmentation in important wildlife habitat by incorporating appropriate best management practices."

As explanation for why the legislature was not alerted to the impact of these two bills on the cost of the permit review and inspection process, the Department provided the following:

The budgetary impact of the bills was not well understood [by the Department] during the legislative session or in time to include in the November 1, 2007 budget request. The Department's fiscal note for HB 07-1298, however, indicated that if the process of consultation with the Division of Wildlife (DOW) resulted in a major revision of OGCC regulations it would likely result in very prescriptive permitting and enforcement requirements that would call for a major modification in information technology infrastructure along with increased permitting and compliance resources.

The OGCC has not finalized any rules related to H.B. 07-1341 and H.B. 07-1298 and indicates, "there is a long process ahead." However, the Department says that the "initial pre-draft" rules call for a new step in the permitting process that requires an operator to submit an Intent to Locate an Oil and Gas Facility. In reviewing this application, called Form 34, the Department would look at the location of the operation, the acres of surface disturbance, and the ancillary facilities, for impacts to public welfare and wildlife.

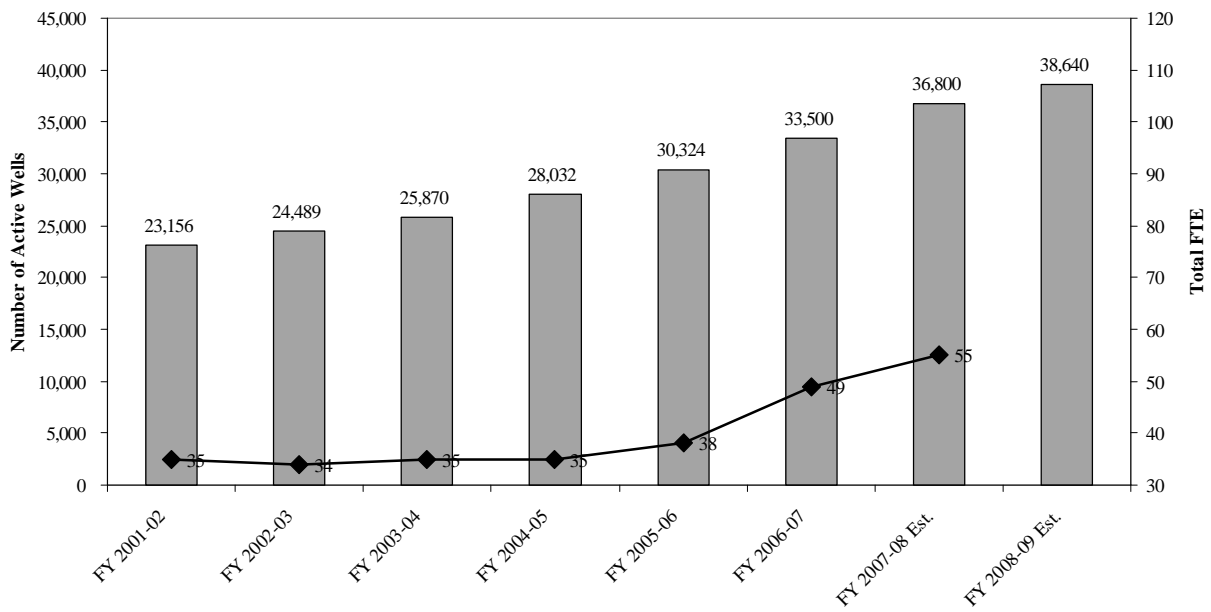
The Department submitted two organization charts to explain how it is moving staff around to address the increase in workload and the changes in regulatory emphasis. Attachment B shows how the OGCC is currently organized. Attachment C illustrates the proposed new organization and where the FTE requested in decision item #1 and budget amendment #1a fit.

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Staff Recommendation: Staff recommends the department's request with modifications. The tables below illustrate the growth in workload for the OGCC over the last few years, and how the workload for the OGCC in Colorado compares to similar agencies in other states.

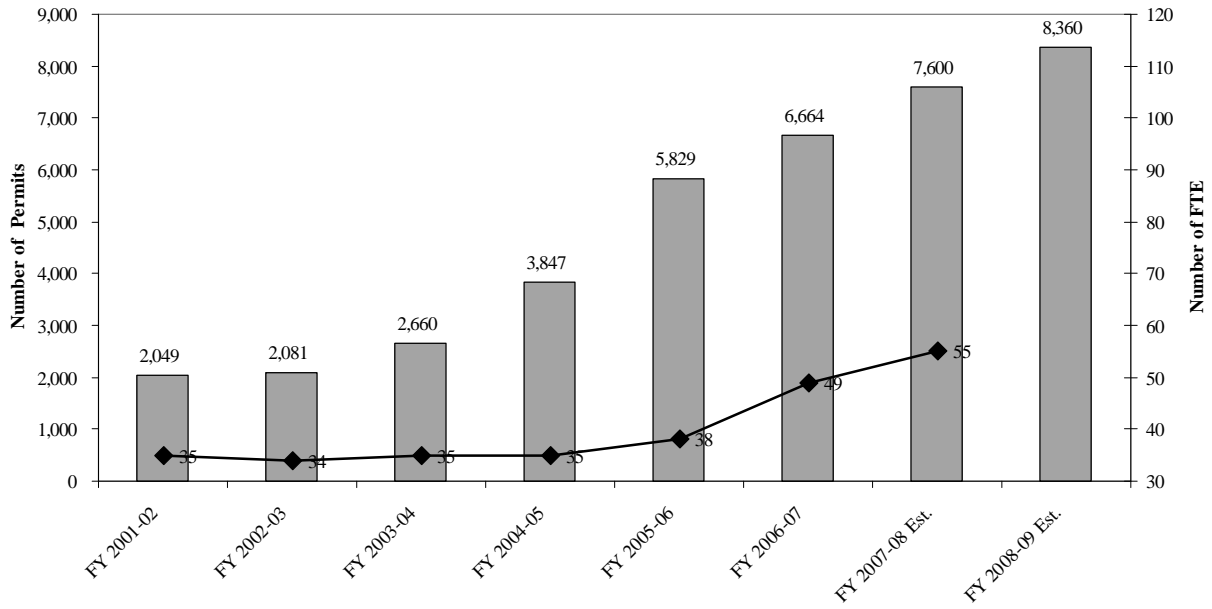
Active Well Count and OGCC Staff



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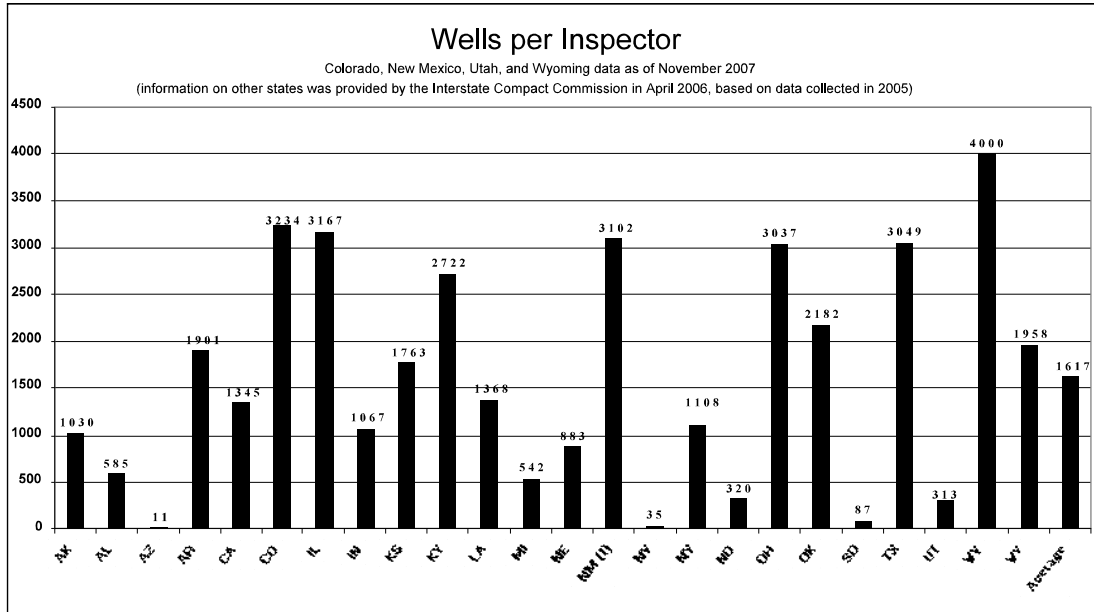
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Oil & Gas Well Permitting Activity & OGCC Staff



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The trend in both active wells and permits shows an increasing workload for the OGCC staff. If the JBC wants to maintain service levels, an increase in FTE is needed. If the JBC wants to catch up with the explosive growth that has occurred over the last few years and return to the service levels achieved in say FY 2003-04 or FY 2004-05, when the industry really started to take off, then a large increase in FTE is needed.

Staff asked the Department to divide the OGCC staff into fixed and variable FTE. The fixed FTE are positions like the director, budget analyst, accountant, and other positions that wouldn't need to increase with every incremental increase in workload. The variable FTE are those that touch the permits and do the inspections, and the administrative FTE that directly support them. The table below shows the results if the JBC chose FY 2003-04 or FY 2004-05 as the target baseline. The Department's request for 21.0 new FTE falls somewhere in between the service levels achieved in those two years.

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	Variable FTE	# permits	permits/ variable staff
FY 03-04	25	2,650	106
FY 04-05	26	3,847	148
FY 08-09 w/ existing staff	40	8,360	209
Increase to reach FY 03-04 permits/variable staff	39		
FY 08-09	79	8,360	106
FY 08-09 w/ existing staff	40	8,360	209
Increase to reach FY 04-05 permits/variable staff	16		
FY 08-09	56	8,360	148

Staff believes that a case could be made that the Department needs the number of additional FTE requested based simply on caseload, without taking into consideration any changes in regulatory policy.

Staff then looked at the current average salary per variable FTE identified by the Department. The current average salary per variable FTE, not including benefits, is \$68,702 compared to the average salary of the positions in the Department's decision items of \$69,042. The difference of \$340 per FTE is partially attributable to the Department's proposal to hire primarily staff with a background in environmental science, rather than staff with a mix of skill sets equal to the current mix for the variable staff.

If the average cost per FTE to staff the OGCC with environmental scientists were equal to or less than the cost to staff the OGCC with engineers, then the Department could convert a caseload increase based on engineers into a caseload increase with environmental scientists. Whether the JBC members endorse the Department's new regulatory emphasis or not would be immaterial, since the appropriation level wouldn't prevent the Department from implementing it. The appropriation includes FTE and dollars, but it doesn't control the type of FTE. The JBC would need to parse the appropriation up into lots of little line items, or write a prescriptive footnote (that would probably be vetoed for attempting to administer the appropriation) if it wanted to control the type of FTE hired by the Department.

Staff believes that this scenario applies to the decision item if the JBC adopts the staff recommended modifications. The Department requested new staff based on the Department of Personnel's proposed FY 2008-09 minimum salary for the range associated with each position. For select positions where the Department believes that it competes with the oil and gas industry to hire employees, the Department inflated the minimum salary for the range by some percentage (for most

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of the positions it was either 25 or 30 percent). The Department argues that salaries in the oil and gas industry are increasing so rapidly that the salary survey is not keeping up, and OGCC can't hire staff at less than 25 or 30 percent of the FY 2008-09 minimum range. However, the common policy adopted by Legislative Council Staff (in consultation with the JBC staff) for calculating the salaries of new FTE added through legislation uses the FY 2007-08 (as opposed to FY 2008-09) minimum salary for the range. This approach builds in a vacancy factor of a sort for new positions, similar to the 1.0 percent base reduction that the JBC applies to the base salaries for each department. It also doesn't presume anything about what the General Assembly will approve for the salary survey. The JBC has chosen to provide higher starting salaries for the OGCC than the common policy in the past. However, for FY 2008-09 staff recommends that the JBC follow the common policy.

The second modification that staff recommends to the Department's request is to downgrade three supervisory positions the Department proposed creating in the new compliance section. In the Department's new organization chart, there are 16 people under the compliance manager. While these FTE are spread out around the state, staff is not sure that there needs to be three deputies in the compliance section. Of the new staff proposed for the OGCC by the Department, 7.0 are described as managers (albeit working managers) and 14.0 are described as front-line staff. The staff recommendation is to downgrade 3.0 Engineering/Physical Scientist Tech III positions to Tech II positions for purposes of calculating the total appropriation.

With these two modifications, the average salary for new FTE recommended by the JBC staff is \$52,786, versus the current average salary for the OGCC variable staff of \$69,042. This is a large reduction from the request. However, staff recommends a somewhat offsetting increase to include estimated expenditures for health, life and dental, and short term disability. The Legislative Council Staff common policy provides health, life and dental and short-term disability expenses for large increases of more than 20.0 FTE.

The fourth modification staff recommends is for legal services. The Department's budget amendment #1a includes 665 hours and \$48,000 for legal services for "post-rulemaking advice, counsel, and representation." The Department indicates that there will be hearings after the initial rule-making to determine how to apply the new regulations to specific situations and scenarios that arise that were not foreseen, or are contested by oil and gas operators. In addition, the Department anticipates that there may be litigation surrounding the rules. While the fiscal notes for H.B. 07-1341 and H.B. 07-1298 did not address potential permitting and inspection costs of the Department, they did address one-time costs associated with the rule-making. Nothing was included for "post-rulemaking advice, counsel, and representation." If the new rules are so controversial after the public hearing process that the Department is in need of these services, then the Department may want to

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consider whether the new rules are within the scope of the legislative intent in H.B. 07-1341 and H.B. 07-1298.

The final modification is to adjust the fund sources. The Department proposed that the entire increase be financed from the Oil and Gas Conservation and Environmental Response Fund. The Department projects that based on increased drilling activity the revenues to the Oil and Gas Conservation and Environmental Response Fund will be sufficient to fund the increase in FTE without necessitating an increase in the mill levy rate. However, Section 39-29-109 (1) (c) (II), C.R.S. says that in determining how to use severance taxes appropriated for OGCC, the commission should give priority to uses that reduce industry fees and mill levies. Staff is concerned that financing the increase in FTE from the Oil and Gas Conservation and Environmental Response Fund may be inconsistent with this statute. The staff recommendation is to use the current ratio of financing for the line item with 46 percent from the Operational Account of the Severance Tax Trust Fund and 54 percent from the Oil and Gas Conservation and Environmental Response Fund. All of the components of the staff recommendation on the decision item are summarized in the table on the following page.

Summary of Decision Items #1, #1a and #6a

Function	Location	Job Class	Rate	Department		DI #1	BA #1a	BA #6a	Vehicles	FY 2007-08 Range Min	JBC Staff	
				FTE	Dollars						FTE	Dollars
Application Programer	Denver	IT Professional II	4,544	1.0	54,528		54,528			4,336	1.0	52,032
Network Administrator	Denver	IT Professional II	4,544	1.0	54,528		54,528			4,336	1.0	52,032
GIS Administrator	Denver	Phy Sci Res/Scientist III	7,479	1.0	89,747		89,747			5,584	1.0	67,008
Site permit review, new form 34	Denver	Engineering/Physical Scientist Tech I	4,930	2.0	118,310		118,310			3,681	2.0	88,344
Bond administrator	Denver	Program Assistant I	2,994	1.0	35,928		35,928			2,857	1.0	34,284
Engineering review of drilling permit/well	Rifle	Professional Engineer I	7,123	1.0	85,472		85,472			5,318	1.0	63,816
Admin support enviro program	Denver	Engineering/Physical Scientist Tech I	4,740	1.0	56,880	56,880				3,681	4.0	176,688
Supervisor environmental permit review	Denver	Environmental Protection Specialist II	7,479	1.0	89,747		89,747			5,584	1.0	67,008
Environmental review of site permit/locati	3 Denver, 1 Rifle	Environmental Protection Specialist II	6,464	4.0	310,252	310,252			1	4,826	4.0	231,648
Manager of new compliance section	Denver	Environmental Protection Specialist IV	8,431	1.0	101,166		101,166			6,295	1.0	75,540
Regional supervisors of compliance sectio	Regional	Engineering/Physical Scientist Tech II	5,434	3.0	195,624		195,624		3	4,057	0.0	0
Compliance inspectors with enviro empha	Regional	Environmental Protection Specialist I	5,369	4.0	257,700	257,700			4	4,169	4.0	200,112
Subtotal Salaries				21.0	1,449,882	624,832	825,050	0			21.0	1,108,512
PERA				10.15%	147,163	63,420	83,743					112,514
Medicare				1.45%	21,023	9,060	11,963					16,073
Personal Services				21.0	1,618,068	697,313	920,756	0			21.0	1,237,099
	Denver	Records Administrator Contract	2		67,434			67,434				67,434
	Denver	Permit/Compliance Technician Contra	3		295,464			295,464				295,464
		On-going Operating			59,230	32,290	26,940					59,230
		One-time Capital Outlay			64,438	27,619	36,819					64,438
Program Costs line item				21.0	2,104,634	757,222	984,515	362,898			21.0	1,723,665
<u>Executive Director's Office</u>												
		Health, Life & Dental (OGCC average)	5,148		0							108,108
		STD	0.13%		0							1,441
		AED	1.6%		23,198	9,997	13,201					17,736
		SAED	0.75%		10,874	4,686	6,188					8,314
		Legal Services	665 hrs		48,000	0	48,000					0
		Vehicle Lease Payments	\$367.35/month		11,268	6,860	4,408		8			11,268
		Leased Space	4,103 SF@\$21		86,163	0	86,163					86,163
TOTAL				21.0	2,284,138	778,765	1,142,474	362,898			21.0	1,956,695

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The staff recommendation for the line item is summarized in the table below. In the old budget format, a portion of the money from the Oil and Gas Conservation and Environmental Response Fund was characterized as a cash funds exempt expenditure from a reserve. In the new budget format, all appropriations from the Oil and Gas Conservation and Environmental Response Fund will be categorized as cash funds.

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 2007-08 Appropriation	4,862,467	2,218,182	2,644,285	53.0
Salary Survey	128,888	128,888	0	
Base-building Performance Pay	41,571	41,571	0	
Common policy -1.0 percent base PS reduction	(44,076)	(21,034)	(23,042)	
One-time costs for FY 2007-08 new FTE	(357,104)	(12,315)	(344,789)	
DIs #1, #1a, and #6a	1,723,665	792,886	930,779	21.0
Total Recommendation	6,355,411	3,148,178	3,207,233	74.0

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 funds from the EPA.

Request: The Department requests \$96,559 federal funds and 2.0 FTE based on the anticipated federal funds.

Staff Recommendation: **Staff recommends reflecting \$96,559 federal funds and 2.0 FTE for FY 2008-09.** This federal funds figure represents the anticipated grant.

Plugging and Reclaiming Abandoned Wells

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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. In FY 2005-06 the Department claimed 25 wells, and in FY 2006-07 it reclaimed 32 wells.

Request: The Department requests \$220,000 spending authority from the Oil and Gas Conservation and Environmental Response Fund, which is identical to the FY 2007-08 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 widely. 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.

This line item was increased in the 2006 session, and the line item was renamed to include complaint resolutions. Prior to 2006, this line item provided emergency funding for various problems that arose. In 2006, the General Assembly approved a new line item for responding to emergencies.

Request: The Department requests \$312,033 from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2007-08 appropriation.

Staff Recommendation: **Staff recommends approval of the request for a continuation appropriation of \$312,033 cash funds.** Although the Department reverted funds in FY 2006-07, the Department has spent all by \$51,767 of this appropriation through December of 2007. Given the recent decision by the General Assembly to increase this appropriation, and the high rate of usage in FY 2007-08, staff assumes that the General Assembly will want to continue funding into FY 2008-09.

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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. Examples include the following:

- \$50,000 in FY 2003-04 for EnCana West Divide Creek leak;
- \$70,000 for FY 2004-05 for additional complaints/workload demand;
- \$200,000 in FY 2004-05 for initial research on the La Plata County natural gas explosion; and,
- \$908,445 in FY 2005-06 for drilling on the La Plata County natural gas explosion.

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 substantial increase in drilling activities combined with the encroachment of residential and commercial development resulted in additional emergencies that required immediate funding. Footnote 104 attached to the line item requires the Department to submit a report detailing expenditures.

104 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. The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

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Emergency	Description	FY 2006-07 Expenditures
Trinidad - Methane Gas Leak and Explosion Response	The OGCC conducted an emergency response investigation to determine the causes of an April 17, 2007 methane gas explosion that destroyed a residential structure and injured three construction workers. Soil gas testing, water well testing and geologic mapping were conducted to identify the source of methane gas, which was ultimately traced to a plugged and abandoned oil and gas well located beneath the structure. After determining that the well was not properly plugged, the OGCC submitted a Notice of Alleged Violation to the operator.	\$71,904

Staff Recommendation: **Staff recommends continuation level funding.** The Department appears to be using the appropriation as intended and has not abused the spending authority. In the old budget format, the appropriation was identified as a cash funds exempt expenditure from reserves. In the new budget format, the appropriation will be characterized as reappropriated funds.

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:

105 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies. The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

In response to the footnote, the Department submitted the following report:

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Special Study/ Project Name	Description	FY 2006-07 Expenditures
Soil Gas Surveys of Environmental Response Fund Projects	The OGCC conducted soil gas surveys at the sites of 194 orphaned wells that had been previously plugged and abandoned by the agency. Of those sites, four were found to be leaking methane gas. Follow-up investigations are currently underway. The OGCC will remediate these sites, as needed, to ensure the protection of public health, safety and welfare.	\$144,327
Moffat County Baseline Water Quality Study	Recent permitting for coalbed methane wells in southeast Moffat County generated the need for baseline ground water quality data. Twenty-five water wells, in Townships 6 and 7 North, Range 92 West, 6th P.M., were sampled for general water quality parameters, dissolved methane concentration, benzene, toluene, ethylbenzene, and xylenes. The final report of this study was posted on the OGCC's website in August 2007. Total cost was \$24,902 (\$4,965 in FY 2006-07 and \$19,937 in FY 2007-08).	\$4,965
Ogallala Baseline Water Study - Washington and Yuma Counties	Increased natural gas drilling activity in northeast Colorado generated the need for collecting baseline ground water quality data. Water samples were collected from 75 water wells throughout Washington and Yuma counties. These samples were tested for general water quality parameters, dissolved methane concentration, benzene, toluene, ethylbenzene, and xylenes. The final report of this study is expected to be available on the OGCC's website in early November, 2007.	\$90,979
Impacts of Oil and Gas Development on Wildlife	The OGCC and the Division of Wildlife (DOW) produced a video that demonstrates efforts by the oil and gas industry, the DOW, and the OGCC to mitigate impacts to the state's wildlife. It was designed to educate the public, operators, and local governments about techniques that can be used by oil and gas operators to protect wildlife habitat and mitigate energy development-related impacts. The video is currently undergoing final editing by the Department of Natural Resources' staff.	\$25,000
TOTAL Expenditures		\$265,271

Request: The Department requests continuation level funding for FY 2008-09.

Staff Recommendation: Staff recommends continuation level funding. Most of the items in the report appear to be consistent with legislative intent, although staff is unsure whether the last item (the video promoting best practices for mitigating impacts on wildlife) complies.

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Piceance and D-J Basin Water Studies and Environmental Data Tool Development

Description: In FY 2005-06, the Department was appropriated \$300,725 from the Oil and Gas Conservation Environmental Response Fund to fund special environmental projects in the Piceance Basin (Garfield County) and D-J Basin (Weld County) over the 2005-06 and 2006-07 fiscal years (by footnote). The Oil and Gas Conservation Commission indicated that the funding would be for water studies and environmental data tool development. The following projects were included: a ground water quality study for Garfield county (Piceance Basin); expansion of ground water quality baseline data and produced gas data in the Weld County (Denver-Julesburg Basin); and development of reporting and query tools. The funding was based on the significant increase in active oil and gas wells in these two basins. Oil and gas are produced from at least five different geologic formations. With wells drilled into any or all of these formations, there can be more than 20 wells in one section (one square mile) of land. Since 1999, the number of active wells in Weld County has growth 26 percent (9,500 to 12,000). The Division wanted to be proactive in these two active basins and wants to document baseline data/conditions. Existing conduits for migration of hydrocarbons from oil and gas reservoirs to ground water aquifers, water wells, surface water, or ground surface should be identified and eliminated whenever possible. The funding was intended to give the Division the tools to optimize production while minimizing impact to the environment, minimize surface and operator conflict, determine strategies for minimizing and mitigating impacts when they do occur, and responding to claims and investigating ground water contamination claims. Although only \$46,525 was spent in FY 2005-06, the Department received roll forward authority for the unspent balance of \$254,200 cash funds.

Request: The Department did not request funding for FY 2008-09.

Staff Recommendation: Staff does not recommend funding as this line item was for a one-time expenditure.

Phase II Raton Basin Gas Seep Investigation

Description: This new line item was approved for FY 2006-07 to fund a study on the Raton Basin. The Commission received a one-time appropriation of \$188,625 from the Oil and Gas Conservation and Environmental Response Fund to fund a second phase of gas seep mapping in the Raton Basin over the FY 2006-07 and FY 2007-08 period. The first phase was in FY 2000-01 and FY 2001-02. The results of the study will be compared to the results from the FY 2000-01 and FY 2001-02 baseline seep mapping to determine whether changes in location or volume of gas seepage are occurring.

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To produce coalbed methane, the water that occurs in the coal seams must also be removed; the dewatering decreases the pressure in the formation and allows the gas to desorb from the surface of the coal. As more wells are drilled and more water removed, the formation pressure continues to decrease, allowing more gas to desorb from the coal seams. This causes an increase in the potential for gas to seep from the outcrop of the coal seams.

Request: The Department did not request funding for FY 2008-09.

Staff Recommendation: Staff does not recommend funding as this line item was for a one-time expenditure.

Hearing and Environmental Record Imaging and Indexing

Description: This line provided \$96,995 cash funds from the Oil and Gas Conservation Fund in FY 2004-05 for scanning, reviewing, and indexing documents. The initiative was funded to allow the Division to eliminate the need for paper records. An expenditure appears in FY 2005-06 due to a roll-forward.

Request: The Department did not request funding in FY 2008-09,

Staff Recommendation: Staff does not recommend funding in FY 2008-09 as this line item was for a one-time expenditure.

Data Cleanup Project (new line)

Description: Funding was provided from the Operational Account of the Severance Tax Trust Fund on a one-time basis in FY 2007-08 to hire four temporary workers to clean up data that was migrated from an old database to a new Internet enabled information management system, including: (1) well data, including location, geologic data, engineering data, environmental data, and reclamation data; (2) commission orders including new and amended rules, consent orders, and orders finding violation of rules adopted by the Commission; (3) pit records that includes environmental and construction information on drilling, production; and (4) spills and complaint data provided by oil and gas operators related to releases from their operations.

Request: The Department did not request funding in FY 2008-09.

Staff Recommendation: Staff does not recommend funding in FY 2008-09 as the FY 2007-08 appropriation was for a one-time expense.

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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 \$2,003,400 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 2008-09 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: The staff recommendation on the Department's indirect cost plan will be presented during figure setting for the Executive Director's Office.

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(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 dollars generated by the school lands are available to the General Assembly to distribute to schools through the School Finance Act. Excluding interest, revenues generated from leases, royalties, and other returns, generated approximately \$61.2 __ million in FY 2006-07.

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's request includes decision item #9 for \$90,585 (\$86,923 for this line item) from the State Land Board Trust Administration Cash Fund and 1.0 FTE to provide dedicated management of the Stewardship Trust. The Department also requested continuation level funding for the base, calculated pursuant to the OSPB budget instructions.

The 1996 amendment to the Colorado Constitution that established the Stewardship Trust requires the State Land Board to manage it ". . . to maximize options for continued stewardship, public use, or future disposition, by permitting only those uses, not necessarily precluding existing uses or management practices, that will protect and enhance the beauty, natural values, open space, and wildlife habitat, thereof . . ." The Department argues that the language of the amendment calls for "active management" of the Stewardship trust lands in a manner that is different from the way other lands held by the State Land Board are managed.

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The Department plans to start with an assessment of the Stewardship Trust properties, followed by a management plan for each property. As an example of the type of management plan that might be developed for Stewardship Trust land, the Department indicated that a management plan might call for developing water resources to increase the value of the property as wildlife habitat and increase the revenues from wildlife-related recreation and recreational leases.

The Department believes that baseline inventories and ongoing documentation of the quantity, diversity, and health of wildlife on the Stewardship Trust properties could help protect the State Land Board against potential litigation. The Department also wants to track vegetation resources, archaeological and paleontological features. The 1.0 FTE requested by the Department is for a physical science researcher/scientist. In addition, decision item #9 includes \$25,000 for contract services for specialized research and analysis to supplement the work of the in-house FTE.

Staff Recommendation: **Staff recommends continuation level funding with no increase for decision item #9.** Staff has concerns that the Department's proposal for "active management" of the Stewardship Trust lands may actually increase the risk of litigation, rather than reduce it. Staff suspects that some proponents of the Stewardship Trust amendment may feel that passive management, or leaving the land alone, is more consistent with the goals of the Stewardship Trust than developing it, as the Department proposes, for wildlife-related recreation and recreational leases (which staff interprets to mean boating, fishing, hunting, hiking, camping, and lodging).

Staff believes that the State Land Board needs to maintain specific policies for managing the Stewardship Trust lands. If the State Land Board feels that the current policies need updating or bolstering, staff believes this could be accomplished through a one-time effort, without need for an on-going FTE. Furthermore, staff believes a one-time revision of management policies could be accomplished within existing resources.

Finally, if program costs for the State Land Board are to be increased, staff believes that a higher priority would be improving the analysis tools used for prioritizing sales, purchases, trades, and property improvements. For example, the State Land Board has identified a need for a tool to calculate a rate of return for properties that includes appreciation. It is currently working with graduate students at Colorado State University to develop such a tool. Staff believes that increasing the capacity of the State Land Board to develop and maintain analysis tools like this would do more for school revenues than playing defense against a lawsuit that may never materialize.

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Part of the staff recommendation for continuation level funding includes a decrease of \$12,020 for one-time costs associated with three decision items approved last year. All of the components of the staff recommendation for the line item are summarized in the table below.

Summary of Recommendation (3) State Land Board Program Costs — Department of Natural Resources		
	Cash Funds	FTE
FY 2007-08 Appropriation	3,695,905	38.0
Salary Survey	30,802	
Base-building Performance Pay	25,529	
Common policy -1.0 percent base PS reduction	(30,054)	
One-time costs in FY 2007-08	<u>(12,020)</u>	
FY 2008-09 Recommendation	3,710,162	38.0

In the old budget format, the appropriations from land sales, mineral royalties and bonuses from non-renewable mineral resources such as oil, gas, and coal were characterized as cash funds exempt. In the new budget format, all appropriations for the State Land Board will be characterized as cash funds.

State Trust Land Evaluations and Trust Asset Management and Analysis

Description: This line item provided funding to allow the State Land Board to manage its lands effectively, with the overriding goal of increasing revenues. This line also funded the property maintenance expenditures of the State Board of Land Commissioners. Property expenses were paid from this line, such as cost sharing with lessees for fence building, windmill repair, noxious weeds (at least \$150,000). Other expenditures included buying water rights, appraisals, costs to conduct land transactions, travel costs for district managers. In FY 2007-08, the JBC consolidated the funding for this line with the Program Costs line item.

Request: The Department did not request funding in FY 2007-08.

Staff Recommendation: Staff recommends no funding in FY 2007-08 as this appropriation has been consolidated in the Program Costs line item.

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

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FOOTNOTES

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

102 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 2009-10, 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.

103 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 2009-10~~ FY 2010-11, 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.

104 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. ~~The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.~~

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Comment: All but the last sentence of this footnote sets forth the purpose, conditions, and limitations of the line item. The last sentence requests a report and would more appropriately be included in the reports letter.

- 105 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies. ~~The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.~~

Comment: All but the last sentence of this footnote sets forth the purpose, conditions, and limitations of the line item. The last sentence requests a report and would more appropriately be included in the reports letter.

Staff recommends **elimination** of the following footnotes:

- 103a Department of Natural Resources, Oil and Gas Conservation Commission, Program Costs** -- It is the intent of the General Assembly that, of the 4.0 new FTE approved for FY 2007-08, 1.0 FTE be located in Rifle for enforcement purposes.

Comment: This footnote may be in contradiction of the JBC's headnote bill that prohibits footnotes in the Long Bill that, "contain any provision of substantive law, any provision requiring or requesting that any administrative action be taken in connection with any appropriation, or set forth any other statement of explanation or expression of legislative intent relating to any appropriation."

Staff recommends the following written requests for information:

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

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