

AGENDA

DEPARTMENT OF NATURAL RESOURCES: BUDGET HEARING

Wednesday, November 28, 2007
1:30 p.m. to 5:00 pm

1:30 - 2:00 **EXECUTIVE DIRECTOR'S OFFICE**
(Questions 1 through 8 are common questions asked of all departments)

Departmental Goals and Objectives

1. What are your department's principal goals and objectives? What are the metrics by which you measure success or failure?
2. Given the change in the Administration, have there been any changes to your department's principal goals and objectives since last year?
3. What progress did you make during the last year in achieving your goals?
4. How is the additional money provided to your department in FY 2007-08 being used to achieve your goals? What improvements is your department making in its outputs?
5. Please identify your department's 3 most effective programs and your 3 least effective programs. Explain why you identified them as such. Explain how your most effective programs further the department's goals.
6. Are there programs that your department is required to perform that do not further your department's goals or have outlived their usefulness? If so, what are they and by whom are they required? Why don't they further your department's goals?

Costs and savings from complying with specific bills and orders

7. What are your department's anticipated costs, anticipated savings, and potential benefits from complying with Executive Order D 028 07, Authorizing Partnership Agreements with State Employees?
8. Provide an estimate of the costs your department will incur in FY 2007-08 in carrying out the provisions of H.B. 06S-1023. Provide an estimate of your department's savings in FY 2007-08 as a result of not providing services to individuals who are in the country illegally.

Severance Taxes and the Operational Account

9. How could the legislature improve its process for distributing funds from the operational account and its process for ensuring that annual expenditures do not exceed available funds?
10. Are the current reserve requirements for the operational account sufficient to ensure that funds are available for the ongoing obligations?
11. Should stripper wells continue to be exempted from the severance tax, and why?

Statewide Decision Items - Vehicle Replacement Request

12. How does this request relate to number of vehicles requested last year? How many vehicles were requested to be replaced, how many were actually replaced?
13. Please explain how the \$233,033 cost for 200 vehicle replacements was calculated? Why is the number so low?

2:00 - 2:20 DIVISION OF RECLAMATION, MINING, AND SAFETY

14. What is the status of in situ uranium mining and permitting? Please describe the Department's efforts to establish safeguards for public health and the environment.
15. The Department's decision item #6 is for \$342,000 spending authority from severance tax funds for each of the next five years for reclamation work at forfeited mine sites. What is the Department doing to clean up these mine sites? Is this request just for cosmetic landscaping, or is there environmental remediation?
16. How does the reclamation work relate to cleaning up superfund sites?
17. What are the mine sites that the Department will remediate with the funding over the five year period? Which of the sites will be prioritized for work in FY 2008-09?
18. How much money is available from bonds for the cleanup of these sites?
19. The FY 2007-08 budget included 1.0 FTE and \$76,210 severance tax funds for reviewing oil shale permits. Please provide an update on oil shale development including how the funding has been used to date and whether funding should continue into the future.

2:20 - 2:40 COLORADO GEOLOGICAL SURVEY

20. The Department's decision item #8 is for 1.0 FTE and \$72,392 severance tax funds to investigate geothermal energy resources in Colorado. Hasn't the mapping of geothermal resources already been done by groups like the Idaho National Laboratory? How will this decision item increase the likelihood that geothermal resources will be developed in Colorado?

21. The Department's decision item #12 is for 1.0 FTE and \$72,392 severance tax funds to study and promote opportunities for carbon sequestration in Colorado. Does the Department have reason to believe that state or federal rules will require carbon sequestration in the near future?
22. Please describe the Department's involvement with the Southwest Regional Partnership that is studying carbon sequestration, and how this decision item will expand on that work.
23. Does the Department anticipate that sequestering carbon will present an economic opportunity for Colorado businesses? Will industrial producers of carbon pay to have it sequestered? How would businesses sequestering carbon be regulated (local versus state versus federal) and taxed (property taxes or business income or something else)?
24. What impact does sequestering carbon have on the environment? Does carbon interfere with potential mineral and energy development either in the formation where it is sequestered or in neighboring formations?

2:40 - 3:00 **OIL AND GAS CONSERVATION COMMISSION**

25. The Department's decision item #1 is for 9.0 FTE and \$778,768 from the oil and gas mill levy, including 4.0 permit staff, 4.0 enforcement staff, and 1.0 administrative support staff. All of the FTE will have a background in environmental sciences and will specifically focus on environmental issues that the Department indicates are not currently being addressed in the permitting and inspection process. What data does the Department have about problems with oil and gas operations to suggest that this additional environmental review is necessary?
26. The JBC staff budget briefing included a list (pages 47 and 48) of potential new conditions identified by the Department that may be applied to oil and gas permits if decision item #1 is approved. For each of these potential new conditions, please discuss the reason the condition might be necessary.
27. Please describe the process the Department will use to determine when one of these potential new conditions will be applied to a particular well permit.
28. Is the OGCC going to issue new environmental rules? Does decision item #1 amount to a legislative referendum on proposed rules of the OGCC?
29. How many oil and gas permitting staff does the Department currently employ? How many oil and gas enforcement staff does the Department currently employ? What percentage increase in the staffing level does decision item #1 represent?
30. Please provide workload data on permits and wells compared to the number of staff over the last five years. How does the workload per employee in Colorado compare to similar states?

Compare the permit and inspection review process in Colorado to other states. Is the permit and inspection review process in Colorado more or less stringent, or about the same? Are the conditions placed on operators similar?

31. Please provide a job description for the proposed new FTE.
32. What is the role of local governments in authorizing and overseeing oil and gas operations?
33. How will the legislature's decision to approve or disapprove decision item #1 impact the oil and gas mill levy rate?
34. Section 39-29-190 (1) (c) (II), C.R.S. says that in using severance taxes appropriated to the OGCC, the Department shall give priority to uses that reduce industry fees and mill levies. Why has the Department requested that decision item #1 be paid for from the mill levy rather than severance taxes?

3:00 - 3:20 **BREAK**

3:20 - 3:40 **STATE LAND BOARD**

35. Why can't the State Land Board currently estimate the value of the lands that it controls and a rate of return? Please describe the efforts of the State Land Board to develop a model for estimating the value of the lands and when the model will be complete?
36. What is the rate of return earned by land boards in similar states? How do the earnings of Colorado's land board compare?
37. Which properties are under-producing in terms of cash and appreciation value, and what is the State Land Board doing to identify these properties and improve production?
38. The Department's decision item #9 is for 1.0 FTE and \$90,585 from the Land Board Trust Administration Fund to manage the Stewardship Trust and monitor compliance with provisions in the Colorado Constitution governing the Stewardship Trust. Why is this a priority now, 11 years after the Stewardship Trust was created? Has something happened to increase the risk of litigation?
39. Why should there be on-going funding to manage the Stewardship Trust rather than one-time funding to establish policies and procedures that are then followed by the existing staff at the State Land Board?
40. Given increased statewide production of oil and gas, why is the State Land Board projecting a decrease in mineral royalties in FY 2008-09?
41. What has the State Land Board accomplished to date with the money provided for the

Investment and Development Fund?

42. Please provide an update on the status of the Lowry Bombing Range project.

3:40 - 4:00 **PARKS AND OUTDOOR RECREATION**

DI #5

43. Why is the Department requesting an increase for utilities when the OSPB common policy states that there will be no statewide increases for utilities? Please justify the need for an increase in utilities. Is DNR different from other departments? Why are utility costs an issue for DNR and not other Departments? Does the current Common Policy setting mechanism for the operating line, as it relates to utilities, work?

4:00 - 4:20 **COLORADO WATER CONSERVATION BOARD**

DI #2

44. Did the bill authorizing this program address the required fiscal impact? Were the bills that required these amounts initiated by the Department or the Legislature?

DI #13

45. Does moving from contract to permanent FTE represent a change in philosophy that indicates the roundtables are more permanent in nature than intended by the original legislation?

Colorado Water Conservation Board (CWCB) FTE Issue

46. Discuss the various relevant recent legislation that affects the workload of the Water Conservation Board in the areas of drought planning, stream gaging and water supply (H.B. 04-1365, S.B. 05-84, H.B. 05-1254, H.B. 05-1177, S.B. 06-179, H.B. 06-1400, S.B. 07-8, S.B. 07-122, and any other relevant bills). In particular, is the current process for estimating workload related with new legislation working and accurate, if not, is there a better way for the Department to communicate potential workload increases associated with new legislation.
47. Discuss the new FEMA drought mitigation requirements and any federal funds that may be available to Colorado related to drought mitigation/planning. If there are funds available, what is the Department doing to acquire the funds?

4:20 - 4:40 **WATER RESOURCES DIVISION**

DI #3

48. What is the current reimbursement rate for personal vehicle use (2 wheel as well as 4 by 4)? Please provide reimbursement rates for use of personal vehicle going back 8 years.

49. If we are saving money by adding new vehicles, are we experiencing a net savings? If so, what is the savings and how is it reflected in the decision item? If not, is it cost avoidance? If it is cost avoidance, how does that work?
50. Why is it becoming more cost effective to use fleet vehicles than to utilize personal vehicles? Please justify the request.

Republican River Compact Issue

51. Why was the Department not more proactive in the earlier years of the compliance period?
52. If the new rules are contested and do not become effective on July 1, 2008, will the State Engineer be able to continue with a new well measurement program, or is final approval of the rules required before work may commence? What happens if the new rules are appealed in a long litigation by water users?
53. Why do we have to be sued prior to the Department enforcing the laws? What is the department's plan to deal with this so that it does not keep recurring? What can the State do to change the position of state engineer so that this can be taken seriously? How can consequences of illegal use of water be changed so that people who are using water illegally discontinue that practice?
54. If we are looking at potential cost of \$5.0 million for a lawsuit, should we be reserving money now? What source of funding can be used for this?
55. What are the current consequences/penalties for illegal use of water? Are penalties for illegal use of water significant enough to divert people from this practice? Why is the department not doing this now?
56. Over the past 8 years has the State Engineer had a policy to actively pursue people who are diverting water, or, has the State Engineer just been looking the other way while this activity goes on?

4:40 - 5:00 **DIVISION OF WILDLIFE**

DI #16

57. What are the total dollars that are provided for the PEAC program? Provide a breakdown of activities with current funding as well as with requested increase. Provide measures of impact that program is currently making. Provide measures of impact program anticipates making with additional funding.

Grasslands Species Conservation Plan

58. Are measurable outcomes from the Grasslands Species Conservation Plan available? If so, what is the information regarding the loss of prairie wildlife from the reports? Has the Plan

been revised since November of 2003 and should the plan be revised in light of the growth on the Front Range since 2003? How much effort and cost would be involved in revising and implementing a new plan?

59. As of 2007, how many active prairie dog colonies exist in the Front Range, Eastern Plains, Western Slope, and are population estimates conducted for other prairie species such as the burrowing owl, ferruginous hawk, Swainson's hawk, bald eagle or golden eagle?
60. Do protection measures exist for wildlife in developing urban areas? Does a process exist for determining appropriate percentages of natural resources to be maintained in these developing municipalities?
61. Are permits required to exterminate prairie dogs on private and public lands? How does the State assist developers and municipalities in protecting wildlife or finding ways to move wildlife, such as prairie dogs, into protected areas? What is the Department's position on protecting the future of urban wildlife?
62. County commissioners currently exercise control over the relocation of prairie dogs. Should the state have a role as well?
63. If counties reject relocation plans for prairie dogs, should the Division of Wildlife exercise some kind of appellate review? Is this a local control issue without state concern?