HB 26-1112

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1112: REGULATION OF UNDERGROUND INJECTION CONTROL WELLS

Prime Sponsors:
Rep. Paschal; Smith
Sen. Hinrichsen; Simpson

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Bill Outcome: Postponed Indefinitely
Drafting Number: LLS 26-0613

Version: Final Fiscal Note
Date: June 4, 2026

Fiscal note status: The final fiscal note reflects the reengrossed bill. The bill was postponed indefinitely by the Senate Transportation and Energy Committee on May 12, 2026; therefore, the impacts identified in this analysis do not take effect.

Summary Information

Overview. The bill would have allowed the Energy and Carbon Management Commission and the Division of Reclamation, Mining, and Safety to regulate additional classes of injection wells.

Types of impacts. The bill was projected to affect state expenditures beginning in FY 2026-27, and state revenue beginning in FY 2028-29:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. For FY 2026-27, the bill would have required an appropriation of $213,867 to the Department of Natural Resources.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	$0	$0	$1,162,636	$1,073,000
State Expenditures	$247,289	$422,287	$1,162,636	$1,073,134
Transferred Funds	$0	$0	$0	$0
Change in TABOR Refunds	$0	$0	Not estimated	Not estimated
Change in State FTE	1.5 FTE	2.8 FTE	9.0 FTE	9.0 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	$0	$0	$0	$0
Cash Funds	$0	$0	$1,162,636	$1,073,000
Total Revenue	**$0**	**$0**	**$1,162,636**	**$1,073,000**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	$0	$0	$0	$0
Cash Funds	$213,867	$359,356	$956,488	$866,986
Federal Funds	$0	$0	$0	$0
Centrally Appropriated	$33,422	$62,931	$206,148	$206,148
Total Expenditures	**$247,289**	**$422,287**	**$1,162,636**	**$1,073,134**
Total FTE	**1.5 FTE**	**2.8 FTE**	**9.0 FTE**	**9.0 FTE**

Summary of Legislation

The bill allows the Energy and Carbon Management Commission (ECMC) in the Department of Natural Resources (DNR) to regulate class I, class IV, and class V injection wells, and allows the Division of Reclamation, Mining, and Safety (DRMS) to regulate class III injection wells. The ECMC and the DRMS may assess and collect fees and issue permits to cover the costs of regulating these classes of wells. The ECMC and the DRMS may adopt regulations of injection wells stricter than federal requirements if it is necessary to protect public health, safety, and welfare; the environment; and wildlife resources.

The bill also establishes penalties for operators of injection wells that violate rules, permits, authorizations, or orders from the ECMC and the DRMS.

Background

An injection well is used to place fluid underground into porous geologic formations. These wells have a range of uses—such as mining, disposing of waste, and enhancing oil production—and are grouped into six classes. The ECMC already has the authority to regulate Class II and Class VI wells, and the bill gives the ECMC and the DRMS authority over class I, III, IV, and V wells.

Class I Wells

Class I wells are used to inject waste into deep rock formations below the lowermost potential drinking water source. There are currently eight active class I wells in Colorado. Permits for these wells require multiple technical experts to minimize contamination risk to nearby aquifers. This well class is expected to grow, as operators have inquired about converting Class II wells to Class I wells to dispose of broader types of waste.

Class III Wells

Class III wells are used to inject fluids to dissolve and extract minerals. There are currently at least nine Class III wells in Colorado that are all used to mine nahcolite, with a potential increase in these wells if operators pursue other types of solution mining.

Class IV Wells

Class IV wells are shallow wells used to dispose hazardous or radioactive wastes into or above a geologic formation that contains an underground source of drinking water. In 1984, the EPA banned the use of Class IV injection wells. These wells may only operate as part of an EPA- or state-authorized ground water clean-up action. There are currently no Class IV wells in Colorado.

Class V Wells

Class V wells are used to inject non-hazardous fluids underground. There are numerous subtypes of Class V wells, ranging from simple systems such as stormwater drainage wells and certain septic systems to deeper and complex wells used at commercial and industrial facilities. There are currently around 2,800 active Class V wells in Colorado. EPA Region 8 currently oversees 47 active Class V wells in Colorado that require a permit and another 15 that are proposed or under construction.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates the new offense of willfully violating a rule, permit, authorization, or order of the commission related to class I, class III, class IV, or class V injection wells, a misdemeanor. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of violating the statute regarding oil wells and boreholes as a comparable crime. From FY 2022-23 to FY 2024-25, zero offenders have been sentenced and convicted for this existing offense; therefore, the fiscal note assumes that there will be minimal or no additional case filings or convictions for the new offense under the bill. Visit the Fiscal Notes Website for more information about criminal justice costs in fiscal notes.

State Revenue

The bill increases revenue in the ECMC Cash Fund and the Severance Tax Operational Cash Fund in the DNR by $1.2 million in FY 2028-29 and $1.1 million in FY 2029-30 and future years. This revenue is from permitting and regulatory fees collected to cover the costs of the bill, as outlined below.

Fee Impact on Injection Wells

Legislative Council Staff is required to estimate the fee impact of bills that create or increase any fee collected by a state agency. It is estimated that fee collection under the bill cannot begin until FY 2028-29 at the earliest, as the DNR must receive primacy from the EPA to regulate these classes of wells and conduct rulemaking prior to starting state regulation. Fees will be set to cover the direct and indirect costs of regulating the new classes of wells. This fee revenue is subject to TABOR.

The fiscal note assumes that about 2,900 injection wells will be subject to the new fee, based on estimates from the DNR. While the number of wells subject to fees will likely grow prior to the start of state regulation in FY 2028-29, the fiscal note assumes the current number of injection wells in order to calculate the fee impact. These fee amounts are estimates only, actual fees will be set administratively by the DNR based on cash fund balance, program costs, and the number of injection wells subject to the fee. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on Injection Wells

Fiscal Year	Type of Fee	Estimated Fee	Wells Affected	Total Fee Impact
FY 2028-29	Permitting and Regulatory Fees	$401	2,900	$1,162,636
FY 2029-30	Permitting and Regulatory Fees	$370	2,900	$1,073,000

State Expenditures

The bill increases state expenditures in the Department of Natural Resources by about $247,000 in FY 2026-27, $422,000 in FY 2027-28, $1.2 million in FY 2028-29, and $1.1 million in FY 2029-30 in future years, paid from the ECMC Cash Fund and the Severance Tax Operational Fund. The bill also minimally affects workload in the Division of Oil and Public Safety. These costs are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Natural Resources

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Personal Services	$156,662	$286,844	$813,289	$813,289
Operating Expenses	$1,664	$3,200	$11,520	$11,520
Capital Outlay Costs	$14,000	$7,000	$42,000	$0
Vehicle Costs	$0	$0	$21,091	$31,497
Training & Travel Costs (DRMS)	$0	$0	$10,680	$10,680
OIT Programming Costs	$0	$0	$57,908	$0
Legal Services	$41,541	$62,312	$0	$0
Centrally Appropriated Costs	$33,422	$62,931	$206,148	$206,148
FTE – Personal Services	1.3 FTE	2.5 FTE	9.0 FTE	9.0 FTE
FTE – Legal Services	0.2 FTE	0.3 FTE	0.0 FTE	0.0 FTE
Total Costs	**$247,289**	**$422,287**	**$1,162,636**	**$1,073,134**
Total FTE	**1.5 FTE**	**2.8 FTE**	**9.0 FTE**	**9.0 FTE**

Department of Natural Resources

The bill increases costs in the ECMC and the DRMS beginning in FY 2026-27. Costs in the ECMC are paid from the ECMC Cash Fund, while costs in the DRMS are paid from the Severance Tax Operational Cash Fund. These costs, which include staff, vehicles leases, travel costs, legal services, and computer programming necessary to implement the bill, are described below.

Staff

The ECMC requires 1.0 FTE in FY 2026-27, gradually increasing to 8.0 FTE by FY 2028-29 when the ECMC estimates it can begin regulating, inspecting, and issuing permits for class I, class IV, and class V injection wells. Staff in the first two years will perform the work to seek primacy from the EPA, as well as conduct various water-quality activities. Beginning in FY 2028-29, the ECMC will issue permits, and a full inspection team will begin conducting seismicity reviews and mechanical integrity tests, maintaining a mapping system, and monitoring any potential financial assurance requirements placed on well operators. Standard operating and capital outlay is included for all staff.

The DRMS also requires 1.0 FTE beginning in FY 2026-27 to inspect Class III wells, review permits, and monitor compliance.

Vehicles & Travel Costs

New inspection staff will require three state fleet vehicles beginning in FY 2028-29 to perform inspection activities around the state. Vehicles are leased from the Department of Personnel and Administration for around $5,200 annually, plus about $5,300 annually for vehicle operating costs. Inspection staff for the DRMS also requires about $3,000 annually for hotel and travel costs.

Training

Beginning in FY 2028-29, the DRMS requires $7,000 annually to conduct required environmental compliance, inspection, and mine permitting regulation training under the Colorado Mined Land Reclamation Act.

Legal Services

The ECMC and DRMS require 300 hours of legal services in FY 2026-27 and 450 hours in FY 2027-28 to support rules development, facilitate public hearings, assist in necessary legal research, and provide drafting assistance for the primacy application. Legal services are provided by the Department of Law at a rate of $138.47 per hour.

Programming Costs

The bill requires 467 hours of Office of Information Technology programming at a rate of $124 an hour to develop the necessary electronic forms and associated database applications to process and store the data required for regulation and oversight of injection wells.

Division of Oil and Public Safety

The bill may increase expenditures in the Division of Oil and Public Safety in the Department of Labor and Employment to engage in the rulemaking process for new fees. Any workload increase is absorbable with existing resources.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

While a forecast of state revenue subject to TABOR is not available beyond FY 2027-28, the bill increases revenue subject to TABOR and will potentially increase TABOR refunds in the future. Based on the estimated described in the State Revenue section above, the bill may increase TABOR refunds starting in FY 2028-29 and beyond in any year when the state is over its revenue limit. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save for any future years when the state is over its revenue limit.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires an appropriation of $213,867 from the Energy and Carbon Management Cash Fund to the Department of Natural Resources, and 1.3 FTE. Of this amount, $41,541 is reappropriated to the Department of Law, with an additional 0.2 FTE.

State and Local Government Contacts

District Attorneys

Labor

Law

Natural Resources

Public Health and Environment

Judicial

Local Affairs

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.