



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 23-0267 Date: January 27, 2023
Prime Sponsors: Rep. McCormick, Sen. Cutter Bill Status: House Energy & Environment
Fiscal Analyst: Matt Bishop | 303-866-4796, matt.bishop@coleg.gov

Bill Topic: STUDY BIOCHAR IN PLUGGING OF OIL & GAS WELLS

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill creates an advisory group to study the use of biochar in plugging oil and gas wells. It increases state expenditures in the current FY 2022-23 and FY 2023-24, and may increase state revenue and local workload.

Appropriation Summary: For the current FY 2022-23 and FY 2023-24, the bill requires a total appropriation of \$111,200. See the State Appropriations section for detail.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 23-1069

Table with 4 columns: Category, Current Year FY 2022-23, Budget Year FY 2023-24, Out Year FY 2024-25. Rows include Revenue, Expenditures (Cash Funds, Total Expenditures), Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates the Biochar in Oil and Gas Well Plugging Working Advisory Group in the Colorado Oil and Gas Conservation Commission (COGCC). Biochar is a type of charcoal produced by burning organic material in a form that resists decay in order to sequester its carbon content. The advisory group consists of representatives of COGCC, other state agencies, the federal government, local government, private industry, academia, and environmental advocacy. Appointments must be made by July 1, 2023. Advisory group members serve without compensation but are eligible for expense reimbursement.

The advisory group must research the use of biochar in plugging oil and gas wells, including scientific articles and existing federal or state regulations. It may recommend the development of a pilot program to further study biochar, identify how such well-plugging may be implemented, and monitor emissions from selected oil and gas wells. COGCC provides administrative support to the advisory group, which must submit a draft report on its recommendations to the COGCC by September 1, 2023. If the recommendations include implementing a pilot program, the advisory group's final report must be published by December 1, 2023, and presented to the legislature by February 1, 2024.

State Revenue

The bill potentially increases state revenue to the Oil and Gas Conservation and Environmental Response Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Expenditures

The bill increases state expenditures in the Department of Natural Resources by up to \$100,000 in the current FY 2022-23 and \$11,200 in FY 2023-24, paid from the Oil and Gas Conservation and Environmental Response Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1069

	FY 2022-23	FY 2023-24	FY 2024-25
Department of Natural Resources			
Contractor	\$100,000	-	-
Travel Reimbursements	-	\$11,200	-
Total Cost	\$100,000	\$11,200	-

DNR. The bill increases workload in the COGCC to administer the advisory group and submit recommendations to the legislature.

- **Contractor.** COGCC will hire a contractor to facilitate meetings of the advisory group and to prepare its final report. Based on the reporting deadlines in the bill and similar reporting requirements on COGCC, the contract is estimated to cost up to \$100,000. Because the advisory group begins meeting in July 2023, the fiscal note assumes that COGCC must solicit the contract before this date, with contract expenditures occurring in both the current FY 2022-23 and FY 2023-24.
- **Travel reimbursements.** Advisory group members, who serve without compensation, are entitled to reimbursement for actual expenses incurred for participating. The fiscal note assumes that the 14-member advisory group will meet four times, with average expenses of \$200 per person per meeting.

State agencies serving on the advisory group. Workload will increase in state agencies that serve on the advisory group. This workload can be accommodated within existing appropriations.

Local Government

Similar to the state, workload will increase for any local government represented on the advisory group. This workload is expected to be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$100,000 to the Department of Natural Resources from the Oil and Gas Conservation and Environmental Response Fund. Based on the anticipated timeline for the contractor, it is assumed that the DNR will require roll-forward spending authority of this appropriation through FY 2023-24.

For FY 2023-24, the bill requires an appropriation of \$11,200 to the Department of Natural Resources from the Oil and Gas Conservation and Environmental Response Fund.

State and Local Government Contacts

Colorado Energy Office	Counties	Forest Service
Governor's Office	Information Technology	Legislative Council Staff
Municipalities	Natural Resources	Public Health and Environment

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: leg.colorado.gov/fiscalnotes.