

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2010-11 STAFF FIGURE SETTING  
RECOMMENDATIONS**

**DEPARTMENT OF NATURAL RESOURCES**

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

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

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February 25, 2010**

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**DEPARTMENT OF NATURAL RESOURCES  
FY 2010-11 FIGURE SETTING**

**(DIVISION OF RECLAMATION, MINING, AND SAFETY, COLORADO GEOLOGICAL SURVEY,  
OIL AND GAS CONSERVATION COMMISSION, AND STATE BOARD OF LAND  
COMMISSIONERS ONLY)**

**JBC WORKING DOCUMENT  
Staff Recommendation Does Not Represent Committee Decision**

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**FY 2010-11 Joint Budget Committee Staff Figure Setting**

Department of Natural Resources

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

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
<b>DEPARTMENT OF NATURAL RESOURCES</b>						
<b>Executive Director: James Martin</b>						
<b>(2) DIVISION OF RECLAMATION, MINING, AND SAFETY (Loretta Pineda, Acting Director)</b>						
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.						
<b>(A) Coal Land Reclamation</b>						
Program Costs	2,064,990	2,087,395	2,117,901	2,134,008	2,134,008	SWNPBA-PERA; SWNPBA-Mail
FTE	<u>19.3</u>	<u>18.1</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
CF - Severance Tax	573,832	438,355	444,165	447,548	447,548	
Federal Funds	1,491,158	1,649,040	1,673,736	1,686,460	1,686,460	
Indirect Cost Assessment	<u>104,878</u>	<u>164,900</u>	<u>142,656</u>	<u>146,137</u>	<u>147,199</u>	
CF - Severance Tax	33,437	53,777	30,393	24,937	25,999	
Federal Funds	71,441	111,123	112,263	121,200	121,200	
<b>(A) Coal Land Reclamation</b>	2,169,868	2,252,295	2,260,557	2,280,145	2,281,207	
FTE	<u>19.3</u>	<u>18.1</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
Cash Funds	607,269	492,132	474,558	472,485	473,547	
Federal Funds	1,562,599	1,760,163	1,785,999	1,807,660	1,807,660	
<b>(B) Inactive Mines</b>						
Program Costs	681,803	1,437,869	1,797,349	1,613,168	1,617,378	SWNPDI-IT Staff; SWNPBA-PERA; SWNPBA-Mail
FTE	<u>5.6</u>	<u>10.4</u>	<u>18.4</u>	<u>16.4</u>	<u>16.4</u>	
CF - Abandoned Mine Safety Reclamation Fund	0	50,239	520,000	520,000	520,000	
RF/CFE - Abandoned Mine Safety Reclamation Fund	75,667	0	0	0	0	
Federal Funds	606,136	1,387,630	1,277,349	1,093,168	1,097,378	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
Mine Site Reclamation	152,324	52,089	410,790	410,790	410,790	
FTE	<u>0.4</u>	<u>0.4</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	
CF - Severance Tax	152,324	52,089	380,790	380,790	380,790	
RF/CFE - Public Health and Environment	0	0	30,000	30,000	30,000	
Reclamation of Forfeited Mine Sites						
CF - Severance Tax	0	0	171,000	171,000	171,000	
Abandoned Mine Safety						
CF - Severance Tax	111,611	112,113	100,000	100,000	100,000	
FTE	0.2	0.1	0.2	0.2	0.2	
Indirect Cost Assessment	<u>61,373</u>	<u>144,022</u>	<u>93,330</u>	<u>144,148</u>	<u>144,678</u>	
CF - Severance Tax	10,433	28,473	8,250	12,464	12,995	
Federal Funds	50,940	115,549	85,080	131,684	131,683	
<b>(B) Inactive Mines</b>	1,007,111	1,746,093	2,572,469	2,439,106	2,443,846	
FTE	<u>6.2</u>	<u>10.9</u>	<u>19.8</u>	<u>17.8</u>	<u>17.8</u>	
Cash Funds	274,368	242,914	1,180,040	1,184,254	1,184,785	
Reappropriated Funds/Cash Funds Exempt	75,667	0	30,000	30,000	30,000	
Federal Funds	657,076	1,503,179	1,362,429	1,224,852	1,229,061	
<b>(C) Minerals</b>						
Program Costs	2,066,937	1,915,434	2,164,152	2,170,170	2,170,170	SWNPBA-PERA;
FTE	<u>18.8</u>	<u>20.8</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>	SWNPBA-Mail
CF - Severance Tax	1,033,590	976,539	1,115,978	1,140,652	1,140,652	
CF - Mined Land Reclamation Fund	930,000	938,895	1,048,174	1,029,518	1,029,518	
CFE - Mined Land Reclamation Fund reserves	103,347	0	0	0	0	
Indirect Cost Assessment						
CF - Severance Tax	126,522	114,718	109,392	107,829	112,421	
<b>(C) Minerals</b>	2,193,459	2,030,152	2,273,544	2,277,999	2,282,591	
FTE	<u>18.8</u>	<u>20.8</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>	
Cash Funds	2,090,112	2,030,152	2,273,544	2,277,999	2,282,591	
Reappropriated Funds/Cash Funds Exempt	103,347	0	0	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
<b>(D) Mines Program</b>						
Colorado and Federal Mine Safety Program	572,790	505,140	507,608	509,499	509,499	SWNPBA-PERA;
FTE	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	SWNPBA-Mail
CF - Severance Tax	286,222	307,218	306,741	308,632	308,632	
CF - Fees	5,975	2,179	10,000	10,000	10,000	
Federal Funds	280,593	195,743	190,867	190,867	190,867	
Blaster Certification Program	103,494	106,714	105,782	107,916	107,916	SWNPBA-PERA
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
CF - Severance Tax	21,734	22,410	22,064	22,512	22,512	
Federal Funds	81,760	84,304	83,718	85,404	85,404	
Indirect Cost Assessment	28,346	30,565	29,958	31,927	32,573	
CF - Severance Tax	16,881	15,850	14,644	15,156	15,802	
Federal Funds	11,465	14,715	15,314	16,771	16,771	
<b>(D) Mines Program</b>						
	704,630	642,419	643,348	649,342	649,988	
FTE	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
Cash Funds	330,812	347,657	353,449	356,300	356,946	
Federal Funds	373,818	294,762	289,899	293,042	293,042	
<b>(E) Emergency Response Costs</b>						
CF - Severance Tax	12,200	24,900	25,000	25,000	25,000	
<b>(2) DIVISION OF RECLAMATION, MINING, AND SAFETY - SUBTOTAL a/</b>						
	6,087,268	6,695,859	7,774,918	7,671,592	7,682,632	
FTE	<u>50.3</u>	<u>55.8</u>	<u>72.9</u>	<u>70.9</u>	<u>70.9</u>	
Cash Funds	3,314,761	3,137,755	4,306,591	4,316,038	4,322,869	
Reappropriated Funds/Cash Funds Exempt	179,014	0	30,000	30,000	30,000	
Federal Funds	2,593,493	3,558,104	3,438,327	3,325,554	3,329,763	

a/ Prior to FY 2006-07, this division was known as the Division of Minerals and Geology. The name was changed pursuant to S.B. 06-140.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
<b>(3) COLORADO GEOLOGICAL SURVEY (Vince Matthews, Director and State Geologist)</b>						
Primary functions: providing geologic information to the public and government agencies. Cash funds are from severance tax revenues, fees for geological services provided, and grants. Reappropriated funds are from transfers from other state agencies for geological services.						
Environmental Geology and Geological Hazards Program	1,515,437	1,525,872	2,502,704	2,516,073	2,516,073	DI #1 Leased Space SWNPBA-PERA; SWNPBA-Mail
FTE	<u>13.8</u>	<u>11.9</u>	<u>17.2</u>	<u>17.2</u>	<u>17.2</u>	
CF - Severance Tax	833,907	860,506	906,838	915,142	915,142	
CF - Fees for geological services	281,574	149,840	542,382	548,001	548,001	
RF/CFE - Other state agencies	288,256	245,276	454,384	452,092	452,092	
Federal Funds	111,700	270,250	599,100	600,838	600,838	
Mineral Resources and Mapping	1,185,793	1,164,228	1,444,319	1,442,215	1,442,215	SWNPBA-PERA; SWNPBA-Mail
FTE	<u>8.5</u>	<u>8.1</u>	<u>10.5</u>	<u>10.5</u>	<u>10.5</u>	
CF - Severance Tax	920,925	955,662	1,030,788	1,029,185	1,029,185	
CF - Local government payments for geo. services	58,099	0	91,395	91,114	91,114	
Federal Funds	206,769	208,566	322,136	321,916	321,916	
Colorado Avalanche Information Center	526,210	638,223	675,812	676,970	676,970	SWNPBA-PERA; SWNPBA-Mail
FTE	<u>7.3</u>	<u>7.4</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	
CF - Severance Tax	149,200	151,424	156,213	156,383	156,383	
CF - Fees/Grants	2,251	116,997	117,451	124,958	124,958	
RF/CFE - Fees	368,843	346,597	384,187	377,504	377,504	
Federal Funds	5,916	23,205	17,961	18,125	18,125	
Indirect Cost Assessment	<u>59,169</u>	<u>182,498</u>	<u>186,137</u>	<u>156,204</u>	<u>160,940</u>	
CF - Severance Tax	0	134,901	167,844	111,204	115,940	
Federal Funds	59,169	47,597	18,293	45,000	45,000	
<b>(3) COLORADO GEOLOGICAL SURVEY</b>						
<b>- SUBTOTAL</b>	<b>3,286,609</b>	<b>3,510,821</b>	<b>4,808,972</b>	<b>4,791,462</b>	<b>4,796,198</b>	
FTE	<u>29.6</u>	<u>27.4</u>	<u>35.4</u>	<u>35.4</u>	<u>35.4</u>	
Cash Funds	2,245,956	2,369,330	3,012,911	2,975,987	2,980,723	
Reappropriated Funds/Cash Funds Exempt	657,099	591,873	838,571	829,596	829,596	
Federal Funds	383,554	549,618	957,490	985,879	985,879	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
<b>(4) OIL AND GAS CONSERVATION COMMISSION (David Neslin, Director)</b>						
Primary functions: promoting and regulating responsible development of oil and gas natural resources. Cash funds are from the Oil and Gas Conservation and Environmental Response Fund and the severance tax.						
Program Costs	4,836,176	5,215,837	5,943,311	5,636,031	5,643,889	SWNPDI- IT Staff; SWNPBA-PERA
FTE	49.0	50.6	71.0	67.0	63.0	
CF - Severance Tax	2,199,310	2,616,378	3,081,356	3,099,276	3,099,276	
CF - OGC Environmental Response Fund	1,946,095	2,599,459	2,861,955	2,536,755	2,544,613	
RF/CFE - OGC Environmental Response Fund	690,771	0	0	0	0	
Underground Injection Program						
Federal Funds	89,115	95,189	96,559	96,559	96,559	
FTE	2.0	2.0	2.0	2.0	2.0	
Plugging and Reclaiming Abandoned Wells	<u>219,959</u>	<u>191,534</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	
CF - OGC Environmental Response Fund	0	191,534	220,000	220,000	220,000	
RF/CFE - OGC Environmental Response Fund	219,959	0	0	0	0	
Environmental Assistance and Complaint Resolution	<u>296,932</u>	<u>312,032</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>	
CF - OGC Environmental Response Fund	296,932	312,032	312,033	312,033	312,033	
RF/CFE - OGC Environmental Response Fund	0	0	0	0	0	
Emergency Response	<u>344,678</u>	<u>0</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	
CF - OGC Environmental Response Fund	0	0	1,500,000	1,500,000	1,500,000	
RF/CFE - OGC Environmental Response Fund	344,678	0	0	0	0	
Special Environmental Protection and Mitigation Studies						
CF - OGC Environmental Response Fund	326,396	81,173	325,000	325,000	325,000	
Data Cleanup Project - CF						
CF - Severance Tax	96,029	0	0	0	0	
S.B. 07-198 Coalbed Methane Seepage Projects						
CF - OGC Environmental Response Fund	96,259	2,003,400	445,200	0	0	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
Indirect Cost Assessment - Total Funds	<u>227,811</u>	<u>327,357</u>	<u>313,768</u>	<u>395,291</u>	<u>411,875</u>	
CF - OGC Environmental Response Fund	222,254	319,294	310,119	389,393	405,977	
Federal Funds	5,557	8,063	3,649	5,898	5,898	
<b>(4) OIL &amp; GAS CONSERVATION COMMISSION</b>						
<b>- SUBTOTAL</b>	<b>6,533,355</b>	<b>8,226,522</b>	<b>9,155,871</b>	<b>8,484,914</b>	<b>8,509,356</b>	
FTE	<u>51.0</u>	<u>52.6</u>	<u>73.0</u>	<u>69.0</u>	<u>65.0</u>	
Cash Funds	5,183,275	8,123,270	9,055,663	8,382,457	8,406,899	
Reappropriated Funds/Cash Funds Exempt	1,255,408	0	0	0	0	
Federal Funds	94,672	103,252	100,208	102,457	102,457	
<b>(5) STATE BOARD OF LAND COMMISSIONERS (Brownell M. Bailey, Director)</b>						
Primary Functions: Manages around 2.6 million surface acres and 4.5 million mineral acres of state trust lands for the benefit of 8 public trusts, the largest of which is the School Trust (96% of holdings). Cash funds are from the Trust Administration Fund.						
Program Costs	3,673,354	3,637,746	3,742,771	3,673,592	3,675,330	SWNPDI-1, IT Staff;
FTE	<u>29.0</u>	<u>35.1</u>	<u>38.0</u>	<u>37.0</u>	<u>37.0</u>	SWNPBA-PERA;
CF - Land Board Trust Administration Fund	810,441	3,562,746	3,667,771	3,598,592	3,600,330	SWNPBA-Mail
CF - SBLC Land and Water Management Fund	75,000	75,000	75,000	75,000	75,000	
RF/CFE - Land Board Trust Administration Fund	2,787,913	0	0	0	0	
Public Access Program Damage and Enhancement Costs (New Line Item Requested)						
RF/CFE - Division of Wildlife	0	0	0	225,000	225,000	DI #2, Public Access
Indirect Cost Assessment						
CF - Land Board Trust Administration Fund	156,845	221,075	165,450	170,722	177,993	
<b>(5) STATE LAND BOARD - SUBTOTAL a/</b>						
<b>FTE</b>	<u>29.0</u>	<u>35.1</u>	<u>38.0</u>	<u>37.0</u>	<u>37.0</u>	
Cash Funds	1,042,286	3,858,821	3,908,221	3,844,314	3,853,323	
Reappropriated Funds/Cash Funds Exempt	2,787,913	0	0	225,000	225,000	
a/ Senate Bill 09-22 continuously appropriated \$3,000,000 cash funds for the SLB Investment and Development Fund in FY 2009-10 and \$4,000,000 in FY 2010-11. As these moneys are continuously appropriated, they are not appropriated by the General Assembly and are not shown in the Long Bill, nor are they reflected in the JBC staff numbers pages.						

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11		
				Request	Staff Recomm.	Change Requests
<b>DEPARTMENT OF NATURAL RESOURCES</b>						
<b>TOTAL FOR INCLUDED DIVISIONS</b>	19,737,431	22,292,023	25,647,982	25,017,282	25,066,509	
FTE	<u>159.9</u>	<u>170.9</u>	<u>219.3</u>	<u>212.3</u>	<u>208.3</u>	
Cash Funds	11,786,278	17,489,176	20,283,386	19,518,796	19,563,814	
Reappropriated Funds/Cash Funds Exempt	4,879,434	591,873	868,571	1,084,596	1,084,596	
Federal Funds	3,071,719	4,210,974	4,496,025	4,413,890	4,418,099	
<i>CF - Severance Tax</i>	<i>6,578,157</i>	<i>6,865,313</i>	<i>8,071,456</i>	<i>8,067,710</i>	<i>8,079,277</i>	

**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2010-11**

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

**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY**

This division is charged with helping to develop Colorado's mining industry in an environmentally protective manner and ensuring that mined land is reclaimed to a beneficial use. The division manages issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation. Often, there are no legally responsible parties identified to fund and administer such clean-up projects. Pursuant to Section 39-29-109.3 (1) (c), C.R.S., up to 25 percent of the moneys in the Operational Account of the Severance Tax Trust Fund may be appropriated for programs in the Division of Reclamation, Mining, 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. Program staff monitor and inspect coal mining operations and enforce permit provisions and mining regulations. Federal regulations require the State to conduct the Coal Land Reclamation Program for the State to receive federal funds to safeguard Colorado's inactive mines. The line item pays for 23.0 FTE and associated operating expenses. The program is funded with a mix of federal funds and cash funds from the Operational Account of the Severance Tax Trust Fund. There is a minimum 21% state matching requirement for the federal funds.

<b>Coal Land Reclamation Staffing Summary</b>	<b>FY 2008-09 Actual</b>	<b>FY 2009-10 Appropriation</b>	<b>FY 2010-11 Request</b>	<b>FY 2010-11 Recommendation</b>
Management	1.4	1.5	1.5	1.5
Administration	4.0	4.0	4.0	4.0
Environmental Protection Specialist	12.7	17.5	17.5	17.5
<b>Total</b>	18.1	23.0	23.0	23.0

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

- restoring one-time savings associated with the 1.82 percent reduction in FY 2009-10 and implementation of statewide furloughs;
- a reduction associated with the "Statewide PERA Adjustment;" and

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- an adjustment for postal costs.

**Recommendation:** Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the state-wide requests. The Department projects that the workload for the coal regulatory program in FY 2010-11 will be fairly consistent with prior years. Also, the state funding for this program matches federal funding. The staff recommendation is based on maintaining current service levels.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Estimate
Permitting actions	215	239	240	240
Required inspections	426	410	420	420

**Finally, staff requests permission to adjust the proportion of funding from the severance tax and federal funds, if necessary based on the impact of the JBC's common policies, in order to match the federal grant.**

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Land Reclamation Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$1,859,067	\$389,821	\$1,469,246	23.0
Restore 1.82% base reduction	34,495	7,233	27,262	
FY 2009-10 Supplemental	(21,332)	(4,491)	(16,841)	
Reverse FY 2009-10 Supplemental	21,332	4,491	16,841	
Salary Survey awarded in FY 2009-10	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	
Base reduction (0.0%)	0	0	0	

**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2010-11**

JBC Working Papers - Decisions Subject to Change  
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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Land Reclamation Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
Reduction in employer's PERA contribution (2.5%)	(39,600)	(8,316)	(31,284)	
<b>Subtotal, Personal Services</b>	<b>1,853,962</b>	<b>388,738</b>	<b>1,465,224</b>	<b>23.0</b>
<b>Operating Expenses</b>				
FY 2009-10 Long Bill	280,595	58,925	221,670	0.0
FY 2009-10 Supplemental	(429)	(90)	(339)	
Reverse FY 2009-10 Supplemental	429	90	339	
Annualize FY 2009-10 postage increase DI	(573)	(120)	(453)	
SWNPBA - Mail equipment	24	5	19	
Adjust federal and cash funds to match projected federal grant amount - PENDING	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>280,046</b>	<b>58,810</b>	<b>221,236</b>	<b>0.0</b>
<b>FY 2010-11 Recommendation</b>	<b>\$2,134,008</b>	<b>\$447,548</b>	<b>\$1,686,460</b>	<b>23.0</b>

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends a total of \$147,199, including \$25,999 cash funds from Severance Tax revenues and \$121,200 in federal funds** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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**(B) Inactive Mines**

Inactive Mines Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Management	1.6	1.0	1.0	1.0
Administration	4.6	5.0	3.0	3.0
Environmental Protection Specialist	4.7	13.8	13.8	13.8
<b>Total</b>	10.9	19.8	17.8	17.8

**Program Costs**

*Description:* This line item provides funding to safeguard mine openings, to inspect and monitor mine sites, and to reclaim abandoned mines. The program was instituted under the provisions of the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977. Only mines abandoned prior to 1977 are eligible for the program. Approximately 15,300 eligible abandoned mines remain in Colorado. The Department can also use this federal money for thirty-seven coal mine fires pending safeguarding and for coal mine subsidence issues impacting residential housing.

Pursuant to Section 39-29-109.3 (1) (c), C.R.S. \$500,000 is transferred annually from the Operational Account of the Severance Tax Trust Fund to the Abandoned Mine Reclamation Fund for this program. Pursuant to Section 34-34-102, C.R.S., moneys appropriated from the Abandoned Mine Reclamation Fund remain available for expenditure for three years. According to the Department, the severance tax funds were intended, in part, to address post-mining environmental issues that are not eligible for federal funding. The appropriation from the Abandoned Mine Reclamation Fund primarily supports contracts for site work, but includes funding for 0.4 FTE and associated operating expenses to oversee the work.

In addition to money from the Abandoned Mine Reclamation Fund, the Department receives federal grants to support the program. To receive the federal grants, the Department must maintain a federally-approved coal mining regulatory program, but there are no matching requirements for the federal grants. The Long Bill reflects the federal administrative and oversight costs, but not the multi-year grants for site work amounting to about \$4.0 million per year.

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

- restoring one-time savings associated with the FY 2009-20 statewide furloughs;

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- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146);
- an adjustment for postal costs; and
- a reduction associated with the statewide information technology staff consolidation.

**Recommendation: Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the state-wide requests.** The components of the staff recommendation for the line item are summarized in the table below. Staff recommendation is \$4,210 federal funds above the request because of an adjustment to the PERA reduction associated with the statewide information technology staff consolidation, pursuant to JBC common policy.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Abandoned Mine Safety Reclamation Fund (originally severance tax)</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$1,144,711	\$50,214	\$1,094,497	18.4
FY 2009-10 Supplemental	(41,914)	0	(41,914)	
Reverse FY 2009-10 Supplemental	41,914	0	41,914	
Salary Survey awarded in FY 2009-10	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	
Base reduction (0.0%)	0	0	0	
SWNPDI - IT Staff	(187,920)	0	(187,920)	(2.0)
Reduction in employer's PERA contribution (2.5%)	<u>(33,899)</u>	<u>0</u>	<u>(33,899)</u>	
<b>Subtotal, Personal Services</b>	<b>922,892</b>	<b>50,214</b>	<b>872,678</b>	<b>16.4</b>
<b>Operating Expenses</b>				
FY 2009-10 Long Bill	694,786	469,786	225,000	
FY 2009-10 Supplemental	(234)	0	(234)	

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Abandoned Mine Safety Reclamation Fund (originally severance tax)</b>	<b>Federal Funds</b>	<b>FTE</b>
Reverse FY 2009-10 Supplemental	234	0	234	
Annualize FY 2009-10 postage increase DI	(313)	0	(313)	
SWNPBA - Mail equipment	13	0	13	
<b>Subtotal, Operating Expenses</b>	<b>694,486</b>	<b>469,786</b>	<b>224,700</b>	<b>0.0</b>
<b>FY 2010-11 Recommendation</b>	<b>\$1,617,378</b>	<b>\$520,000</b>	<b>\$1,097,378</b>	<b>16.4</b>

**Mine Site Reclamation**

*Description:* This line item is used for the construction of hydro-geologic controls at abandoned mine sites. Examples of hydro-geologic controls include diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and re-vegetation. Some of these moneys are granted to local entities as a match to receive federal Clean Water Act moneys from the U.S. Environmental Protection Agency.

Acid mine drainage and metal leaching continue for many years -- and sometimes effectively in perpetuity -- after mining operations cease in a given location. Mining companies active today are required to include the cost of water treatment when applying for mining permits. The Division also includes required water treatment costs when determining the financial warranties 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 annually from the Operational Account of the Severance Tax Trust Fund to accelerate water quality improvement projects. The Department requested the additional funds to expand matching funds for water quality improvement projects at abandoned mines and to hire a projects coordinator. In addition to the money from the Operational

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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, with no change from the FY 2009-10 appropriation.

*Staff Recommendation:* **Staff recommends continuation level funding calculated pursuant to the JBC's common policies.** Staff's recommendation for continuation level funding assumes that the JBC wants to continue the policy, adopted in 2006, of dedicating severance tax funds to accelerate water quality improvements. Water quality is a public and wildlife safety issue.

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Mine Site Reclamation — Department of Natural Resources</b>				
	<b>TOTAL</b>	<b>CF - Severance Tax</b>	<b>RF - Public Health and Environment</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$53,132	\$53,132	\$0	1.2
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Personal Services</b>	<b>53,132</b>	<b>53,132</b>	<b>0</b>	<b>1.2</b>
<b>Operating Expenses</b>				
FY 2009-10 Long Bill	357,658	327,658	30,000	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>357,658</b>	<b>327,658</b>	<b>30,000</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$410,790</b>	<b>\$380,790</b>	<b>\$30,000</b>	<b>1.2</b>

**Reclamation of Forfeited Mine Sites**

*Description:* This line item was created in FY 2007-08 to provide funding that could be rolled forward up to three years to reclaim mine sites that were forfeited due to mine operator bankruptcy or death, or insufficient bonds when the mining permit was revoked. The Department has identified 35 such sites forfeited between 1977 and 1993. Mines forfeited prior to 1977 qualify for federal funding from the Office of Surface Mining and also receive some Severance Tax funds through the

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Program Costs and Mine Site Reclamation line items. Mines established after 1993 have individually calculated bond requirements based on size, type of disturbance, on-site structures, surrounding environmental impacts, and construction costs. According to the Department, the bonds from forfeited mines established after 1993 have generally been adequate to address necessary 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 to fund the required reclamation. Risks associated with un-reclaimed sites include water contamination, unstable soils, volatile gases and explosives, and open pits. Sites treated under this line item are not eligible for federal funds that can be used for pre-1977 mines.

*Request:* The Department requests continuation level funding of \$171,000. The request continues a \$171,000 reduction from FY 2008-09 levels enacted in FY 2009-10.

*Recommendation:* **Staff recommends the request, continuing funding levels from FY 2009-10.**

**Abandoned Mine Safety**

*Description:* These moneys are utilized to safeguard the roughly 17,000 mine openings in Colorado abandoned prior to bonding requirements implemented 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 requiring additional measures. 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. The requested level continues a \$12,623 reduction enacted in FY 2009-10.

*Staff Recommendation:* **Staff recommends the request, continuing the funding level from FY 2009-10.**

**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.

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*Recommendation:* **Staff recommends a total of \$144,678, including \$12,995 cash funds from Severance Tax revenues and \$131,683 in federal funds** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(C) Minerals**

Minerals Program Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Management	2.0	1.5	1.5	1.5
Administration	4.8	5.0	5.0	5.0
Environmental Protection Specialist	14.0	17.6	17.6	17.6
<b>Total</b>	20.8	24.1	24.1	24.1

**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. In addition, the Minerals Program regulates oil shale development but coordinates extensively with the Colorado Oil and Gas Conservation Commission in reviewing permits and conducting inspections for oil shale operations. 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 2010-11 include fees deposited in the Mined Land Reclamation Fund, and revenues from 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.

*Request:* The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. The following state-wide requests impact this line item:

- restoring one-time savings associated with the 1.82 percent base personal services reduction in the FY 2009-10 Long Bill and the implementation of statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer contributions in FY 2010-11 (pursuant to S.B. 10-146); and

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- an adjustment for postal costs.

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Severance Tax</b>	<b>Mined Land Reclamation Fund</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$1,920,472	\$991,327	\$929,145	24.1
Restore 1.82% base reduction	35,628	18,382	17,246	
FY 2009-10 Supplemental	(6,587)	(6,587)	0	
Reverse FY 2009-10 Supplemental	6,587	6,587	0	
Salary Survey awarded in FY 2009-10	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	
Base reduction (0.0%)		0	0	
Reduction in employer's PERA contribution (2.5%)	<u>(35,902)</u>	<u>0</u>	<u>(35,902)</u>	
<b>Subtotal, Personal Services</b>	<b>1,920,198</b>	<b>1,009,709</b>	<b>910,489</b>	<b>24.1</b>
<b>Operating Expenses</b>				
FY 2009-10 Long Bill	251,316	132,287	119,029	
FY 2009-10 Supplemental	(1,049)	(1,049)	0	
Reverse FY 2009-10 Supplemental	1,049	1,049	0	
Annualize FY 2009-10 postage increase DI	(1,402)	(1,402)	0	
SWNPBA - Mail equipment	<u>58</u>	<u>58</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>249,972</b>	<b>130,943</b>	<b>119,029</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$2,170,170</b>	<b>\$1,140,652</b>	<b>\$1,029,518</b>	<b>24.1</b>

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**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:* **Staff recommends a total of \$112,421 cash funds from Severance Tax revenues** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(D) Mines Program**

Mines Program Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Management	1.0	1.0	1.0	1.0
Administration	1.0	1.0	1.0	1.0
Environmental Protection Specialist	4.0	4.0	4.0	4.0
<b>Total</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

**Colorado and Federal Mine Safety Program**

*Description:* This program regulates active mines for safety, inspects tourist mines, performs safety audits, administers certification programs for mining employees, provides training in mine rescue/safety, and regulates underground diesel equipment and mining explosives. Federal moneys are provided by the Mine Safety and Health Administration, which is part of the U.S. Department of Labor. The primary source of state funding is the Operational Account of the Severance Tax Trust Fund, but the program also earns a small amount of fee revenue.

*Request:* The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. The following state-wide requests impact this line item:

- restoring one-time savings associated with the statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146); and
- an adjustment for postal costs.

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

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Colorado and Federal Mine Safety — Department of Natural Resources</b>					
	<b>Total</b>	<b>Severance Tax</b>	<b>Fees</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>					
FY 2009-10 Long Bill	\$400,027	\$252,933	\$4,000	\$143,094	5.0
FY 2009-10 Supplemental	(11,562)	(11,562)	0	0	
Reverse FY 2009-10 Supplemental	11,562	11,562	0	0	
Salary Survey awarded in FY 2009-10	0	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	0	
Base reduction (0.0%)	0	0	0	0	
Reduction in employer's PERA contribution (2.5%)	<u>(9,546)</u>	<u>(9,546)</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Personal Services</b>	<b>390,481</b>	<b>243,387</b>	<b>4,000</b>	<b>143,094</b>	<b>5.0</b>
<b>Operating Expenses</b>					
FY 2009-10 Long Bill	119,143	65,370	6,000	47,773	
Annualize FY 2009-10 postage increase DI	(130)	(130)	0	0	
SWNPBA - Mail equipment	<u>5</u>	<u>5</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>119,018</b>	<b>65,245</b>	<b>6,000</b>	<b>47,773</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$509,499</b>	<b>\$308,632</b>	<b>\$10,000</b>	<b>190,867</b>	<b>5.0</b>

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**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. The following state-wide requests impact this line item:

- restoring one-time savings associated with the statewide furloughs in FY 2009-10; and
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146).

*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.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Blaster Certification — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$75,513	\$15,708	\$59,805	1.0
FY 2009-10 Supplemental	(3,704)	(778)	(2,926)	
Reverse FY 2009-10 Supplemental	3,704	778	2,926	
Salary Survey awarded in FY 2009-10	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	
Base reduction (0.0%)	0	0	0	
Reduction in employer's PERA contribution (2.5%)	<u>(1,570)</u>	<u>(330)</u>	<u>(1,240)</u>	
<b>Subtotal, Personal Services</b>	<b>73,943</b>	<b>15,378</b>	<b>58,565</b>	<b>1.0</b>
<b>Operating Expenses</b>				
FY 2009-10 Long Bill	33,973	7,134	26,839	0.0

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Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Blaster Certification — Department of Natural Resources				
	Total	CF - Severance	Federal Funds	FTE
(No change)	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>33,973</b>	<b>7,134</b>	<b>26,839</b>	<b>0.0</b>
<b>FY 2010-11 Recommendation</b>	<b>\$107,916</b>	<b>\$22,512</b>	<b>\$85,404</b>	<b>1.0</b>

**Finally, staff requests permission to adjust the proportion of funding from the severance tax and federal funds, if necessary based on the impact of the JBC's common policies in order to match the federal grant.**

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends a total of \$32,573, including \$15,802 cash funds from Severance Tax revenues and \$16,771 federal funds** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(E) Emergency Response Costs**

*Description:* This appropriation provides funds for the Department of Natural Resources to respond to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies. For a large-scale disaster, there are procedures for the Governor and/or the JBC to make money available, but even those procedures take time. Also, the Department can use this money for smaller scale emergencies. In FY 2005-06 and FY 2006-07 the Department reverted the entire appropriation. The Department used \$12,200 in FY 2007-08 and

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\$24,900 in FY 2008-09. No FTE are associated with this line item, since contractors perform the environmental remediation work.

*Request:* The Department requests continuation level funding of \$25,000 cash funds.

*Staff Recommendation:* **Staff recommends the requested continuation level funding.**

**(3) GEOLOGICAL SURVEY**

Geological Survey Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Director	1.0	1.0	1.0	1.0
Geologists	15.1	21.7	21.7	21.7
Administration	4.0	5.0	5.0	5.0
Avalanche Information Center	7.4	7.7	7.7	7.7
<b>Total</b>	27.5	35.4	35.4	35.4

**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. The program provides technical assistance 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 with remediation of 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 statewide water

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quality data. 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 to better understand baseline water quality. This baseline allows for analysis of the impact that mining activity, agricultural/residential runoff, and other sources have on downstream water quality. Data acquisition also includes efforts to investigate environmental degradation at abandoned mine sites.

3. Land use review activities include mandatory geological reviews of subdivisions and school sites, as well as other non-mandatory reviews performed upon request for local governments and state agencies. This program also provides coal mine subsidence information to government agencies and the general public.

Section 34-1-105, C.R.S., allows the Colorado Geological Survey to charge fees to recover the direct costs of services provided to the general public, industries, and local governments through an agreement, or when statute requires a local government to review geologic issues, 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 requests decision item #1 (Adjustments to Leased Space), which includes a reduction of \$1,557 reappropriated funds associated with the Survey's use of storage space for records and equipment. The request transfers the reappropriated funds spending authority to the Executive Director's Office Leased Space line item. The Committee approved this decision item during figure setting for the Executive Director's Office. For the base, the Department requests continuation level funding according to OSPB's common policies. The following state-wide requests impact this line item:

- restoring one-time savings associated with the statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146); and
- an adjustment for postal costs.

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests, including decision item #1.** The components of the staff recommendation are below.

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<b>Summary of Recommendation – (3) Colorado Geological Survey Environmental Geology and Geological Hazards — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance Tax</b>	<b>Fees</b>	<b>Other State Agencies</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>						
FY 2009-10 Long Bill	\$1,992,567	\$782,009	\$542,946	\$399,375	\$268,237	17.2
FY 2009-10 Supplemental	(40,890)	(24,125)	(11,040)	(2,045)	(3,680)	
Reverse FY 2009-10 Supplemental	40,890	24,125	11,040	2,045	3,680	
Salary Survey awarded in FY 2009-10	0	0	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	0	0	
Base reduction (0.0%)	0	0	0	0	0	
Reduction in employer's PERA contribution (2.5%)	<u>(25,794)</u>	<u>(15,821)</u>	<u>(5,251)</u>	<u>(2,780)</u>	<u>(1,942)</u>	
<b>Subtotal, Personal Services</b>	<b>1,966,773</b>	<b>766,188</b>	<b>537,695</b>	<b>396,595</b>	<b>266,295</b>	<b>17.2</b>
<b>Operating Expenses</b>						
FY 2009-10 Long Bill	551,632	148,954	11,081	57,054	334,543	
FY 2009-10 Supplemental	(605)	0	(605)	0	0	
Reverse FY 2009-10 Supplemental	605	0	605	0	0	
Annualize FY 2009-10 postage increase	(809)	0	(809)	0	0	
DI #1 - Leased space	(1,557)	0	0	(1,557)	0	
SWNPBA - Mail equipment	<u>34</u>	<u>0</u>	<u>34</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>549,300</b>	<b>148,954</b>	<b>10,306</b>	<b>55,497</b>	<b>334,543</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$2,516,073</b>	<b>\$915,142</b>	<b>\$548,001</b>	<b>\$452,092</b>	<b>\$600,838</b>	<b>17.2</b>

**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.

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

- restoring one-time savings associated with the statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146); and
- an adjustment for postal costs.

*Staff recommendation:* **Staff recommends the requested continuation level of funding.** The components of the staff recommendation for the line item are summarized in the table below.

<b>Summary of Recommendation – (3) Geologic Survey Mineral Resources and Mapping — Department of Natural Resources</b>					
	<b>Total</b>	<b>Severance</b>	<b>Fees</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>					
FY 2009-10 Long Bill	\$1,293,022	\$911,506	\$80,841	\$300,675	10.5
FY 2009-10 Supplemental	(15,618)	(10,933)	0	(4,685)	
Reverse FY 2009-10 Supplemental	15,618	10,933	0	4,685	
Salary Survey awarded in FY 2009-10	0	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	0	
Base reduction (0.0%)	0	0	0	0	
Reduction in employer's PERA contribution (2.5%)	(17,441)	(12,536)	0	(4,905)	

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<b>Summary of Recommendation – (3) Geologic Survey Mineral Resources and Mapping — Department of Natural Resources</b>					
<b>Subtotal, Personal Services</b>	<b>1,275,581</b>	<b>898,970</b>	<b>80,841</b>	<b>295,770</b>	<b>10.5</b>
<b>Operating Expenses</b>					
FY 2009-10 Long Bill	167,910	130,215	11,549	26,146	
FY 2009-10 Supplemental	(995)	0	(995)	0	
Reverse FY 2009-10 Supplemental	995	0	995	0	
Annualize FY 2009-10 postage increase DI	(1,331)	0	(1,331)	0	
SWNPBA - Mail equipment	<u>55</u>	<u>0</u>	<u>55</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>166,634</b>	<b>130,215</b>	<b>10,273</b>	<b>26,146</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$1,442,215</b>	<b>\$1,029,185</b>	<b>\$91,114</b>	<b>\$321,916</b>	<b>10.5</b>

**Colorado Avalanche Information Center**

*Description:* The Colorado Avalanche Information Center promotes avalanche safety through 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 continuation level funding according to OSPB's common policies. The following state-wide requests impact this line item:

- restoring one-time savings associated with the statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146); and
- an adjustment for postal costs.

*Staff Recommendation:* **Staff recommends the requested continuation level funding.** The components of the staff recommendation are summarized in the table below.

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<b>Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance</b>	<b>Fees</b>	<b>State Agencies (RF)</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>						
FY 2009-10 Long Bill	\$629,901	\$132,392	\$123,941	\$359,959	\$13,609	7.7
FY 2009-10 Supplemental	(14,334)	(3,296)	(7,742)	(2,866)	(430)	
Reverse FY 2009-10 Supplemental	14,334	3,296	7,742	2,866	430	
Salary Survey awarded in FY 2009-10	0	0	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	0	0	
Base reduction (0.0%)	0	0	0	0	0	
Reduction in employer's PERA contribution (2.5%)	<u>(13,069)</u>	<u>(3,126)</u>	<u>(128)</u>	<u>(9,549)</u>	<u>(266)</u>	
<b>Subtotal, Personal Services</b>	<b>616,832</b>	<b>129,266</b>	<b>123,813</b>	<b>350,410</b>	<b>13,343</b>	<b>7.7</b>
<b>Operating Expenses</b>						
FY 2009-10 Long Bill	60,245	27,117	1,252	27,094	4,782	
Annualize FY 2009-10 postage increase	(112)	0	(112)	0	0	
SWNPBA - Mail equipment	<u>5</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>60,138</b>	<b>27,117</b>	<b>1,145</b>	<b>27,094</b>	<b>4,782</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$676,970</b>	<b>\$156,383</b>	<b>\$124,958</b>	<b>\$377,504</b>	<b>\$18,125</b>	<b>7.7</b>

**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.

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*Recommendation:* Staff recommends a total of \$160,940, including \$115,940 cash funds from Severance Tax revenues, and \$45,000 federal funds to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(4) OIL AND GAS CONSERVATION COMMISSION**

Oil and Gas Conservation Commission Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Director	0.3	1.0	1.0	1.0
Administration	4.0	4.0	4.0	4.0
Hearings	3.5	4.0	4.0	4.0
Permitting/Technical Services	16.8	19.0	19.0	17.0
Information Technology	3.7	4.0	0.0	0.0
Engineering	8.3	10.0	10.0	10.0
Field Inspections	8.0	17.0	17.0	17.0
Environmental	8.0	14.0	14.0	12.0
<b>Total</b>	52.6	73.0	69.0	65.0

**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 to protect public health and prevent significant adverse environmental impacts. In addition to enforcement, the OGCC responds to complaints and inquiries, responds to oil and gas spills and other environmental emergencies at production sites, manages plugging and reclamation work at abandoned well sites, and performs baseline water quality studies.

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The Program Costs line is funded by a mix of dollars from the Operational Account of the Severance Tax Trust Fund and a mill levy on the value of oil and gas production that is transferred into the Oil and Gas Conservation and Environmental Response Fund.

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

- restoring one-time savings associated with the 1.82 percent base personal services reduction in the FY 2009-10 Long Bill and the implementation of statewide furloughs in FY 2009-10;
- a reduction resulting from the 2.5 percent reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146);
- an adjustment for postal costs; and
- a reduction associated with the statewide information technology staff consolidation.

*Staff Recommendation:* **Staff recommends continuation level funding pursuant to the JBC's common policies, with adjustments for the state-wide requests. Staff also recommends a reduction of 4.0 FTE (but no associated decrease in funding) below the requested level, discussed below.** Staff's recommended funding level is slightly higher than the Department's request because of an adjustment to the 2.5 percent PERA reduction associated with the statewide IT staff consolidation decision item, made pursuant to JBC common policy.

*Staff Initiated FTE Reduction:* As discussed at the FY 2010-11 budget briefing for this division, the Department is requesting continuation staffing for the Program Costs line item, as adjusted by the statewide IT staff consolidation (71.0 FTE minus 4.0 FTE transferring to the Governor's Office Of Information Technology). However, the FY 2009-10 appropriation and the FY 2010-11 request overstate the OGCC's staff by 4.0 FTE that the OGCC does not have sufficient funds to fill. The Department is not requesting any adjustment to the FTE or to funding associated with the FTE but staff recommends that the Committee adjust the line item's FTE appropriation.

The General Assembly appropriated a net increase of 18.0 FTE to the OGCC in FY 2008-09 (21.0 new FTE were awarded in the Long Bill but 3.0 of the new FTE were eliminated and replaced with contract staff through FY 2008-09 supplemental legislation). The OGCC has hired only 14.0 of the 18.0 FTE because hiring new staff at salaries above the range minimum left insufficient resources to hire the remaining 4.0 FTE (2.0 FTE environmental staff and 2.0 FTE oil and gas location assessment analysts).

In part because the Division's FTE counts are integral parts of the Division's key workload measures (applications for permits to drill (APDs) per FTE and active wells per FTE), **staff recommends that**

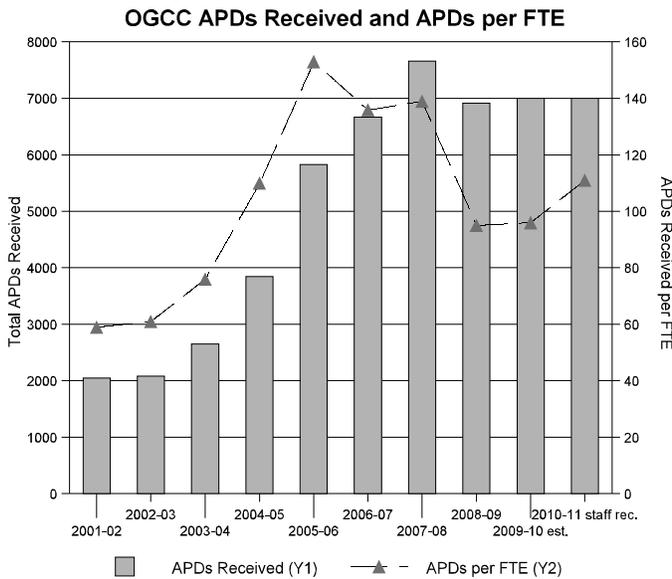
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**the General Assembly “true up” the FTE appropriation by eliminating the vacant FTE.** However, in response to staff’s questions regarding the vacant FTE, the Department provided additional information that staff wants to bring to the Committee’s attention.

*Workload Concerns and Permit Processing Time:* Given that the FTE are vacant, eliminating the positions will not impact the workload of the OGCC staff. However, since the briefing in December, staff has learned that the OGCC has used vacancy savings in FY 2009-10 to support 4.0 contract positions to speed up permit processing. The Department does not expect similar vacancy savings to be available in FY 2010-11 and is letting the contractors go at the end of the current fiscal year, which will reduce the number of staff working on permits from 14.0 (10.0 FTE and 4.0 contractors) to 10.0. Thus, while not directly related to the vacant FTE, the Commission will experience a decline in permit processing staff in FY 2010-11.

Since the briefing, the Department's projections regarding APD submissions in FY 2009-10 and FY



2010-11 have increased from 4,500 per year to 7,000 per year because of higher than expected permit levels. Based on the original estimate of 4,500 submissions, staff anticipated about 65 APDs (including location assessments) per FTE in FY 2010-11, roughly equivalent to levels from FY 2002-03. Using the new assumption of 7,000 APD submissions, staff anticipates more than 100 per FTE (see chart at left). Within the staff dedicated to permitting, the reduction from 14.0 working staff (10.0 FTE plus 4.0 contractors) to 10.0 will clearly have a larger impact on the per-employee workload (increasing from 500 permits per permitting employee with 14.0 staff to 700 per employee with 10.0 FTE).

With a decrease in permit staff, JBC staff and the Department both anticipate increases in the average permit processing time in FY 2010-11. As discussed at the Department’s hearing with the JBC in January, the OGCC staff has successfully reduced average processing times in FY 2009-10 (currently at about 42 days). The Department estimates that average processing times would increase to 66 days or more based on similar workloads and permitting staff levels in prior years. Given the priority that the industry places on processing time, significant increases in processing time would

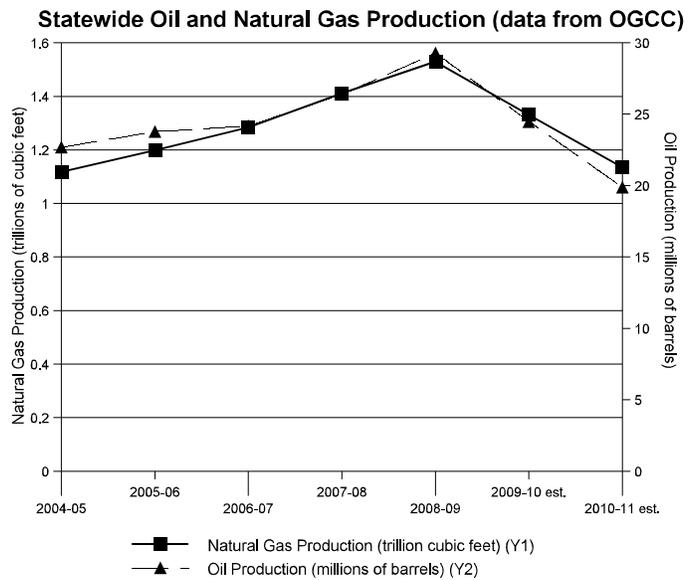
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be a major concern to the industry. While the OGCC prioritizes permit processing in terms of staff allocation, the Division's backlog of other work (analysis of well completion and production reports, for example) would make diverting additional existing staff to permit processing problematic. In some cases moving additional staff to work on permits for the long term could present risks to public safety if inspections and regulatory work are foregone.

*Potential Declines in Production and OGCC Revenue Sources:* Although the Commission is anticipating relatively constant workload in terms of permits, and growing inspection and regulatory workload as the number of active wells increases, OGCC staff is also anticipating a decline in total oil and gas production statewide in FY 2009-10 and FY 2010-11. The chart at right, based on OGCC actual data for FY 2004-05 through FY 2008-09 and current estimates for FY 2009-10 and FY 2010-11, shows statewide oil and gas production decreasing.

Based on discussions with the industry, the industry continues to submit APDs to be prepared in case of improved economic conditions (natural gas prices are a major driver). However, the OGCC data indicate that the industry is not drilling new wells fast enough to replace the declining production from existing wells. A sustained rise in prices could reverse the OGCC's anticipated decline but barring that scenario the OGCC data indicate that natural gas production will decline by approximately 13.0 percent from FY 2008-09 to FY 2009-10 and 14.7 percent from FY 2009-10 to FY 2010-11, with slightly larger declines in oil production.



A decline in production would impact both of the OGCC's fund sources (the mill levy on production and the severance tax). A decline in production without a decline in permit applications would also create a disconnect between the agency's workload and revenues, as workload would remain flat or even increase while revenue declined. Under that scenario, staff would recommend that the OGCC consider instituting a permit processing fee to better index revenues to workload in lieu of an increase in the mill levy.

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Given the current fiscal climate, staff recommends eliminating the vacant FTE and not providing additional resources but wants to ensure that the Committee is aware of the potential repercussions for the industry and the OGCC of not adding resources. The Committee could also consider filling some or all of the vacant positions which, according to the OGCC would require roughly \$275,000 (from the Oil and Gas Conservation and Environmental Response fund and/or severance tax). The Department has indicated the FTE would be dedicated to permit processing for the foreseeable future.

The components of staff's recommendation for the Program Costs line item are shown in the following table.

<b>Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Severance Tax</b>	<b>OGCC Conservation and Environmental Response Cash Fund</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2009-10 Long Bill	\$5,414,289	\$2,534,064	\$2,880,225	71.0
Restore 1.82% base reduction	108,278	48,455	59,823	
FY 2009-10 Supplemental	(30,762)	(12,492)	(18,270)	
Reverse FY 2009-10 Supplemental	30,762	12,492	18,270	
Salary Survey awarded in FY 2009-10	0	0	0	
80% of Performance Based Pay awarded in FY 2009-10	0	0	0	
Base reduction (0.0%)	0	0	0	
SWNPDI - IT staff	(350,772)	0	(350,772)	(4.0)
Reduction in employer's PERA contribution (2.5%)	(87,332)	(42,598)	(44,734)	
Staff initiated FTE adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4.0)</u>
<b>Subtotal, Personal Services</b>	<b>5,084,463</b>	<b>2,539,921</b>	<b>2,544,542</b>	<b>63.0</b>
<b>Operating Expenses</b>				

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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 2009-10 Long Bill	561,058	561,058	0	
FY 2009-10 Supplemental	(1,274)	(1,274)	0	
Reverse FY 2009-10 Supplemental	1,274	1,274	0	
Annualize FY 2009-10 postage increase DI	(1,703)	(1,703)	0	
SWNPBA - Mail equipment	<u>71</u>	<u>71</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>559,426</b>	<b>559,426</b>	<b>0</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$5,643,889</b>	<b>\$3,099,347</b>	<b>\$2,544,542</b>	<b>63.0</b>

**Underground Injection Program**

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

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

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

**Plugging and Reclaiming Abandoned Wells**

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

*Request:* The Department requests \$220,000 spending authority from the Oil and Gas Conservation and Environmental Response Fund, which is identical to the FY 2009-10 appropriation level.

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*Staff Recommendation:* **Staff recommends the request for \$220,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund.** Each year, the Department identifies more abandoned wells than it can address and must prioritize the projects. The cost and complexity of reclamation varies, but in recent years the funding has allowed reclamation of an average 20-25 wells per year, with the actual number fluctuating based on the complexity of projects addressed in a given year. According to the Department, staff time is as much or more of a limiting factor on the number of wells that they can plug in a year than the appropriation.

**Environmental Assistance and Complaint Resolution**

*Description:* This line item funds environmental assistance projects such as baseline water quality studies, studies on the beneficial reuse of production wastes, remediation projects, and studies to better understand air emissions from oil and gas activities. Funding is also used for water, soil, and air sampling in response to citizen complaints, reported spills, and field investigations. The source of funds is the mill levy deposited in the Oil and Gas Conservation and Environmental Response Fund established in Section 34-60-122 (5), C.R.S.

*Request:* The Department requests \$312,033 from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2009-10 appropriation.

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

**Emergency Response**

*Description:* In 2006, the JBC approved the creation of this line item with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. This line item was intended to be used -- if and when necessary -- for emergency responses. Prior to 2006, there were a number of emergency funding requests both during the session and during the interim.

The line was created out of concern that emergency funding would be necessary during a time when the JBC was not meeting during the interim and a response would have to wait for an interim supplemental. A footnote attached to the line item requires the Department to submit a report detailing expenditures.

*Request:* The Department requests \$1.5 million from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2009-10 appropriation.

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

**Special Environmental Protection and Mitigation Studies**

*Description:* The line item was created in FY 2006-07 with an appropriation of \$500,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund. A footnote attached to the line item explains the purpose as follows:

**41 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies --** It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies.

*Request:* The Department requests continuation level funding for FY 2010-11 of \$325,000. The General Assembly enacted a \$175,000 cut to this line item in FY 2009-10, and the request continues the reduced funding level for FY 2010-11.

*Staff Recommendation:* **Staff recommends the requested continuation level funding.**

**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 fund is repealed June 30, 2010 and is therefore not available for use in FY 2010-11.

There is no request for this line item in FY 2010-11.

**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.

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

*Recommendation:* **Staff recommends a total of \$411,875, including \$405,977 cash funds from the Oil and Gas Conservation and Environmental Response Fund and \$5,898 federal funds** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(5) STATE BOARD OF LAND COMMISSIONERS**

State Board of Land Commissioners Staffing Summary	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	FY 2010-11 Recommendation
Director/Operations	3.9	5.0	4.0	4.0
Field Operations	16.5	17.0	17.0	17.0
Minerals	6.9	8.0	8.0	8.0
Real Estate	3.0	3.0	3.0	3.0
Financial	4.8	5.0	5.0	5.0
<b>Total</b>	35.1	38.0	37.0	37.0

**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 accounts 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.

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

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collected for the issuance of leases, patents, certificates of purchase, rights of way documents, and recording assignments for the making of township plats. The remainder of the appropriation is from the State Land Board Trust Administration Cash Fund.

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

- restoring one-time savings associated with the 1.82 percent base personal services reduction in the FY 2009-10 Long Bill and the implementation of statewide furloughs in FY 2009-10;
- a reduction resulting from the reduction in employer PERA contributions in FY 2010-11 (pursuant to S.B. 10-146);
- an adjustment for postal costs; and
- a reduction associated with the statewide information technology staff consolidation.

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the department-wide and state-wide requests.** Staff's recommended funding level is slightly above the request because of an adjustment to the PERA reduction associated with the statewide IT staff consolidation, made pursuant to JBC common policy. The components of the staff recommendation are summarized in the following table.

<b>Summary of Recommendation</b>		
<b>(5) State Land Board Program Costs — Department of Natural Resources</b>		
	<b>Cash Funds</b>	<b>FTE</b>
<b>Personal Services</b>		
FY 2009-10 Long Bill	\$2,356,010	38.0
Restore 1.82% base reduction	45,641	
FY 2009-10 Supplemental	(28,520)	
Reverse FY 2009-10 Supplemental	28,520	
Salary Survey awarded in FY 2009-10	0	
80% of Performance Based Pay awarded in FY 2009-10	0	
Base reduction (0.0%)	0	
SWNPDI - IT staff	(77,568)	(1.0)
Reduction in employer's PERA contribution (2.5%)	<u>(63,709)</u>	
<b>Subtotal, Personal Services</b>	<b>2,260,374</b>	<b>37.0</b>

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<b>Summary of Recommendation (5) State Land Board Program Costs — Department of Natural Resources</b>		
	<b>Cash Funds</b>	<b>FTE</b>
<b>Operating Expenses</b>		
FY 2009-10 Long Bill	1,416,437	
FY 2009-10 Supplemental	(1,156)	
Reverse FY 2009-10 Supplemental	1,156	
Annualize FY 2009-10 postage increase DI	(1,545)	
SWNPBA - Mail equipment	<u>64</u>	
<b>Subtotal, Operating Expenses</b>	<b>1,414,956</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$3,675,330</b>	<b>37.0</b>

**Public Access Program Damage and Enhancement Costs (New Line Item Requested by decision item #2)**

*Description:* The Department requests the creation of a new line item and an appropriation of \$225,000 reappropriated funds spending authority to reflect expenditures associated with the Public Access Program, a collaborative effort with the Division of Wildlife. Under the Public Access Program, the Division of Wildlife leases approximately 550,000 acres from the State Land Board for public access hunting and fishing. The program generates \$900,000 per year for the Land Board, and the Land Board spends approximately 25 percent of that funding on access improvements, damage repairs, and property enhancement for public access properties.

*Request:* Under decision item #2, the Department requests \$225,000 reappropriated funds (from the Division of Wildlife), which represents 25 percent of the Division of Wildlife's lease payments to the State Land Board for the public access program. Historically, the Division of Wildlife has made the enhancement expenditures on behalf of the Land Board, which has created accounting issues. The Department makes the request to improve the transparency of the Public Access Program and correct accounting problems.

*Recommendation:* **Staff recommends that the Committee approve the decision item and the requested level of funding.** The request will improve transparency and accurately reflect expenditures for the Public Access Program.

**Indirect Costs**

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

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

*Recommendation:* **Staff recommends \$177,993** to capture the division's share of statewide and departmental indirect costs, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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**LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

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

- 38 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 2011-12~~ FY 2012-13, 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.

- 39 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 2011-12~~ FY 2012-13, 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.

- 40 Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response** -- It is the intent of the General Assembly that funding for this line item be expended in the event that there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this funding is for investigation, prevention, monitoring, and mitigation of circumstances which are caused by or are alleged to be associated with oil and gas activities and which call for immediate action by the Oil and Gas Conservation Commission. An emergency creates a threat to public health, safety, or welfare or to the environment as proclaimed by the Oil and Gas Conservation Commission Director and approved by order of the Oil and Gas Conservation Commission.

*Comment:* This footnote sets forth the purpose, conditions, and limitations of the line item.

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- 41 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies.

*Comment:* This footnote sets forth the purpose, conditions, and limitations of the line item.

Staff also recommends continuation of the following requests for information:

- 47 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.
- 48 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.