DEPARTMENT OF NATURAL RESOURCES
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 10, 2015
1:30 pm – 5:00 pm

1:30-1:50 INTRODUCTIONS AND OPENING COMMENTS

1:50-2:00 CASH FUND REPORTS

1. ***Please explain why the Department was unable to submit cash fund reports with the budget request on November 2, 2015.***

Response: The response to this question is contained in the response to Question #2.

2. ***Has CORE contributed to problems with data accuracy and producing cash fund reports? If so, please provide detail on the issues the Department has experienced with CORE.***

Response: The Department was unable to submit the cash fund reports for several reasons, including:

<u>CORE and Financial Close</u> – As of this writing, Colorado's FY 2014-15 financial books have still not been fully closed in the State's new accounting system (CORE). While the Department of Natural Resources no longer expects any major changes in its financial reports, in early November there were still major changes being processed as part of the year end close. Further, the process of creating the cash fund reports took longer this year because DNR's budget staff was not as familiar with the new accounting reports, making it a bit harder to find key pieces of information needed to complete the cash fund reports. None of the above should be considered problems with CORE, but the short-term struggles and inefficiencies involved in learning a new system.

<u>Performance Budgeting (PB)</u> – In addition to implementing a new accounting system, Colorado is also in the process of implementing a related new electronic budgeting system known as "Performance Budgeting" or "PB". Just as with the CORE system, there have been some bumps in the road as budget staff across the State learn how use the new PB system. Due to the State ironing out some minor problems with the automated reports produced by PB, a huge volume of budget schedules were not produced until the last few weeks of October. This created a very overwhelming amount of work during this time period in inputting data into the system and reviewing/editing hundreds of pages of budget schedules. On top of its many other base budget reports, footnote requests, and SMART Act documents, DNR did not have the staff necessary to also process over forty individual cash fund reports (which, for the reasons described previously, were really not ready to be put together at this point in time regardless, because significant changes to FY 2014-15 financial activity were still be made).

Commitment to Accuracy – Several years ago, Colorado Parks and Wildlife was audited for problems in calculating and reporting the unobligated reserve in the Wildlife Cash Fund. One of the Department's responses to this audit was to implement a rigorous but time consuming review of each of the Department's more than forty cash fund reports. After division staff prepare a cash fund report, it is independently reviewed by EDO budget staff. Most importantly, actual fund balances are verified against financial reports. Among other details that are reviewed, future revenue and expenditure numbers are analyzed to be sure they are reasonable, justifiable, and consistent with the budget request. This process of creating and reviewing the cash fund reports takes a number of weeks and was generally not started in earnest until roughly mid-November when it appeared that the financial close activity had essentially completed. As such, cash fund reports for the DNR Executive Director's Office, Division of Reclamation, Mining, and Safety, State Land Board, Oil and Gas Conservation Commission, Colorado Water Conservation Board, and Division of Water Resources were delivered to the Joint Budget Committee staff in early December. The cash fund reports for Colorado Parks and Wildlife are still outstanding, although CPW staff has provided JBC Staff with some high level overviews describing the status of its cash funds. The Department anticipates having all outstanding cash fund reports submitted by mid-December.

2:00-2:15 SEVERANCE TAX

3. Please provide the Department's position on options to smooth fluctuations in revenue from severance tax, as well as potential legislative actions to change the distribution of funds to stabilize revenue streams for programs supported by severance tax.

Response:
Revenue Fluctuations: Smoothing out fluctuation on the revenue side would likely involve reforming the severance tax code itself. Two quick pieces of background are needed to set up this conversation. First, oil and gas related severance taxes generally comprise over 90% of the total severance tax revenues in the State. As such, any examination of volatility in severance tax revenue needs to focus on volatility in oil and gas related severance tax revenues. Second, under Colorado Law, oil and gas producers are allowed a credit against their severance tax liability equal to 87.5% of ad valorem taxes paid. For additional details, see Section 39-29-105 (2), C.R.S. The ad valorem offset creates significant additional volatility in the severance tax revenue stream. The Department of Natural Resources receives three different revenue streams which, at their heart, are all taxes on the production value of oil and gas. These three revenue streams are severance taxes, federal mineral lease revenues, and the mill levy assessed by the Colorado Oil and Gas Commission. The table below shows an eight year history of each of these three revenue streams. As this table will demonstrate, any and all revenue streams based on the production value of oil and gas in Colorado are cyclical and experience volatility based on changes in commodity prices and production volumes. But notice that severance tax revenues are almost eight times more volatile than the OGCC mill levy and that severance taxes are almost three times more volatile than federal mineral lease revenues. This might suggest replacing some or all of Colorado's current severance tax structure with a tax structure that is closer to either the OGCC's mill levy structure or the federal mineral lease structure. Again, the Department believes that one

of the best options to reduce volatility would be to reduce and/or eliminate the ad valorem offset. Because a reduction of the property tax offset would significantly increase the tax burden born by the oil and gas industry, in the event that the General Assembly chooses this course of action, it would probably be preferable to concurrently consider a lower base severance tax rate on oil and gas. This would ensure that, on average, the total severance tax collection was not significantly changed (which otherwise might have negative implications related to TABOR revenues and the State's General Fund budget). Although the Department has not explored this idea with an attorney, it is possible that this idea may need voter approval because: (1) it will certainly increase taxes on certain individual tax payers, and; (2) even if the reform were revenue neutral on average, it almost invariably would result in higher taxes in some years than would be collected under the current tax structure.

Eight Year History of Various Taxes on Oil & Gas in Colorado

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	8 Year Average
Severance Tax Revenue	$152	$319	$36	$140	$199	$130	$251	$271	$187
Year-to-Year Variance	19.2%	110.25%	-88.69%	288.14%	42.42%	-34.99%	93.75%	8.06%	**85.7%**
Federal Mineral Lease Revenue	$154	$227	$122	$149	$165	$121	$174	$145	$157
Year-to-Year Variance	24.9%	47.98%	-46.11%	22.05%	10.35%	-26.78%	43.70%	-16.42%	**29.8%**
OGCC Mill Levy Revenue	$6,207,021	$6,840,228	$6,692,207	$6,293,931	$6,739,614	$6,562,155	$9,149,344	$8,084,810	$7,071,164
Year-to-Year Variance	N/A	10.20%	-2.16%	-5.95%	7.08%	-2.63%	39.43%	-11.64%	**11.3%**

* Note: Excludes penalty revenue, receipt of federal funds, and other non-mill levy revenues earned by OGCC

<u>Expenditure Fluctuations:</u> To reduce fluctuation on the spending side, the Joint Budget Committee could consider modifying the statutes related to the reserves in the Operational Fund. To put this discussion on Operational Fund reserves in perspective, we will start with a bit of background. First, the current Operational Fund reserve requirements are contained in Section 39-29-109.3 (3)(a), C.R.S. This section of statute requires that the Operational Fund maintain a reserve equal to one hundred percent of the Tier 1 appropriations and fifteen percent of Tier 2 appropriations. For FY 2016-17, this statute will require a Tier 1 reserve of about $14.8 million and a Tier 2 reserve of about $5.5 million. Thus, Colorado will keep a total reserve of about $20.3 million. As noted in the statutes, the reserve "is intended to mitigate the impact of fluctuations in the amount of revenue credited to the fund from year to year so as to maintain current levels of service for the programs specified in subsection (1) of this section [a reference to Tier 1 Programs]." Please note that this statement omits reference to protecting Tier 2 programs from revenue volatility.

Despite this omission, the Tier 2 reserve has had and will continue to have an important role in mitigating the impact of revenue volatility. Operational Fund revenues in FY 2015-16 are projected at about $24.4 and Operational Fund authorized expenditures (Tier 1 plus Tier 2) are about $58.0 million. Most importantly, the Operational Fund is projected to experience a $33.6 revenue shortfall in FY 2015-16. Unfortunately, a $6.3 million Tier 2 reserve provides only minimal mitigation of this type of shortfall/revenue volatility. Thankfully, the Operational Fund accrued a balance that was $33.8 million in excess of reserve requirements at the end of FY 2014-15. This excess reserve will be far more important than the Tier 2 reserve in mitigating the current year revenue shortfall. A few conclusions here are that Colorado should not inherently spend every dollar of excess reserve in a given year and that the Tier 2 reserve might be too small.

Alternatively, the Tier 1 reserve might be too big. Tier 1 programs, while of primary importance, already receive an incredible amount of protection because they get funded before Tier 2 programs. That is, if there is not enough revenue to fund everything, all the required cutting occurs in Tier 2. With Tier 1 spending a bit below $15 million, total severance tax revenue would need to be below $60 million to threaten Tier 1 spending (since the Operational Fund gets 25 percent of the statewide severance tax revenue per the statutory allocation formula). This did happen once recently, in FY 2009-10, when revenue was only $36 million. But in seven of the last eight years, revenue has actually been more than double the $60 million minimum revenue figure needed to assure full Tier 1 funding. Giving Tier 1 programs the structural protection of being funded as the first priority <u>and</u> giving Tier 1 programs a 100% spending reserve is probably overkill. Given the under-protection of Tier 2 programs, the Committee might consider some or all of the following options:

(1) Reducing the Tier 1 reserve to 50% of Tier 1 appropriations (a savings of roughly $7.4 million in FY 2016-17);
(2) Either doubling or tripling the Tier 2 reserve to 30% or 45% of Tier 2 appropriations (a "cost" of $5.5 million to double or $11 million to triple the reserve, based on FY 2016-17 authorizations.
(3) To continue to provide appropriate protection to Tier 1, but not needlessly tie up money in the Tier 1 reserve, additional statutory provisions could potentially be added to the

Operational Fund reserve requirements. These provisions could condition Tier 2 reserve spending on the most recent Legislative Council Staff severance tax projection showing that there was enough revenue to fund Tier 1 programs in both the current and upcoming budget years. This potential provision could provide additional protection to Tier 1 programs in the event of a significant, multi-year downturn in severance tax revenues.

4. ***Please discuss the impact of the anticipated shortfall in Operational Fund revenue on Department programs in FY 2016-17.***

Response: There will not be proportional reductions to Tier 2 programs under the current (September 2015) Legislative Council Staff revenue forecast. However, in the current fiscal year, authorized spending from the Severance Tax Operational Fund (roughly $58.0 million) is greater than projected revenue ($24.4 million). To fund this significant imbalance, the almost $34 million excess reserve in the Operational Fund at the end of FY 2014-15 will be completely spent down and a portion of the $6.3 million Tier 2 reserve will also be tapped to prevent cuts.

Not only is severance tax revenue volatile, as shown in the tables above, it is also unpredictable. DNR has done an analysis looking at both the Legislative Council Staff and the Office of State Planning and Budgeting December forecasts for current year severance tax revenue in each of the last six years. That is, DNR analyzed twelve recent forecasts, six from OSPB and six from LCS. Of these twelve forecasts, only two were accurate, with current year projections that (after the year had closed) were within three and five percent of actual severance tax revenues. Eight of the twelve forecasts deviated between 9.5 percent and 25 percent of reality. Finally, two of the twelve forecasts were off by over 40 percent. Given this unpredictability, DNR is increasingly beginning to consider a range of possible severance tax revenue scenarios that include revenues coming in as much as 20 percent below forecast. If FY 2015-16 revenues come in 20 percent below the level forecast by Legislative Council Staff in September of 2015, there will be proportional reductions in the range of 3 percent if the Governor's proposal to transfer $3.8 million of severance taxes to the General Fund in FY 2015-16 is adopted. If this proposal is not adopted, proportional cuts will be in the range of one-half of one percent.

In FY 2016-17, there will be roughly 16 percent cuts under the September, 2015 Legislative Council Staff forecast. These cuts would grow to 19 percent if the Governor's proposal to transfer $3.8 million of severance taxes to the General Fund in FY 2015-16 is adopted. If revenues come in twenty percent below the LCS' FY 2016-17 forecast, proportional cuts would be in the range of forty percent. Again, this forty percent figure is meant to be the worst end of a reasonable range of likely outcomes.

2:15-3:00 OIL AND GAS CONSERVATION COMMISSION (OGCC)

*5. **Please provide a response regarding:***
   *a. **the projected revenue shortfall in the Oil and Gas Conservation and Environmental Response Fund for FY 2017-18;***
   *b. **the Department's proposal to raise the mill levy contingent upon changes to cash fund restrictions under TABOR; and***
   *c. **alternatives for addressing the revenue shortfall including the proposed scenarios for reducing OGCC expenditures in FY 2016-17 and FY 2017-18.***

5a Please provide a response regarding the projected revenue shortfall in the Oil and Gas Conservation and Environmental Response Fund for FY 2017-18

Response:

Funding Shortfall: The Oil and Gas Conservation and Environmental Response Fund (OGCERF) is funded primarily by a mill levy assessed on the production of oil and gas, and to a lesser extent on penalty revenue. In the most recently completed fiscal year, the OGCERF earned $9 million in revenue, but incurred nearly $11 million in expenses. This shortfall is projected to grow to $4 million per year starting in FY 2015-16 and continuing for the foreseeable future. This anticipated shortfall is based on a number of expenditure and revenue assumptions as outlined below.

Expenditure assumptions: Expenditures are assumed to equal the total amount appropriated to the Oil and Gas Conservation Commission (OGCC) and to the Colorado Department of Public Health and Environment. However, it is uncommon for either Department to fully expend their appropriations. The OGCC will typically revert a small amount of their regular appropriation (between 1% and 5% in recent years) due to conservative budgeting, end of year purchasing restrictions, or other unforeseen circumstances. Additionally, in the previous five years, the OGCC has expended, from the $1 million Emergency Response line, $17,236 one year, $264,817 one year, and $0 in three years. However, current oil and gas prices are putting additional economic pressures on operators and there may be an increased need for this funding in the coming years.

Revenue Assumptions: Levy revenue is based on the sales value of oil and gas production and, as such, is sensitive to changes in oil and gas commodity prices and production levels. In its cash fund projections, the OGCC relies on the futures market for its commodity prices. It uses actual production data and other industry information to forecast production levels. Based on monthly production reports, oil production was still on the rise through August, but assuming the increase is not sustainable in the current price environment, the OGCC projects statewide oil production to start declining at a rate of 3% starting January 2016. Natural gas is projected to decline at 1%. Additionally, as is addressed in question #10, the OGCC is projecting that it will annually collect about $750,000 in penalty revenue.

Summary: The OGCC uses conservative estimates of both revenue and expenditures to project the future balance of the Oil and Gas Conservation and Environmental Response Fund. If these assumptions are accurate, the fund will be functionally insolvent by the end of FY 2016-17 with a projected cash fund balance of approximately $250,000. Though these assumptions are conservative, analysis suggests that revenue and expenditures will need to change far more than can be reasonably expected to prevent the rapid deterioration of this fund's solvency. If these conservative assumptions turn out to be too optimistic (e.g. oil and gas prices decline further or do not realize the slow recovery predicted by the futures market) the fund's solvency will deteriorate more quickly.

5b Please provide a response regarding the Department's proposal to raise the mill levy contingent upon changes to cash fund restrictions under TABOR

Response: The Oil and Gas Conservation Commission has the statutory authority to set the mill levy between 0 and 1.7 mills as "… the expenses chargeable against the oil and gas conservation and environmental response fund … may require." (C.R.S. 34-60-122 (1) (a) 2015) The current mill levy was set in 2007 at 0.7 mills and will produce a projected $7.5 million annually. In order to fund the activities of the OGCC, and reduce or eliminate the future revenue shortfalls, it is possible for the Commission to increase the mill levy. However, since the levy revenue is not exempt under TABOR, any increase in collections will count against the TABOR cap. In the current year, when the State is projected to be in a TABOR refund situation, this effectively means that General Fund cuts would need to be realized elsewhere. Since this fund is <u>not</u> projected to be insolvent this year (with a projected year-end cash fund balance of approximately $4 million), and given the difficulty of finding sufficient resources mid-year, it would not be preferable to raise the levy rate in the current year. Though it would still count against the TABOR cap, if the Commission were to increase the levy on during FY 2016-17 or beyond, it would provide sufficient time to plan for this impact. It should be noted, the timing of the mill levy increase may impact the degree to which the mill levy will need to be changed. Since neither levy revenues nor expenses accrued by the OGCC are consistent over time, it is preferable to keep a balance in the fund to absorb fluctuations in cash flow. A year-end balance is also needed to cover OGCC's expenditures until revenue attributable to the new fiscal year actually arrives. (e.g. levy payments based on first quarter fiscal year production are not due until December 1). Due to the uncertainty of the projections and issues with cash flow, if sufficient room is found under the TABOR cap in the current year the OGCC would prefer to make a smaller levy rate increase sooner.

5c Please provide a response regarding alternatives for addressing the revenue shortfall including the proposed scenarios for reducing OGCC expenditures in FY 2016-17 and FY 2017-18.

Response: In order to address the projected revenue shortfall it is necessary to increase revenue from existing sources, find additional sources of revenue, decrease expenses, or some combination thereof. During the December 3rd briefing, JBC staff laid out a table of scenarios that addressed the revenue short fall through lower assumed emergency response costs and program reductions of between $500,000 and $1 million. Under one of the most aggressive scenarios (assuming $250,000 of emergency costs and finding unspecified program cuts of $750,000) the fund's insolvency is only delayed one year.

The Oil and Gas Conservation Commission has a statutory mission to, "Foster the responsible, balanced development, production, and utilization of the natural resources of oil and gas in the state of Colorado in a manner consistent with protection of public health, safety, and welfare, including protection of the environment and wildlife resources." Though there has been much discussion in recent years on how best to accomplish this mission, the Legislature has set appropriations at a level to inspect wells on average every 1.5 years. The Executive Branch also has many additional performance targets, such as reviewing permits within an average of 45 days and resolving complaints within an average of 30 days, all while protecting public health, safety, and welfare, the environment and wildlife. The Oil and Gas Conservation Commission and the Governor's office believe that the current level of staffing is appropriate to meet these goals and that significant programmatic cuts are inadvisable. The OGCC is continuously evaluating current workloads, current backlogs, and projected workloads. As is discussed in the response to question #6, current workloads justify current appropriation levels. Even if there are no emergency costs each year, the projected annual shortfall is equal to approximately 17% of the annual appropriation. Cuts of that magnitude would seriously erode the OGCC's ability to accomplish its mission.

Additionally, the Oil and Gas Conservation Commission believes that maintaining an emergency funding appropriation of $1 million is appropriate. When this funding was first appropriated to the OGCC, it was realized that the potential emergencies requiring an OGCC response could get very expensive. For example, if an operator goes bankrupt and leaves behind orphaned wells, pits, and/or contaminated soil, the OGCC must take over the site and properly plug the well and complete reclamation activities, which can cost hundreds of thousands of dollars. Financial assurance amounts are not designed to cover 100% of these costs. Additionally, when members of the public express concerns about development near their communities this funding is frequently cited to demonstrate that the OGCC is sufficiently funded and authorized to respond immediately to emergencies that may impact them. This level of assurance may help alleviate concerns of those near oil and gas activity.

For these reasons, unless there are substantial changes to the agency's mission which would allow for a significant decrease in funding, the OGCC believes that the best option is to increase revenue. Assuming that new sources of funding for the agency are not found, and unless sufficient room is found under the TABOR cap in FY 2015-16, the Commission will likely pursue a mill levy increase in FY 2016-17.

6. ***Please provide an updated analysis of workload measures for the OGCC with data from the recent downturn, including information on inspections and the number of complaints to which inspectors are responding.***

Response: See Table 1 below for the OGCC's most up-to-date workload metrics and industry data from FY 2013-14 through FY 2015-16's actuals and projections.

Table 1: OGCC Workload, FY 2013-14 to FY 2015-16

	Fiscal Year				Percent Change FY14-FY16
	2013-14	2014-15	2015-16 thru Nov.	2015-16 Estimated	
Oil & Gas Prices and Production					
Cushing, Oklahoma West Texas Intermediate (Oil) Spot Prices (Dollars per Barrel)	$101.36	$69.65	$45.58	-	**-55%**
Henry Hub Natural Gas Spot Price	$4.29	$3.35	$2.54	-	**-41%**
Colorado Oil Production (million Barrels) est. for FY15-16	78.4	106.8	N/A	133.0	**70%**
Colorado Gas Production (MMCF) est. for FY15-16	1,622,727	1,669,628	N/A	1,652,283	**2%**
OGCC Workload Indicators					
Active Wells	52,337	53,608	53,719	54,478	**4%**
Completion and Completed Interval Reports Received	6,169	5,612	2,101	5,042	**-18%**
Applications for Permits to Drill	4,401	3,895	1,466	3,518	**-20%**
Hearing Applications Received[2]	614	672	441	882	**44%**
Complaints Received	196	318	127	305	**56%**
Remediation Projects Received	546	552	180	432	**-21%**
Number of Inspections Completed	28,439	36,820	16,543	39,703	**40%**
Appropriated FTE	95.4	96.3	110.3	-	**16%**

Notes:

[1]The FY16 annualized estimates are based on the first five months of data in the fiscal year (July, August, September, October, and November). The production figures are best estimates as of 11/20/15.
[2]The number of hearings applications received in FY 2015-16 include those already received for the December 2015 hearing.

In regards to the above workload metrics, the number of Applications for Permits to Drill (APDs) often receive the most attention. While the OGCC sees a steady, but slightly lower, number of APDs, the backlog remains high - at 706 APDs by the end of November 2015, primarily because staff time required to resolve complex issues related to public comment, local government involvement, designated setback locations, and waste management has increased over the last year. During the permit review process, OGCC staff members, more frequently than before, are discussing conditions of approval in multiple conversations with operators, with the goal that every permit the OGCC issues will both comply with all agency rules and appropriately address public comments.

7. ***Please provide information on changes in workload measures tracked by industry (e.g. has hiring decreased, have companies decreased staffing) and explain how the OGCC takes industry workload data into consideration for future planning and when making staffing decisions.***

Response: Using employment figures through the first quarter of 2015 and other available data, the Office of State Planning and Budgeting projected a 15% decline in oil and gas related jobs for all of CY 2015 in its September 21, 2015 economic forecast. More recent data from the Colorado Department of Labor and Employment shows that by the end of the second quarter of 2015, the two primary oil and gas industry subsectors ("Oil and Gas Extraction" and "Support Activities for Mining") experienced a total employment decline of about 15%. The Support Activities for Mining subsector also includes activities for coal, metals, and nonmetal minerals mining and extraction. In addition, the active rig count has fallen about 60% from one year ago.

While the OGCC is paying attention to industry layoff announcements, weekly rig reports, and the decline in some of its workload metrics, the industry slowdown has not yet resulted in a decline in overall workload for the division. The division is also concerned about a decline in the quality and timing of industry submitted regulatory reports, which is beginning to occur now and has occurred in the past when industry staff, reduced by layoffs, has taken on additional, unfamiliar responsibilities. Incomplete and incorrect submittals add to the division's normal processing timeframes.

Nevertheless, the OGCC will be evaluating every position as it becomes open to determine whether it should be deployed elsewhere in the division and filled by an individual with a skill set different from that of the former incumbent. In fact, many of our existing staff members can be redeployed as needed when workload shifts from one arena to the next. As an example, hearing officers originally hired to focus on hearing applications are qualified to work on enforcement matters.

It is important to note, however, that the OGCC has always taken a measured approach to staffing increases and has never staffed to peak industry activity levels. Instead, it has heavily relied on contract and temporary staff – for the purpose of creating a buffer against inevitable industry downturns. Currently, the division employs eight nearly full-time contractors and temporary staff to assist with backlogs and other work in the permitting, environmental, and engineering units. When the workload declines and the OGCC can provide the services expected of it within a reasonable time-frame without assistance, these non-FTE staff will be dismissed. The OGCC is committed to preserving its cash fund wherever it makes sense, but not at the expense of quality service, as expected by the industry, the public, local governments, the environmental community, and other stakeholders.

8. ***Regarding oil and gas inspections by the Oil and Gas Conservation Commission:***
   a. ***Please provide data on the number of inspectors, when they were added, and the number of other support staff required per inspector over the last 10 years.***
   b. ***Please provide an update on any backlogs in inspections. Can CDPHE and OGCC share inspectors as a way to reduce backlogs in inspections?***
   c. ***Can the OGCC use remote monitoring data on oil and gas wells from industry as part of the inspection process? Would that data increase efficiency in inspections?***
   d. ***Please provide an update on the risk-based inspection program including an explanation of how wells are prioritized for inspection. Has this program increased efficiency in the inspection process?***

   e. ***Please provide data on the number of inspectors, when they were added, and the number of other support staff required per inspector over the last 10 years.***

Response: Table 2 below shows the number of appropriated field inspectors and support staff, which the OGCC has generally defined before as the engineering, environmental, and hearings group, with the latter including enforcement. The table also shows the ratio of support staff to inspectors over the last 10 years.

Table 2: OGCC Field Inpection and Support Staffing, FY 2006-07 to FY 2015-16

Fiscal Year Ending	Appropriated Field Inspectors	Appropriated Support Staff (Hearings, Engineering, and Environmental)	Ratio of Support Staff to Field Inspectors
2007	6.0	19.0	3.2
2008	8.0	22.0	2.8
2009	16.0	28.0	1.8
2010	16.0	28.0	1.8
2011	14.0	28.0	2.0
2012	14.0	28.5	2.0
2013	16.0	33.0	2.1
2014	27.0	39.0	1.4
2015	27.0	39.9	1.5
2016	30.0	49.0	1.6

Notes:
The Field Inspector count excludes the Field Inspection Unit Manager. The number of Appropriated Field Inspectors declined in FY 2010-11 due to a JBC staff-initiated budget amendment.

f. Please provide an update on any backlogs in inspections. Can CDPHE and OGCC share inspectors as a way to reduce backlogs in inspections?

Response: The OGCC and CDPHE work cooperatively together on many issues and have conducted joint inspections. They routinely share information and data. However, the ecological reclamation is not an area where CDPHE staff has the education and technical expertise to provide assistance. CDPHE has a complex mission and is divided up into specific disciplines with knowledgeable staff, but the reclamation of lands disturbed by industrial operations is not within their purview. Also, CDPHE has limited inspectors within its divisions and many of them work directly from the central office in Denver. Mobilizing from Denver to inspect abandoned wells or oil and gas locations in eastern or western Colorado would not be practicable, effective or efficient.

In regards to an inspection backlog, there are about 19,000 sites, including about 12,000 plugged and abandoned wells and nearly 7,000 abandoned permits that need to be inspected for final reclamation.

g. Can the OGCC use remote monitoring data on oil and gas wells from industry as part of the inspection process? Would that data increase efficiency in inspections?

Response: It would be very complicated to use industry remote monitoring data, as the OGCC does not have the resources to receive and evaluate this data. Implementing a system to provide these capabilities would be complicated and expensive as operators use many different types of remote monitoring systems and collect data in various formats.

Data from remote monitoring would not increase the efficiency of inspections for several reasons. Remote monitoring data only covers a small fraction of the information that is included on an OGCC field inspection report. The operator data focuses on well pressures and liquid levels in tanks but not on issues such as spills, leaking valves, the condition and maintenance of equipment, surface issues such as noxious weeds, and the operational condition of pits.

h. Please provide an update on the risk-based inspection program including an explanation of how wells are prioritized for inspection. Has this program increased efficiency in the inspection process?

Response: To address specific recommendations in the February 2014 “Risk Based Inspections” report, the OGCC’s field inspection program has been adjusted to increase the number of inspections performed during higher risk phases of an oil and gas well’s life cycle. These phases, or activities, include initial site construction, hydraulic fracturing, and flowback. The division’s goal is to inspect all of these higher risk activities at each new location at least once.

In regards to existing wells, the OGCC has nearly completed a new risk based model with associated database and mapping tools. This risk model will use environmental and demographic data from Colorado Parks and Wildlife, the Division of Water Resources, the Department of Local Affairs, and the U.S. Census Bureau to calculate a risk level for each existing well in the state. The risk model uses the following factors:

- Population density and urbanization;
- Environmental risk, which includes wildlife risk, surface water risk, headwaters risk, and groundwater risk;
- Number of past corrective actions;
- Time since last inspection;
- Years the well has been in service; and
- Number of reported spills for that well.

When expanded statewide to the full inspection program, the new model and the associated database tools and maps will allow inspectors to focus on high risk existing wells and efficiently address compliance issues. In prior years, inspection priorities could not benefit from the combined data now used to calculate each well's risk profile.

9. How does the OGCC monitor and inspect abandoned oil and gas wells and how does this compare to the inspection process for active wells?

Response: The OGCC continues to inspect oil and gas wells until they are properly plugged and abandoned and have passed a final reclamation inspection. The inspection process is the same for all locations unless a well is shut in or temporarily abandoned. These wells have additional reporting requirements and must pass a mechanical integrity test on a periodic basis. However, once a well has been plugged following procedures approved by OGCC engineering staff, and has met the final reclamation standard, the financial assurance is released. From that point forward, the location is no longer inspected.

10. Please explain how estimates of future penalty revenue account for the impact of changes made to the penalty structure in H.B. 14-1356 (Increase OGCC Penalty Authority).

Response: The FY 2015-16 penalty revenue estimate of $750,000 is based on what the OGCC expects to actually collect rather than the dollar amount of the penalties imposed. Penalties assessed so far in FY 2015-16 total about $1.6 million, with actual year-to-date collections at about $500,000.

Additionally, negotiations on some penalties resulted in a payment schedule over this fiscal year and the next, and a few operators are so financially distressed that the OGCC does not expect to ever collect penalty revenue from them. Overdue accounts will be turned over to State Collections in accordance with state rules.

Fiscal years 2016-17 and 2017-18 are simply a carry-forward of the current year's estimate, because the division has limited experience under the new penalty regime, which is complicated by the industry downturn and resulting financial stress on operators. Those out-year estimates will be adjusted as more information becomes available.

3:00-3:30 WATER QUALITY ISSUES AT LEGACY MINE SITES

11. This is a question for both CDPHE and the DRMS. Please provide a short briefing on the Gold King Mine incident in August 2015 and the response from the Division of Reclamation, Mining, and Safety (DRMS) and the Colorado Department of Public Health and Environment (CDPHE).

DRMS Response: DRMS personnel heard of the blow-out on walkie talkies while at a neighboring mine. DRMS personnel rushed down the mountain and alerted the EPA and CDPHE hotlines, which set off a string of alerts to the local jurisdictions and others per their protocols. DRMS personnel had also been at the site earlier in the morning to discuss future ground support and face control for when the EPA would eventually go underground after dewatering was complete. DRMS personnel were not aware of any plan to open the adit that day.

CDPHE Response: CDPHE's Hazardous Materials and Waste Management Division's (HMWMD) role at the Gold King site is very limited. Gold King has not been designated as a federal CERCLA (or Superfund) National Priority List (NPL) site. Once a site is listed on the NPL, HMWMD shares, with EPA, responsibility for managing the administrative, technical and other work necessary to perform clean-up. EPA and HMWMD also share clean-up costs for NPL sites. The State's (HMWMD) role at NPL also varies depending upon which agency is designated as the lead agency and which agency is designated as the support agency. For each NPL listing in the state, HMWMD and EPA Region 8 determine on a case-by-case basis which agency will take the lead role, and which agency will take the support role for the site. Regardless of that decision, Colorado environmental cleanup standards apply.

CDPHE's Water Quality Control Division (WQCD) immediately responded to the Gold King mine spill as part of the spill response program. The WQCD has authority under the federal Clean Water Act and the state Water Quality Control Act to regulate spills or discharges of pollutants to waters of the State of Colorado. The spill response program was established under this authority to respond to spills throughout the state, and to inform and monitor public drinking water systems as well as impacts to the environment. The WQCD supports monitoring and communication efforts with the EPA and local public health agencies with respect to spills. In the case of Gold King Mine, the WQCD responded immediately, shutting down public drinking water systems and monitoring environmental impacts from the Gold King mine spill. Staff collected numerous water quality samples throughout the watershed and down to the New Mexico state line for a two week period after the spill. Staff subsequently worked with the State Lab to analyze water quality impacts from the spill. Staff also coordinated public health recommendations with other CDPHE divisions related to drinking water, recreation and sediment and with the EPA and local public health agencies to develop appropriate health advisories. Staff also coordinated with the Colorado Department of Agriculture on the effects of the spill to livestock and with Colorado Parks and Wildlife on the spill effects on aquatic life and wildlife. Finally, staff provided extensive public communication related to the spill including FAQs, health recommendations, maps, etc. The WQCD continues to monitor and sample the Animas River to review any long term impacts the spill has on the watershed.

12. ***This is a question for the Department of Law. Is the state still considering joining a lawsuit against the Environmental Protection Agency (EPA) for the Gold King Mine release in August of 2015? What is Colorado's position on those potential suits?***

Response from the Attorney General's Office: "In the weeks after the Gold King Mine spill, the EPA Director said her agency accepted full responsibility and would be fully accountable for damages resulting from the release of approximately 3 million gallons of contaminated water into the Animas River. The Attorney General stated at that time that EPA should be given the opportunity to assess the short and long-term damages and make good on its commitment to "make it right." However, the Attorney General also indicated that litigation was an option on the table if the EPA failed to redress the negative impacts of its actions. DNR and CDPHE are the State's points of contact with EPA regarding the spill. Both the Attorney General and the Natural Resources Trustees have indicated an interest in better understanding the damage to Colorado's natural resources caused by the spill. Other parties, however, including the Navajo Nation and the State of New Mexico, have retained legal counsel and appear to be preparing for potential litigation regarding the Gold King Mine disaster. If they or private parties decide to sue, those proceedings could implicate Colorado and its state agencies, necessitating a legal response from Colorado."

13. ***This is a question for both CDPHE and the DRMS.* Please detail any expenditures made by state agencies in connection with the Gold King Mine release in August 2015. Are there any current or future impacts to the budget from the incident?**

DRMS Response: DRMS expenditures in connection with the Gold King Mine release were covered by DRMS's existing staff with no current or future impacts to our budget.

CDPHE Response: Numerous CDPHE staff were involved in monitoring the Gold King Mine situation and providing technical expertise. CDPHE expenditures in connection with the Gold King Mine release were covered under existing spending authority. Resources dedicated to Gold King Mine response were reassigned from other activities. Future needs could also require resources to be diverted from division activities.

The total cost of CDPHE's response to the Gold King Mine incident was $190,164. The expenditure breakdown by division is below.

Hazardous Materials and Waste Management Division-$14,265 (8%)

Administration and Support Division- $7,778 (4%)

<u>Water Quality Control Division- $168,121 (88%)</u>

Total- $190,164

14. This is a question for both CDPHE and the DRMS. Regarding the 500 legacy mine sites with water quality issues:

Note of clarification, there are 230 sites with direct flows into waterways and another 300 with environmental issues which may or may not include indirect impacts to waterways through, for example storm water flowing through tailing piles.

a. Is there currently a list that prioritizes legacy mine sites based on an assessment of risk?

DRMS \ CDPHE Response: The CDPHE WQCD Nonpoint Source Program partners with DRMS to help address legacy mine-related water quality impacts, including impacts associated with a small number of the draining mines. The mine-related work performed in collaboration with DRMS is focused on priorities defined by criteria such as: primary pollutant source to a metals-impaired waterbody; a completed and approved Total Maximum Daily Load (TMDL) analysis; the severity of the problem, especially as it relates to a specific source; the potential for attaining water quality standards if the mine-related source(s) is addressed; and feasibility and local partnership factors.

b. Has there been an estimate of the cost of cleaning up these mine sites?

DRMS \ CDPHE Response: The only available information is what EPA has indicated and what has been heard in the press. CDPHE and DRMS do not have a comprehensive list of costs for sites on this list.

c. Are any regulatory measures necessary to assist with remediation at these mine sites?

DRMS Response: A Federal Good Samaritan law, if drafted with the appropriate side boards, would allow DRMS, NGOs and others to help remediate the water without incurring third party liability under the Clean Water Act.
CDPHE Response: Existing regulatory measures are the Superfund program.

15. How does the DRMS determine the level of risk from the 300 draining legacy mines it can address and prioritize these mine sites for reclamation? Are there any regulatory measures that need to be implemented at these mines sites?

Response: The 300 legacy mine sites referenced in this question are not discharging water at this time. Rather, their water quality impacts are from mine rock waste piles or mill tailings that may be contributing to metal loads within a watershed or to adjacent streams. DRMS does not have a role in setting priorities or assessing risk levels at discharging sites.

With the exception of the Good Samaritan law mentioned above, there are no regulatory measures that can be implemented at the vast majority of these sites because they are “pre-law” abandoned sites. If a responsible and viable party can be identified, there is an existing legal framework.

16. ***This question is for CDPHE. Please provide more information on the 230 legacy mine sites that require water treatment and address the following:***
    a. ***Has CDPHE prioritized these sites and what is the process for prioritization?***

Response: The CDPHE WQCD Nonpoint Source Program partners with DRMS to help address legacy mine-related water quality impacts, including impacts associated with a small number of the 230 draining mines referenced in the inquiry. The mine-related work performed in collaboration with DRMS is focused on priorities defined by criteria such as: primary pollutant source to a metals-impaired waterbody; a completed and approved Total Maximum Daily Load (TMDL) analysis; the severity of the problem, especially as it relates to a specific source; the potential for attaining water quality standards if the mine-related source(s) is addressed; and feasibility and local partnership factors.

WQCD has contracted with Colorado Geological Survey (CGS) to collect more information on the 230 draining mines identified by DRMS, and thousands of other sites statewide. This information will be compiled into a comprehensive inventory / database, improving access and usability. At the same time, WQCD is developing a prioritization framework to be used in tandem with the abandoned mine site inventory and database. The Colorado Water Resources and Power Development Authority is providing funding for this project. A coordination meeting between DRMS and CDPHE is scheduled for 12/9/2015. Federal agency involvement is expected in 2016.

   b. ***How is CDPHE working with communities impacted by these legacy mine sites?***

Response: HMWMD is currently working with the Upper Animas on outreach efforts, regarding a potential Superfund NPL listing. We also work with other communities who have acid mine drainage Superfund sites in their communities: such as Clear Creek; Leadville, Summitville, Crested Butte, to name a few.

WQCD has been engaged with the Animas River Community Forum including a myriad of groups such as local public health agencies, cities, counties, local environmental groups, local colleges, businesses, and more. The WQCD supports communities around the state impacted by legacy mine sites through assessment of surface water impacts and total maximum daily load reporting.

In addition, the WQCD has formed a task force to review the state of data available on mine impacts throughout the state. The Division is coordinating with state and federal partners to pull together all available data regarding mine impacts to waters of the state.

   c. ***Are there any additional regulatory measures that need to be implemented at these mines sites?***

Response: The Department is not aware of any additional regulatory measures that need to be implemented currently, however that position may change after additional data is collected.

17. This is a series of questions for both CDPHE and the DRMS:

a. Please provide a breakdown of funding for reclamation at legacy mine sites between the federal government and the state.

DRMS Response: The funding sources shown below (except $99,850 of severance tax funding) are allowed to be spent over multiple fiscal years; therefore, the annual funding amounts shown are estimates of how much will be spent per year as the funding is allocated over 3-5 fiscal years.

FY 2015-16 Inactive Mine Program Funding Sources	Primary Federal Funding	State Funding	Other Federal Funding	Other Federal Funding	Other Federal Funding
	SMCRA/ Office of Surface Mining	**Severance Tax**	**Bureau of Land Management**	**U.S. Forest Service**	**CDPHA/EPA (direct to DRMS)**
For addressing safety/structural risks at legacy mines; mine closures	$598,000/yr	$613,607 in FY16	$520,000/yr	$600,000/yr	N/A
For addressing environmental/ indirect impacts on water quality	N/A	$381,665 in FY16	If allowed by BLM.	If allowed by USFS.	$860,000/yr

Note: BLM and USFS federal funds are allocated for projects located on their federal lands unless directed to include work on adjacent privately owned lands.

CDPHE Response: Nonpoint source funds from the EPA, the Water Resources and Power Development Authority and the Water Quality Improvement Fund are used at legacy mining sites for watershed planning, site assessment and reclamation design and implementation. Projects are often minor hydrologic controls and mine waste reclamation due to technical, financial, legal and managerial challenges.

b. What resources are available at the federal level in terms of emergency relief for incidents at mine sites?

DNR/CDPHE Response: EPA can respond to an emergency at a mine site, legacy or permitted, if it is a threat to human health or the environment under their Superfund emergency response provisions. They will then seek restitution from the operator, if any, or in some cases the land owner to recover costs for cleanup. If it's a legacy mine with no financially responsible and viable owner, then the costs revert to the taxpayers/public funds.

c. ***Is the EPA taking any legislative or regulatory action regarding emergencies at legacy mine sites?***

DNR/CDPHE Response: DNR and CDPHE not aware of EPA taking any legislative or regulatory action regarding emergencies at legacy mine sites.

d. ***Please provide the Department's position on the role of the EPA in the case of incidents or emergencies at legacy mine sites.***

DRMS Response: EPA's role is critical due to funding sources and the absence of third party liability under the Clean Water Act.

CDPHE Response: The EPA has resources (funding, contractors, staff) that are not available at the state level but can offer assistance for some large scale spills/emergencies. EPA's capacity is important especially at legacy mine sites where in general, the state does not have the resources to implement active response at spill incidents or emergencies including legacy mine sites. The state role is primarily coordination regarding notification of public and other governmental agencies and monitoring progress of the actions of the responsible party.

18. ***Is there a risk of a future decline in the federal coal money available for abandoned mine reclamation projects under SMCRA? Will the state have to assume the cost of remediation at legacy mine sites in the future?***

Response: The Inactive Mines Program is experiencing current reductions in SMCRA funding that were scheduled independent of the declining market in the coal industry. These were due to a return to regular funding levels after five years of significant increased funding due to a distribution of unappropriated state share funds to each state. The Inactive Mines Program took steps to prepare for the SMCRA federal grant reductions in FY 2014-15 by not filling vacant positions created as a result of attrition, which will continue into FY 2015-16.

If future changes in the coal industry further impact the level SMCRA funding made available to the states, the Inactive Mines Program will continue to adjust the size of the program. The Division does not anticipate that the State will assume the cost of remediation at legacy mine sites. Unless a new funding source materializes, going forward fewer sites will be remediated in the absence of a responsible and viable party which most of these pre-law sites do not have.

Note: SMCRA federal grant funds cannot be used to address environmental/water quality issues at non-coal abandoned mines. These funds are prioritized for addressing safety issues, i.e., slope stabilization, hazardous mine opening closure.

3:30-4:00 COLORADO PARKS AND WILDLIFE

19. Please provide detail on the status of the Parks and Outdoor Recreation Cash Fund and the Wildlife Cash Fund, including a discussion of the impact of the requested increase of $1.0 million per year for radios and any ongoing costs associated with the radio replacement plan to be implemented in future years.

Response: The Parks Cash Fund (PCF) is an enterprise fund. It receives essentially no General Funds and all expenditures in the PCF must be financed through a combination of user fees, GOCO and lottery, federal, and state severance tax funds. Accordingly, the Division must constantly manage both revenues and expenditures to insure the fund is financially sustainable.

The primary measure of the status of the fund is the size of the reserve, defined as current assets minus current liabilities at the end of the fiscal year. As of June 30, 2015 the Parks Cash Fund (PCF) reserve was $1.4 million, an increase of about $200,000 over the previous year. The reserve has increased in four out of the last six years. At the end of fiscal year 2014-15 the Parks and Outdoor Recreation Emergency Reserve Cash Fund (PECF) reserve was $2.8 million, having increased by $74,000 in FY 2014-15. The PECF is funded by net revenue generated in the Parks Cash Fund, and reserves in the PCEF have increased for the past seven years in a row. Together, at the end of FY 2014-15 the reserves in these two funds totaled $4.2 million, up from $1.1 million from the end of FY 2008-09.

A combination of expenditure reductions and fee increases over the past five years have kept the PCF in the black. Over that time period new financial challenges for the State Park system have constantly arisen; this will continue in the future. Maintaining the extensive state park infrastructure is one of those many challenges. For example, the Division is still repairing damage caused by the 2013 floods. Significant expenditures were made for this purpose in advance of insurance recoveries, which are expected in FY 2015-16 and which will bolster the PCF reserve. Radio replacement, dam renovation and repair, and replacing the aging park infrastructure all must be carried out to insure a viable state park system in the future. The PCF is currently generating a small surplus each year, which will provide funding for the radio replacements at least in the short term. As will always be the case, over the long term the Division must employ a combination of prioritizing needs, expenditure reductions, and revenue growth to insure financial sustainability.

A very similar situation exists with the Wildlife Cash Fund (WCF). The WCF is also an enterprise fund and receives essentially no General Fund. All expenditures from the fund must be financed through a combination of user fees, federal funds, GOCO funds, state Severance Tax funds, and outside grants and donations (i.e. through revenues generated by the Division). Maintaining the financial viability of the WCF requires constant balancing of needs against available resources.

At the end of FY 2014-15, reserves in the WCF were $19.9 million, up $5.8 million from the previous year. A combination of ongoing and one-time factors drove this increase. The WCF reserve has increased in each of the past two years; this followed six straight years of decline. The WCF is currently operating at a slight surplus.

As with the PCF, numerous financial challenges face the WCF. For example, a recent comprehensive assessment of dams owned by the Division has disclosed the need for significant investment in repairs and renovation. Maintaining the state's unique wildlife resource in the face of growing human population and changing demographics will continue to require new and expanded programs. While the radio replacements can be funded out of current operating surpluses, at least in the short term, meeting all the other financial demands will be a significant challenge. As with the PCF, over the long term the Division must employ a combination of prioritizing needs, expenditure reductions, and revenue growth to insure financial sustainability.

20. Regarding the FY 2016-17 request (R2) to replace radios for Parks and Wildlife staff:

a. Is the Department working with the Office of Information Technology (OIT) or using OIT services for this request? If not, why not?

Response: CPW is coordinating actively with OIT on the replacement plan and OIT is supportive of the effort. Once radios are purchased, OIT will handle their programming and installation.

b. Please describe the radio technology being requested and explain why dual band capability is required (700 MHz and 800 MHz). Does this allow CPW staff to communicate with agencies that have not converted to 800 MHz channels?

Response: CPW's radios must function within the state's Digital Trunked Radio System, which uses frequencies in both the 700 MHz and 800 MHz range depending on the location of the site and other interference factors. The radios the division is replacing cannot use 700 MHz sites and therefore cannot use all of the available sites on the system; this can leave holes in coverage or result in busy signals. The radios CPW is proposing to buy operate on both 700 MHz and 800 MHz frequencies, so these radios should allow CPW to communicate with the vast majority of local law enforcement agencies. For those local law enforcement agencies that still use VHF radios, CPW will maintain a small inventory of radios to insure communication is maintained. These VHF radios are, and will be, funded outside of this request. As such, CPW anticipates being able to communicate with all law enforcement agencies across the State.

c. Do all staff need the same radio technology (e.g. volunteers) and do all radios need to be interoperable?

Response: Radios are quite often shared between staff at all levels. The same radio that a volunteer uses to assist guests at a campground could be used on the next shift by a law enforcement officer. Having a set of radios used only by volunteers (presumably with less functionality and thus a lower cost) would likely result in the purchase of more radios overall by the division. Regardless, this model (different radios for different staff roles) is not practicable because there are certain radio-related core functions of CPW's operations that could be required of any staff member (communication with emergency responders, for example).

21. Please provide additional information on why the requested transfer of FTE to the Habitat Partnership Program (HPP) is necessary and describe the current role of independent contractors in administering the HPP.

Response: CPW is not seeking a net addition of full-time equivalent (FTE) positions through the decision item process. The Habitat Partnership Program is an existing line item in the CPW section of the Long Bill, with $2.5 million in continuously appropriated cash spending authority annually, but no appropriated FTE. CPW proposes transferring 3.0 existing appropriated FTE from the division's Wildlife Operations line item to the Habitat Partnership Program line item. With FTE authorized for the HPP line, CPW will use the line's existing cash spending authority to fund the 3.0 FTE positions, at approximately the Administrative Assistant II level. CPW will then discontinue its use of contractors to support the program, with the resulting savings being used to offset FTE personal services and operating.

The net result of the proposed decision item is to reduce the FTE appropriation in its Wildlife Operations line item from 622.6 FTE to 619.6 FTE, and increase the FTE in the Habitat Partnership Program from 0.0 FTE to 3.0 FTE. The HPP line item's cash spending authority will remain unchanged at $2.5 million. Without appropriated FTE in the HPP line item, CPW will either need to continue to rely on contractors to perform the work or dramatically scale back its involvement and assistance in the HPP committees, which would be contrary to legislative intent.

The Habitat Partnership Program (HPP) managed by Colorado Parks and Wildlife (CPW) develops partnerships among Colorado landowners, land managers, sportsmen, the public, and CPW to reduce wildlife conflicts, particularly conflicts associated with forage and fencing. The program's enabling legislation is Section 33-1-110, C.R.S. HPP works to address problems that deer and elk can cause private agricultural landowners, who provide much of the habitat upon which the animals depend. The goal is increased landowner tolerance for wildlife on private property, better resource management on both public and private lands, increased herd sizes as well as more hunting opportunities and licenses which have direct positive economic impacts to local economies and CPW.

HPP is implemented through a volunteer statewide council and 19 volunteer local committees. Committee makeup is defined in statute and consists of three representatives from local livestock growers, one representative for local sportsmen, one representative from each federal land management agency in the committee area, and one CPW representative. Committees are organized around CPW game management units.

Historically, HPP has used independent contractors to handle the administrative duties for the 19 local committees around Colorado and project management activity for the projects selected by committees. Between them, the committees conduct a large number of meetings – typically more than 100 meetings annually. The contractors attend every meeting, often in geographically dispersed areas of the state. Meetings take place throughout the calendar year, and committees often move meeting locations to better suit their constituencies. The independent contractors coordinate all aspects of every meeting. This involves extensive interaction with both committee members and prospective applicants for HPP projects. Coordinating meeting logistics (date, time, place, agenda, materials) for diverse committees (including farmers, ranchers, sportsmen, and often multiple federal agencies) is challenging and time-consuming. The contractors provide committees with program information related to state processes, guidelines and restrictions while considering projects.

The contractors serve as a primary point of contact for potential HPP project applicants and are expected to be subject matter experts on all aspects of the HPP process: application, committee review/approval, contracting and procurement, project implementation, project evaluation, vendor payment, and reporting to the committee. The contractors serve as the primary liaison between the committees, project applicants, and vendors. The number of projects managed by contractors annually varies significantly, and projects vary in scope, but a typical year involves hundreds of projects. HPP damage mitigation projects approved by the committees typically require more than 100 individual purchase orders each year and hundreds of payments to vendors. Especially in the case of smaller projects (fence repairs, for example), a single purchase order may involve multiple projects completed by the same vendor. Each project requires the coordination of the vendor information, project scope of work and state purchasing requirements into the HPP database system and to meet the CORE standards for approval. Contractors then perform project evaluations to ensure that work has been completed satisfactorily and arrange for payments to vendors. The continued use of independent contractors for what is regular, ongoing work that requires extensive knowledge of HPP program requirements and state financial management is not optimal. CPW believes permanent full time staffing will be a more efficient and effective way to cover the workload associated with the HPP committees.

22. Please provide a response to the proposal to reallocate a percentage of net lottery proceeds to capital construction and controlled maintenance for institutions of higher education. What would the impact of a reduction in lottery proceeds/GOCO funding of the proposed magnitude on CPW programs?

Response: Lottery funding represents approximately 20% of the division's overall budget for a given fiscal year. (For purposes of this response, "Lottery funds" means all Lottery funds received by CPW – both those distributed directly to CPW by the Lottery Division ("10% Lottery direct distribution") as well as those distributed to GOCO and then awarded to CPW.) The JBC briefing proposes three potential scenarios for the distribution of Lottery funds; all of these include significant reductions to the amount of both GOCO and 10% Lottery direct distribution that CPW would receive, and scenarios #2 and #3 eliminate all 10% direct Lottery funds to CPW. The reductions of Lottery funds to CPW, in any combination envisioned by any of the briefing document's three scenarios, would have significant impacts to a number of different programmatic areas within the division.

<u>*State Parks Purpose GOCO Funds and Lottery Funds*</u>

The overall impact of any of these scenarios would be significant, with the impact to State Parks being more severe. GOCO funding is vital to both operating (day-to-day park operations and programs) and capital development (maintenance, new construction, and land and water acquisition) for State Parks. The 10% Lottery direct distribution to CPW is the primary funding source for the division's capital program and, to a lesser extent, is used to support operations.

CPW uses an integrated funding model: Programs and activities funded out of the State Parks Operations line item are supported by a variety of funding sources, including State Parks cash, GOCO, the 10% Lottery direct distribution, severance tax, and federal funding. Eliminating or significantly reducing Parks purpose GOCO and/or the 10% Lottery direct distribution would have an impact on essentially every activity and program funded by the State Park Operations line item. Not least of these impacts would be a significant reduction in funds for basic, day-to-day park operations; GOCO funding, in particular, is used at many parks to support essentially every aspect of those parks' daily operations, including permanent personal services, funding for temporary staff, utilities costs, and general operating expenditures. Should Lottery funds be redirected from their current purposes, CPW would have to manage its programmatic priorities very differently. CPW could elect not to continue certain programs and activities; the division could elect to continue programs and activities at a very minimal funding level; or the division could continue to manage programs and activities but supported with other funding sources, which in turn would have a ripple effect in the agency's finances.

GOCO funding and the 10% Lottery direct distribution represent about 95% of the funds currently utilized by CPW for routine maintenance, new capital development, and land and water acquisitions on state parks. Under the JBC Staff proposal, State Parks' allocation of net Lottery proceeds would be reduced by roughly 65%. This reduction would have a major impact on the land and water base and capital infrastructure of the state parks. It is not likely that much or any cash revenues from the Parks Cash Fund could help to fill this gap in the State Parks' capital budget because: (1) the agency's ability to raise additional revenue through fees increases is limited by price sensitivity (and the programmatic desire to keep state parks affordable to all Coloradoans), and; (2) the proposal will already reduce State Parks' basic operating budget by millions of dollars, placing additional pressure on the State Parks Cash Fund to support basic state park operations and expenditures.

Nationally, state park systems are generally not self-supporting; state park systems in most states receive general fund or some other dedicated funding source. Historically, Colorado State Parks (one of CPW's predecessor agencies) received General Fund to support operations, but the amount of General Fund that CPW receives is significantly diminished over historic levels. Inevitably, passage of this proposal would result in a very different state park system than currently exists. Only a small handful of state parks currently earn enough cash revenue to support their direct operating expenditures. No individual state parks earn enough cash revenue to support direct operating expenses, indirect operating expenses, and their capital costs. If this proposal were to pass into law, the Department would have to re-examine a number of fundamental operating principles, including: (1) the number and geographic distribution of state parks to be operated; (2) the operating model used at state parks (including a re-examination of the number of FTE at each park as well as the fee structure used by the state park system), and; (3) the capital infrastructure of each state park. With a reduction of roughly two-thirds to capital development funding, CPW would be unable to maintain and replace a majority of its infrastructure. Over time, CPW would likely lose quite a significant amount of infrastructure and be unable to replace it. This infrastructure would include campgrounds, boat ramps, paved roads, drinking water facilities, fishing piers, bathrooms / camper service buildings, and waste water treatment plants. Further, CPW owns a large number of dams in Colorado and loss of this funding would make it more difficult to keep those dams properly maintained, which could create health, life, and safety issues. Losses of these types of infrastructure would reduce CPW's ability to provide camping, boating, fishing, and other outdoor recreation opportunities. These longer term infrastructure losses would likely result in cash revenues decreasing over time (due to the closure of campgrounds and other recreational infrastructure), creating additional pressure on the operating budget above and beyond the direct impact of losing millions of dollars of GOCO and Lottery support.

A 2009 study by Corona Research Inc. found that the state park visitors spent approximately $571 million in local communities within 50 miles of the state parks. Non-local visitors generate about 70 percent (or $396 million) of this economic impact. To the extent that this proposal results in state park visitation to drop in any way – as the Department would predict would happen over time as recreational infrastructure was not able to be replaced – this economic impact to local communities would be reduced.

Wildlife Purpose GOCO Funds

Wildlife purpose GOCO funds have historically been used by CPW to support activities and programs that do not generate user fees. CPW receives a very limited amount of General Fund, and supporting these non-fee generating programs with other user fees (hunting and fishing licenses, for example) is problematic. Wildlife purpose GOCO funds are used by CPW to fund four specific program areas, as dictated by the State Constitution:

- Habitat Management
- Wildlife Heritage
- Wildlife Education and Environment
- Wildlife Viewing

Within each of these broad areas are specific programs, each supported by a combination of both Wildlife purpose GOCO funds and CPW cash. Because of this mix (which is similar to the funding mix for programs on state parks, above), GOCO funding is a component of the overall support for a large number of programs; a significant reduction of Wildlife purpose GOCO funds will necessarily impact these programs. In essence, Wildlife purpose GOCO funds are a vital component of all the programs and activities that they support; there are no “non-essential” expenditures of GOCO funds.

It could be argued that if Wildlife purpose GOCO funds are significantly reduced, CPW could simply eliminate or sharply reduce the scope of the programs that this funding supports. However, it seems likely that in many cases, eliminating programs could result in undesirable consequences. As an example, CPW funds its Threatened and Endangered Species Program (out of the Wildlife Heritage program area, above) with Wildlife purpose GOCO funds. This program exists to protect and enhance species populations throughout the state that are in danger of being federally listed as an endangered species. Eliminating this program, as a result of a major reduction of GOCO funding, could result in a species being listed, resulting in federal control over species management, a situation that CPW works actively to prevent.

In addition to program support, CPW uses Wildlife purpose GOCO funds for land acquisition, either in the form of conservation easements or through fee title acquisitions. (Fee title acquisition is not CPW's preferred method of land protection. Lands are acquired by fee title only when it is the only option a landowner is willing to negotiate for public access or conserving a piece of property.) A reduction in Wildlife purpose GOCO would have a major impact on the division's ability to protect habitat statewide through either of these mechanisms.

It is unlikely that the division could compensate for significant reductions to Lottery funding (the 10% Lottery direct distribution, GOCO funding, or some combination of both) by increasing fees. Fee increases of a magnitude sufficient to backfill 20% of the division's current budget would likely not be palatable to park visitors or sportsmen statewide.

4:00-4:30 STATE LAND BOARD

23. Please provide an overview of where state lands are located. Is there public access to these lands?

Response: The State Land Board manages an endowment of assets held in eight perpetual, intergenerational, public trusts for the support of Colorado's public schools and other public institutions. The State Land Board manages 2.8 million acres of surface land and 4.0 million acres of mineral rights, plus an assortment of other assets, including commercial real estate, water rights and other property improvements. State trust lands are located in 57 counties and about 70 percent of the acreage is east of I-25.

Because State Land Board lands are held in trust, the state trust land is not open to the public except through lease agreement. About 20 percent of state trust land has public access through the Public Access Program or other agreements between the State Land Board and Colorado Parks and Wildlife. Public access to these lands is by public road or through adjacent public land (e.g. state wildlife area, state park, national forest, or other federal public land). Parcels with public access range in size from 100 acres to over 10,000 acres. Please see attached map for more information.

24. Please provide an update on the current status of negotiations with the federal government on whether or not the State Land Board is due more transfers.

Response: The federal government still owes the State of Colorado about 9,800 acres of "in lieu" land, which is less than one half of one percent of the State Land Board's current acreage. In lieu lands are part of the original state trust land grant from the federal government. During the past three years, the federal government and State Land Board have been working cooperatively to complete the transfer of lands to settle this outstanding obligation.

In order to complete the land transfer, the federal government must conduct environmental impact studies as required by the National Environmental Protection Act (NEPA). These studies include cultural, hazardous material, and threatened and endangered species. To date, the federal government has completed hazardous studies on about 6,800 acres. However, due to funding constraints, many of the studies have progressed slowly or not started at all. The federal government estimates that it will need about $2 million to complete all required studies. The State Land Board is working to address this funding constraint and to speed up the process but this does not appears to be a priority for the federal government.

25. Regarding the State Land Board's revenue from oil and gas:

a. Why does the State Land Board get less than the market rate for oil?

Response: The State Land Board receives market value for crude oil in Colorado. Due to a variety of factors including quality of the oil and transportation costs, Colorado's crude oil prices are around $10 less per barrel less than the national average as determined by the West Texas Intermediate (WTI) market price.

a. How quickly does production from new oil and gas wells on state lands decline and what is the result of that decline in terms of trust revenue?

Response: Although oil and gas wells vary, State Land Board's experience with horizontal oil and gas wells over the past four years is that new horizontal oil and gas wells decline by approximately 80 percent within the first year of production.

State trust oil royalty revenues are based on the following formula:

Oil Royalty Revenue = Oil production X Oil price X Oil royalty rate.

Therefore, unless new drilling and production occur to offset production decreases, severe oil and gas well production declines will have a significant impact on state trust oil royalty revenues.

26. Please provide a history of how many FTE have been added to the State Land Board on an annual basis for the last 10 years, including a description of the positions added (e.g. what these positions were needed for).

Response: The State Land Board's mandate is to generate reasonable and consistent income and to protect and enhance natural value so that state trust assets can provide benefit for trust beneficiaries for generations to come. Ten years ago (FY 2005-06) State Land Board revenue totaled $65 million ($1.9 million per FTE). Last year (FY 2014-15), State Land Board revenue totaled $191 million ($4.8 million per FTE).

While the increases in state trust revenue have been significant, 85 percent of state trust revenues are from non-recurring sources. Therefore, the State Land Board has pursued a more diversified and proactive asset management and investment strategy. As outlined in the State Land Board's FY 2013-14 budget requests, this effort required entire agency reorganization, process improvements, a new IT system, and new FTE and contract resources in key lines of business areas. To support the State Land Board's efforts, the Legislature appropriated seven new FTE over the past ten years. These include 1.0 FTE for an oil and gas auditor (FY 2007-08), 1.0 FTE for a water portfolio manager (FY 2007-08), 2.0 FTE a new district office (FY 2007-08), 2.0 FTE for strategic business positions (FY 2013-14), and 1.0 FTE for an oil and gas well inspector (FY 2013-14). In FY 2009-10, 1.0 FTE was transferred to the Governor's Office of Information Technology. Total appropriated FTE, by fiscal year, is provided in the table below.

Year	Appropriated FTE
FY 2015-16	40.0
FY 2014-15	40.0
FY 2013-14	40.0
FY 2012-13	37.0
FY 2011-12	37.0
FY 2010-11	37.0
FY 2009-10	37.0
FY 2008-09	38.0
FY 2007-08	38.0
FY 2006-07	34.0

The State Land Board's additional resources have increased benefits to state trust beneficiaries. Over the past ten years, the State Land Board greatly increased non-recurring revenues including securing $300 million in oil and gas bonus payments and generating new annual royalties from oil and gas and solid mineral leases. The State Land Board's recurring annual revenues also increased from $12.3 million in FY 2005-06 to $20.5 million in FY 2014-15 and the State Land Board expects its recurring annual revenues to increase to $22.8 million by FY 2016-17 ($10 million more per year than FY 2005-06). Finally, these new resources allowed the State Land Board to focus on long-term stewardship of trust lands including enforcing oil and gas lease stipulations and effectively and appropriately managing the State Land Board's grazing land assets during statewide drought conditions.

27. How many State Land Board FTE are currently used for managing assets leased to Colorado Parks and Wildlife?

Response: With the support of the State Land Board's field staff, the State Land Board's recreation program manager (1.0 FTE) manages all of the state trust land recreation leasing including assets leased to Colorado Parks and Wildlife.

28. How does the State Land Board determine whether the addition of Asset Managers is successful? Please provide these performance measures for the existing Asset Manager positions.

Response: The primary function of the asset managers is to inspect state trust property and to address leasing issues through new lease stipulations, management plans, and other actions in order to protect long term value of and income from state trust property. Asset managers are required to inspect 5% to 10% of the state trust acreage in their region on an annual basis. For the west slope asset manager, this would entail inspections of 40,000 to 80,000 acres per year covering 31 counties. The additional FTE allows our district managers to pursue new leasing and land transaction opportunities.

With the addition of the North and South region Asset Manager positions, the State Land Board achieved significant improvements in both revenues and stewardship. For example, the State Land Board's current Asset Manager Positions have:

- Conducted the RFP process for two large properties, the Lowry Ranch and the Chancellor Ranch, conducting property tours and soliciting high quality proposals from prospective lessees that resulted in annual revenue of about $340,000 (more than double standard grazing rates for these properties) and improved stewardship outcomes over the 10 year lease terms.
- Eliminated the backlog for inspections for lease renewals and assignments. Inspections in the South and North Region are now being completed 12 months prior to lease expiration, which allows staff to identify and address issues in a timely fashion.
- Assisted the District Managers in monitoring 15 large ranches that range in size from 12,000 to 87,000 acres.
- Finally, the Asset Managers also assist District Managers with property acquisitions, which increase trust revenues.

The addition of the West Slope Asset Manager, the State Land Board expects the following outcomes from the northwest and southwest districts:

- Improved stewardship and reduced illegal use through increased timeliness and number of inspections during 10 year agriculture leases and through regular and frequent inspections of non-agricultural leases.
- Protect and increase the value and income from trust assets of West Slope state trust properties by processing of water filings on stock ponds and other water uses. .
- Improve lease revenues and property stewardship through development of asset management plans and requests for proposals for larger properties.

Increase trust property value and revenues through additional strategic and accretive acquisitions and disposals.

29. How is performance for the State Land Board tracked under the SMART Act?

Response: The State Land Board's performance is tracked by recurring revenues, non-recurring revenues, and stewardship.

- Recurring revenues consist of land rental income (e.g. grazing, cropland, recreation, and renewable energy lease), right-of-way contracts, and commercial leases.
- Non-recurring revenue consists of oil and gas and mineral lease revenues.
- Stewardship measures include quality of agricultural property and quality of oil and gas wells on state trust land.

30. Why is responsibility for ATLAS licenses being assumed by the State Land Board instead of continuing to be administered by OIT?

SLB's Response: The Office of Information Technology was involved throughout the process of selecting and implementing the ATLAS system. Part of the design of this new system includes annual licensing and vendor supplied support. This is a change in practice from the old system that required 1.0 FTE of support from the Office of Information Technology. The State Land Board is responsible for paying all software licensing costs as The Office of Information Technology does not pay for state agency's software licensing costs.

4:30-5:00 COLORADO WATER CONSERVATION BOARD

31. Please provide an overview of future financial needs outlined in the Colorado Water Plan.

Response: Relying on ten years of stakeholder engagement initiated by Colorado's General Assembly, Governor Hickenlooper called for Colorado's Water Plan. The Plan establishes a clear path that will allow Colorado to address its growing municipal needs while keeping Colorado's agricultural economy and environment whole. In order to do this, Colorado will need to more strategically use existing funds and identify additional financial resources. To this end, the Water Plan sets an objective to sustainably fund its implementation. In order to support this objective, the State will explore options to raise additional revenue in the amount of approximately $100 million annually starting in 2020. While a portion of this funding will likely need to be appropriated by the legislature, a specific proposal is not yet on the table, and a funding solution will need to coexist with other demands on state resources.

In order to implement the priorities laid out in Colorado's Water Plan, it will be necessary to find new sources of state funding over the next few years. Currently, less than one percent of the state's budget goes toward water-related projects and initiatives. This includes all storage projects, conservation, alternatives to agricultural buy-and-dry, environmental protection, and recreational opportunities. In general, Colorado's Water Plan envisions a path that calls for the smallest amount of new state funding necessary to implement the plan. Colorado's Water Plan estimates that Colorado's total water funding need is approximately $20 billion over the next 30 years. State support will need to be equivalent to approximately 15% of this total need. There are a number of ways to maximize financial resources. For instance, funds could be shared between a guarantee repayment fund for multi-partner and multipurpose projects that meet Colorado's municipal gap and a green bond program for environmental and recreational projects. It is anticipated that funding will come from various sources and the JBC will be an important partner in exploring these over the next several months.

There is a lot that can be done to reconfigure existing state resources and find new funding partners to implement several aspects of Colorado's Water Plan. Examples include public-private partnerships, expanding the CWCB loan program to cover more types of projects, providing lower interest rates on loans for projects, and collaborating with municipalities, local governments, water utilities, and other water providers regarding additional funding, to name a few.

As currently written, the Water Plan does not have a significant impact on the FY 2016-17 CWCB budget. While there are a number of recommendations or potential action plans listed in Section 9.2 (Funding) of the Water Plan, the CWCB Board of Directors have not approved the redirection of funds from the Construction Fund or Severance Tax Perpetual Base Fund for those potential efforts. The plan identifies an additional $1.0 million in funding for the Watershed Restoration Program for long-term support of statewide watershed and stream management plans, which is being requested in CWCB's 2016 Projects Bill and is proposed to be funded from the Severance Tax Perpetual Base Fund. It is anticipated that this funding request will continue for a number of years until notable progress is made in the development of these plans. The impact to the Severance Tax Perpetual Base Fund will be $1.0 million less in annual funding for water project loans.

32. Please provide detail on revenue and expenditures from the CWCB Construction Fund and the Perpetual Based Fund related to the Governor's Executive Orders for Forest Fires, including detail on how the money was accessed (e.g by legislation or executive order), what it was used for, and whether any amount has been repaid to either fund.

Response: In FY 2012-13, the Governor issued Executive Order D 2013-022 to help in post-fire flood mitigation and water management as part of a disaster emergency response to the West Fork Fire. Normally, federal funds help in disaster mitigation, but in light of the federal sequestration at that time, federal disaster funds were insufficient. On July 17, 2013, the Colorado Water Conservation Board (CWCB) elected to release $2,500,000 from the CWCB Severance Tax Perpetual Base Fund to provide financial assistance to help protect communities and natural resources in the West Fork Fire Complex burn area from post-wildfire dangers in Hinsdale County.

The funds were transferred from the CWCB's Severance Tax Perpetual Base Fund to the Disaster Emergency Fund and remain available for five years from the date of the Executive Order. The CWCB administered the funds and contracted with Hinsdale County who became the fiscal agent to disburse the funds to entities performing work in the area. All projects submitted by Hinsdale County for funding are and have been approved by the Department of Natural Resources. In addition, the CWCB Director and staff provide updates to the Board members about projects at CWCB Board Meetings.

In FYs 2013-14 and FY 2014-15, $605,225 and $529,135 were spent respectively on post-fire mitigation and emergency preparedness, including flood mitigation to install rain gauges and radar equipment to provide early warnings for flooding, stream gauging, water quality sampling, and re-seeding. After the initial expenses for these projects are borne by the CWCB Construction Fund, invoices are submitted by the CWCB to the Governor's Office so that the Disaster Emergency Fund can provide the CWCB reimbursement for the expenses. To date, all expenditures have been reimbursed by the Governor's Office.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. ***Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.***

Response: The Department is not aware of any recent legislation that it has not implemented or partially implemented. However, in reviewing information for this question, the Department has flagged two areas that could either be considered obsolete and/or not implemented.

- Powers of the Executive Director: The enabling statutes of the Department include a section that defines the powers and duties of the Executive Director, and 24-33-102 (5) states that "*The executive director has the power and duty to develop, encourage, promote, and implement programs for the prevention, abatement, and control of litter within the state of Colorado. The executive director may enter into such contracts as may be appropriate for the implementation of any such program.*" Though the Department does take steps to control litter on the properties it owns or controls, it has not undertaken a statewide program of litter abatement. There are numerous litter control programs in the State, including those run by local governments and the Colorado Department of Transportation, but the DNR Executive Director has not consulted on those programs.
- Requirements of the Division of Reclamation, Mining, and Safety: Additionally, the Department has identified three sections of law related to the regulation of mining that could be considered "not implemented."

Statutory Citation	Description	Partially or Not Implemented	Why not Fully Implemented **OBSOLETE STATUTES**

34-21-101 (1)(j)	Office of active and inactive mines – reporting on annual mining industry activity	Not implemented	Operators are not required to submit the required mining information to the Division of Reclamation, Mining and Safety to enable the division to produce the report described in this statute; therefore the Division Director (Commissioner of Mines) has not produced the report since the 1980's. Currently, the University of Colorado's Leeds School of Business discusses the mining economy in their annual "Colorado Business Economic Outlook" report.
34-22-102(1)(e)	Certification of belt examiners, cable splicers or lamp and gas attendants.	Not implemented	The certification of these specific job positions has been consolidated under the mine foreman, fireboss or other coal mine employees, which continue to be certified through the state's Coal Mine Board of Examiners.
34-24-103 (5) (a-b)	Diesel permits	Not implemented	Federal permit regulations supersede state statutes on diesel equipment permits. The U.S. Department of Labor, Mine Safety and Health Administration issued regulatory requirements on manufacturers of the equipment to comply with exhaust emission standards and instituted a federal permitting process. The state permits are no longer required.

2. ***Please provide a detailed description of all program hotlines administered by the Department, including:***
    a. ***The purpose of the hotline;***

b. Number of FTE allocated to the hotline;
c. The line item through which the hotline is funded; and
d. All outcome data used to determine the effectiveness of the hotline.

Response: DNR operates four phone lines that may be considered hotlines.

Complaint Line, Oil and Gas Conservation Commission

a) OGCC's Complaint Line can be used by the general public to phone in a complaint regarding oil and gas activity. Most complaints, however, are submitted online through the division's website tool.
b) One FTE monitors the Complaint Line during regular working hours, forwards all complaints to appropriate staff, tracks staff's progress, and ensures each complaint is resolved as quickly as possible with follow-up communication back to the complainant.
c) This is funded by the OGCC's Program Cost line item.
d) The Department's FY 2016-17 performance plan includes a new metric tracking the effectiveness of the OGCC's new complaint process, which includes the Complaint Line, but is not specific to it. The division's goal is to resolve all complaints within an average of 30 days.

Water Talk, Division of Water Resources

a) Water Talk is a dial up system that the public can call and receive an automated water level reading for any stream gage in the satellite monitoring network. This information is also available online.
b) This is a legacy system that is supported by 0.05 FTE from OIT.
c) The phone line costs are paid for from the General Funded portion of the Satellite Monitoring line item.
d) The hotline is for informational purposes only. There is no interaction between the customer and the agency. The callers call in only to hear information and do not expect a response. As such, we don't track outcome data.

Operation Game Thief, Colorado Parks and Wildlife

a) Operation Game Thief (OGT) is a Colorado Parks and Wildlife-sponsored wildlife crime stoppers organization for reporting the poaching of Colorado's wildlife. OGT is a nonprofit 501(3)(c) organization. Colorado Parks and Wildlife pays for the phone line used by OGT and the non-profit organization pays for the dispatchers that dispatch calls to CPW officers.
b) No FTE are assigned exclusively to the hotline. Its duties are distributed over a large number of staff.

c) The costs associated with the phone number are paid for out of the Wildlife Operations line item.
d) CPW does not rely on outcome data to determine the effectiveness of the number. The number is provided as part of routine operations by the division. Operation Game Thief generates between 650-700 reportable calls per year.

Nuisance or Injured Wildlife, Colorado Parks and Wildlife

a) Colorado Parks and Wildlife maintains a phone number for reporting problem or injured wildlife. This is not a “hotline” in the strictest sense of the word because it is not monitored 24 hours a day. Calls during normal business hours are fielded by CPW staff. After normal business hours, the CPW website directs callers to contact the State Patrol (and lists the State Patrol phone number). In many cases the State Patrol will contact local CPW staff for assistance.
b) No FTE are associated specifically with the number. Its duties are distributed over a large number of staff.
c) The number is funded out of the Wildlife Operations line item.
d) CPW does not rely on outcomes data to determine the effectiveness of the number. The number is provided as part of routine operations by the division.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. How has the implementation improved business processes in the Department?
   b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?
   c. What impact have these challenges had on the Department’s access to funding streams?
   d. How has the implementation of CORE affected staff workload?
   e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.
   f.

Response: a. Benefits to the new system are visibility and transparency (with appropriate credentials, anyone can go in the system and find significantly more detail and backup documentation than existed in COFRS), as well as improved workflow (it is easier for users to see where a document is in the accounting, budget, grant, and procurement processes). CORE is a “paperless” system and that is certainly a process improvement, but this process is still being refined and improved. In this regard, however, it may be detrimental to charge departments for utilizing the system as it was intended by charging for attachments and transactions. The reporting capability of the new CORE system is impressive, but as a state we have to design better reports to more effectively and efficiently take advantage of this potential.

b. The Department always believed that the transition to a large, new financial system would involve significant bumps along the road of implementation. Foremost among these problems is that CORE's interactions with legacy payroll systems have resulted in large lags between the posting of payroll expenses and those expenses being reconciled and loaded into CORE. This is not a CORE problem, but an inability to get the fully reconciled labor allocation details into CORE. Without real-time access to complete expenditure information, it is difficult for state agencies to appropriately manage expenditures against appropriations and to work with our federal partners.

DNR's decentralized nature has been another challenge. With hundreds of CORE users spread around the State, it has been difficult to train and gain proficiency in CORE for the many staff who record accounting transactions in the field.

Finally, budget controls on the legal budget and the grant budgets have not been fully utilized to better prevent over-expenditures. This prevents errors from being caught in a more timely fashion.

c. Because of the payroll issues, we don't have appropriate and timely documentation to seek reimbursement from federal and cash grant sources. We don't know the exact problems that this is creating, but we presume that this creates cash management issues. Further, without timely and accurate information about how much money we have expended (which is really a problem with the payroll system), DNR is at times making conservative spending decisions to avoid unknowingly over-expending a line item. This strategy has led to above average reversions in FY 2014-15.

d. Workload has increased for accounting, budget, and payroll staff. Some of this increased workload is related to staff operating less efficiently as they learn a new system. This impact was both inevitable and was foreseen by the Department. The Department long believed that implementation would be a multi-year process.

In addition to learning curve issues, the new system contains additional functionality and levels of detail, which increase the amount of work required to complete certain transactions and take advantage of additional functionality. Additionally, workload has shifted. For example, while there is less data entry in the new system, there is more detail and complexity in the new system which carries forward through the various stages of workflow. Over time, DNR may need to rethink the specific individuals and specific job classes who should handle various CORE tasks to be sure workload is handled efficiently and appropriately.

Until all of the functionality of the system is implemented, not all of the efficiencies of the system will be realized. The Department's hope is that some of the workload will be reduced as the Department's employees gain experience with the new system and as the State's implements a variety of changes to allow CORE to function better. As noted previously, this would include better implementing the cost accounting module, better utilizing budget controls, and making necessary changes to the payroll system so that payroll data is loaded and reconciled into CORE in a timely fashion.

e. In response to workload increases, the DNR Executive Director's Office internally re-allocated an additional position to accounting in FY 2014-15. While the Department continues to experience workload challenges related to the new CORE system, the Department has no plans to seek additional FTE related to CORE in FY 2016-17. As has been done prior to CORE, DNR will utilize a small number of temporaries to address its highest workload time periods (mostly fiscal year end close). In the longer term, as DNR better learns how to utilize CORE and adjusts the processes and IT systems that interact with CORE, DNR will be better situated to analyze whether its current allocation of FTE is sufficient to efficiently and effectively manage the new CORE system.

4. ***If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.***

Response: DNR is aware of no current sanctions and it not anticipating any sanctions in the near future.

5. ***Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?***

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

Response: The Department of Natural Resources has one outstanding performance audit recommendation identified as a high priority in the "Annual Report of Audit Recommendations Not Fully Implemented." The outstanding performance audit recommendation pertains to cash fund reserves in the Oil and Gas Conservation Commission's Oil and Gas Conservation and Environmental Response Fund. Prior to FY 2014-15, this fund had a requirement that "the two-year average of the unobligated portion of the fund does not exceed four million dollars." This fund exceeded its target reserve for the last four years. To address the OGCC's excess cash fund balance starting in FY 2014-15, the Department supported H.B. 14-1077, which increased the cap on the uncommitted reserve balance from $4 million to $6 million, effective July 1, 2014. The fund ended FY 2014-15 with reserves below the $6 million threshold and is anticipating that it will end FY 2016-17 with reserves far below that cap. At the end of FY 2016-17, the two year average is anticipated to be in compliance with the statutory cap.

6. ***Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?***

Response: The Department of Natural Resources does not spend any money on public awareness campaigns related to marijuana.

7. ***Based on the Department's most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?***

Response: Attached is the annual burned FTE report by division. This is the summary of the FY 2014-15 staffing levels for the Department of Natural Resources.

8. ***For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?***

Response: Before discussing our actual reversions, which are provided in the table below, the Department would first like to discuss its financial philosophy related to reversions. First, the Department believes that a certain amount of reversions – perhaps ten percent or less of a given appropriation – are both natural and healthy. Depending on the exact nature of a given line item, spending one hundred percent of a discretionary line item might represent a very near miss of an over-expenditure. DNR diligently tries to not over-expend its appropriations. One approach to prevent over-expenditures is to target spending slightly below the appropriated level. Similarly, as a heavily cash funded agency, the Department must be constantly mindful of its revenue streams and cash fund balances. To the extent that cash or federal revenue does not exist to support a given appropriation, the Department must intentionally under-spend an appropriation to manage to available revenue. As a final note, the Department has several emergency response type line items including a $1,000,000 Emergency Response line item in the OGCC. In any given year, the Department hopes to not spend any of these line items. However, when legitimate emergencies arise, the Department can and does expend emergency response funds. Again, the Department would argue that the nature of these types of line items dictates viewing these reversions in a totally different light.

9. ***Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?***

Response: DNR does not expect to receive any significant increases in federal funding in FFY 2015-16. However, not all 2016 grant amounts are known at this time so it is still possible that an increase may materialize.

10. ***For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?***

Response: Outside of potted items allocated by the Joint Budget Committee to the Department of Natural Resources, DNR did not exercise any transfers between line items. The Department's Schedule 8 in the FY 2016-17 budget request details the allocation of all FY 2014-15 potted items.

11. ***Please provide an explanation of bonus payments for mineral leases collected by the State Land Board, including a description of the how amounts for bonus payment are determined and specific details on the Lowry Ranch and 70 Ranch bonus payments.***

Response: Bonus payments are established through oil and gas lease auctions typically held every three months. Bidders increase their "bonus" bid per acre in order to win the lease. These bonus payments are one-time payments.

Given the unique nature of these two properties including that they are large contiguous holdings where the State Land Board owned all surface and minerals rights, their proximity to proven oil production, and the overall Niobrara market boom, the Lowry Ranch and 70 Ranch oil and gas lease auctions were conducted through a sealed bid RFP process. The RFP process produced extraordinarily high bonus bids and, in keeping with the State Land Board's mandate to produce reasonable and consistent revenue, the leases were structured to pay the lease bonuses over a five year period.

Actual Calculated State FTE for FY 2014-15 as of June 30, 2015

	Calculation to Identify Defined State FTE						Categories for Total Defined State FTE						
	CPPS		Non-FTE Defined Codes			Total State FTE	Total State FTE				As of June 30, 2015		
		2088											
	Original CPPS Burned Hours	Total FTE @ No. hours/yr.	State Temps	Payouts	Sub-total Non-FTE Defined Codes	Total Defined State FTE	JBC Non-Appropriated Associated with Actual Hours	JBC Appropriated Associated with Actual Hours	Long Bill + Special Bills FTE Allocation	Difference	Head Count	Full Time Head Count	Part time Head Count
Department of Natural Resources	3,932,925.3	1,883.6	466.5	3.1	**469.6**	**1,414.0**	11.4	1,402.6	1,444.0	**41.4**	2,439.0	1,410.0	1,029.0
Executive Director's Office	103,724.1	49.7	3.4	0.2	**3.6**	**46.1**		46.1	50.8	**4.7**	55.0	50.0	5.0
State Land Board	95,152.8	45.6	2.9	0.0	**2.9**	**42.7**	4.0	38.7	40.0	**1.3**	46.0	43.0	3.0
Water Conservation Board	99,552.6	47.7	3.3	0.0	**3.3**	**44.4**		44.4	45.7	**1.3**	50.0	45.0	5.0
Water Resources	507,993.1	243.3	3.0	1.3	**4.3**	**239.0**		239.0	255.8	**16.8**	270.0	211.0	59.0
Oil and Gas Conservation Comm	201,843.6	96.7	2.0	0.0	**2.0**	**94.6**		94.6	96.3	**1.7**	105.0	98.0	7.0
Reclamation, Mining, and Safety	134,906.7	64.6	3.0	0.6	**3.7**	**60.9**	7.4	53.5	68.9	**15.4**	65.0	56.0	9.0
Parks and Widlife	2,789,752.4	1,336.1	448.8	0.9	**449.7**	**886.4**		886.4	886.5	**0.1**	1,848.0	907.0	941.0

Division		Line Item	Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
EDO										
	Administration									
		Personal Services	$4,333,165	$1	0.0%	$0	$0	$1	$0	
		Health, Life, and Dental	$0	$0	0.0%	$0	$0	$0	$0	
		Short-term Disability	$0	$0	0.0%	$0	$0	$0	$0	
		S.B. 04-257 Amortization Equalization Disbursement	$0	$0	0.0%	$0	$0	$0	$0	
		S.B. 06-235 Supplemental Amortization Equalization Disbursement	$0	$0	0.0%	$0	$0	$0	$0	
		Salary Survey	$59,413	$59,413	100.0%	$22,742	$36,671	$0	$0	a
		Merit Pay	$0	$0	0.0%	$0	$0	$0	$0	
		Shift Differential	$0	$0	0.0%	$0	$0	$0	$0	
		Workers' Compensation	$1,879,106	$29	0.0%	$0	$0	$0	$29	
		Operating Expenses	$1,246,140	$393,575	31.6%	$0	$383,254	$10,321	$0	b
		Legal Services for 50,972 hours	$5,025,343	$79,398	1.6%	$0	$78,162	$0	$1,237	
		Payment to Risk Management and Property Funds	$767,602	$331	0.0%	$0	$0	$0	$331	
		Vehicle Lease Payments	$3,918,726	$641,858	16.4%	$10,865	$605,643	$19,050	$6,300	c
		IT Asset Maintenance	$263,159	$2,759	1.0%	$2,759	$0	$0	$0	
		Leased Space	$1,319,885	$96,635	7.3%	$0	$78,628	$18,000	$7	
		Capitol Complex Leased Space	$972,920	$0	0.0%	$0	$0	$0	$0	
		Integrated Resource Services	$250,000	$250,000	100.0%	$0	$0	$250,000	$0	d
		Payments to OIT	$8,346,657	$5,558	0.1%	$5,558	$0	$0	$0	
		COFRS Modernization	$864,680	-$13,273	-1.5%	$0	-$26,961	$0	$13,688	
	Special Programs									
		Colorado Avalanche Information Center Program Costs	$1,262,079	$136,064	10.8%	$0	$74,900	$61,165	$0	
		Indirect Cost Assessment	$14,800	$0	0.0%	$0	$0	$0	$0	

a) DNR was appropriated $2,367,973 for Salary Survey in FY 15. Of this amount, $59,413 (about 2.5%) was not allocated to DNR programs and was reverted in this line item. **b)** The vast majority of reverted funds were intended to be used for capital outlay purchases by CPW. Due to CPW's long-term revenue concerns, CPW intentionally underspent some of its appropriations. **c)** Actual vehicle lease costs were below the appropriated amount, likely because of later than anticipated arrival of new and replacement vehicles. **d)** Funding for this line item is not being requested in FY 2016-17 given the lack of projects using this appropriation.

DRMS			Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
	Coal Land Reclamation									
		Program Costs	$2,536,733	$0	0.0%	$0	$0	$0	$0	
		Indirect Cost Assessment	$169,518	$0	0.0%	$0	$0	$0	$0	
	Inactive Mines									
		Program Costs	$2,816,470	$1,196,103	42.5%	$0	$794,871	$0	$401,232	a
		Mine Site Reclamation	$1,028,812	$655,453	63.7%	$0	$625,453	$30,000	$0	b
		Reclamation of Forfeited Mine Sites	$314,113	$202,763	64.6%	$0	$202,763	$0	$0	c
		Abandoned Mine Safety	$104,075	$0	0.0%	$0	$0	$0	$0	
		Indirect Cost Assessment	$360,806	$175,945	48.8%	$0	$0	$0	$175,945	d
	Minerals									
		Program Costs	$2,539,636	$32,197	1.3%	$0	$32,197	$0	$0	
		Indirect Cost Assessment	$124,971	$0	0.0%	$0	$0	$0	$0	
	Mines Program									
		Colorado and Federal Mine Safety Program	$774,673	$91,274	11.8%	$0	$0	$0	$91,274	e
		Blaster Certification Program	$129,345	$0	0.0%	$0	$0	$0	$0	
		Indirect Cost Assessment	$35,478	$1,713	4.8%	$0	$0	$0	$1,713	
	Emergency Response									
		Emergency Response Costs	$100,000	$100,000	100.0%	$0	$100,000	$0	$0	f

a) The federal amount in the Long Bill is an estimate of administrative costs for the Inactive Mines Program, but $401,232 of this total was needed for that purpose in FY 2014-15. Similar federal reversions could occur in the future, but the division will attempt to improve the federal spending estimate. The cash fund reversion represents allocations that are allowed to be spent over three fiscal years. These reverted funds will be fully spent by FY 2016-17. This line will continually show unspent funds that still have a second or third year within their spending cycle. Most of the unspent funds are committed through the purchasing/contracting process to reclamation contractors. **b)** Similar to the Inactive Mines Program Costs, the cash fund reversion represents allocations that are allowed to be spent over three fiscal years. These are on track to be spent, and this line will continually show unspent funds that have time remaining within their spending cycle. Most of the unspent funds are committed to watershed partners to serve as matching funds for their use to obtain federal grants through the Environmental Protection Agency. The Reappropriated spending authority that was not used in FY 2014-15 and is intended for funds transferred from CDPHE. The program has statutory authority to accept various sources of funding, and therefore this spending authority is technically not needed in the Long Bill. The amount is informational to the legislature to know there is an exchange of funds between state agencies, but the amount is likely to be reverted in the future.**c)** Similar to A and B (3 year spending cycle, funds will be spent eventually, much is already committed to contractors, line will continue to show reversions). **d)** Totals assessed from federal grants in FY 2014-15 were below the estimate in the Long Bill. This is partially due to a significant decrease in the Office of Surface Mining grant in FY 2014-15. Similar reversions may occur in the future as DNR attempts to align the number closer to actual indirect assessments.**e)** The federal number in the Long Bill is an estimate and the timing of federal expenditures in FY 2014-15 did not precisely align to this estimate.**f)** DNR does not plan to spend this money on an annual basis and only spends emergency funds when there is a real emergency.

OGCC			Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
		Program Costs	$10,199,826	$348,290	3.4%	$0	$348,290	$0	$0	
		Underground Injection Program	$211,676	$96,559	45.6%	$0	$0	$0	$96,559	a
		Plugging and Reclaiming Abandoned Wells	$445,000	$19,942	4.5%	$0	$19,942	$0	$0	
		Environmental Assistance and Complaint Resolution	$312,033	$16,814	5.4%	$0	$16,814	$0	$0	
		Emergency Response	$1,000,000	$1,000,000	100.0%	$0	$1,000,000	$0	$0	b
		Special Environmental Protection and Mitigation Studies	$325,000	$4,594	1.4%	$0	$4,594	$0	$0	
		Indirect Cost Assessment	$424,822	$5,416	1.3%	$0	$0	$0	$5,416	

a) This reversion reflects a booking error by DNR; more federal funds were booked than actually granted. This is an informational appropriation and the actual grant amount changes annually. Because of an accounting error, the actual billing against the grant seems to have increased expenditure authority from the original appropriation of $96,559 to the currently listed total of $211,676. The difference matches the total billings against the grant. **b)** DNR does not plan to spend this money on an annual basis and only spends emergency funds when there is a real emergency.

State Land Board			Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
		Program Costs	$4,864,862	$464	0.0%	$0	$464	$0	$0	
		Public Access Program Damage an	$225,000	$128,520	57.1%	$0	$0	$128,520	$0	a
		Indirect Cost Assessment	$216,768	$0	0.0%	$0	$0	$0	$0	

a) The purpose of this line item is to enhance the quality of wildlife-related recreation activities on state trust lands. The line item is funded through revenues from annual payments from the Public Access Program lease. During Fiscal Year 2014-15, several projects could not be completed due to inclement weather, contractor mobilization, or the lack of availability of crews. The result was an underspent line item of $128,520 of re-appropriated funds. The $128,520 re-appropriated funds that were not used for projects reverted back to the State Land Board’s Trust Funds and was then distributed to the trust beneficiaries. The State Land Board anticipates that there will be no reversion on this line item at the end of FY 2015-16.

Parks and Wildlife	Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
Colorado Parks and Wildlife Operations								
State Park Operations	$36,525,881	$2,837,030	7.8%	$0	$2,065,542	$0	$771,488	
Wildlife Operations	$94,618,134	$11,030,319	11.7%	$0	$4,820,816	$0	$6,209,503	a
Special Purpose								
Snowmobile Program	$1,027,515	$262,074	25.5%	$0	$262,074	$0	$0	b
River Outfitters Regulation	$155,814	$46,752	30.0%	$0	$46,752	$0	$0	c
Off-highway Vehicle Program	$582,117	$128,388	22.1%	$0	$128,388	$0	$0	d
Off-highway Vehicle Grants	$10,137,969	$6,689,795	66.0%	$0	$6,689,795	$0	$0	e
Federal Grants	$1,327,423	$756,519	57.0%	$0	$0	$0	$756,519	f
S.B. 03-290 Enterprise Fund	$355,000	$91,022	25.6%	$0	$91,022	$0	$0	g
Information Technology	$3,155,596	$910,687	28.9%	$0	$910,687	$0	$0	h
Natural Resource Protection	$600,000	$600,000	100.0%	$0	$150,000	$0	$450,000	i
Trails Grants	$13,558,316	$12,341,823	91.0%	$0	$9,394,085	$0	$2,947,738	j
S.B. 08-226 Aquatic Nuisance Species	$9,079,902	$4,895,466	53.9%	$0	$4,895,466	$0	$0	k
Game Damage Claims and Preven	$1,282,500	$14,483	1.1%	$0	$14,483	$0	$0	
Instream Flow Program	$296,027	$296,027	100.0%	$0	$296,027	$0	$0	l
Habitat Partnership Program	$4,231,718	$2,654,126	62.7%	$0	$2,654,126	$0	$0	m
Grants and Habitat Partnerships	$4,752,656	$4,462,891	93.9%	$0	$4,462,891	$0	$0	n
Asset Maintenance and Repairs	$6,688,876	$3,785,686	56.6%	$0	$3,785,686	$0	$0	n
Indirect Cost Assessment	$5,136,678	$36,933	0.7%	$0	$87,204	$0	-$50,271	

a) A large part of the reversion is due to CPW receiving non-appropriated cash and federal grants that are multi-year in nature. The majority of the reversion will be expended in the grant out-years. **b)** For a variety of reasons, including low early-season snowpack levels, a number of the grooming grants and capital grants funded by this line were not fully executed and/or expended during the fiscal year. In FY15-16 CPW expects to fully expend the appropriation.**c)** This line item is supported by two cash funds: the River Outfitters Cash Fund and the Parks and Outdoor Recreation Cash Fund. For a variety of reasons the Division underspent this appropriation, but this is abnormal. In FY 2015-16 CPW expects to fully expend the appropriation. **d)** A significant portion of this reversion is the result of how OHV commission fees are recorded in CORE. OHV registration commission fees should have been charged to this line item. This has been addressed in FY 2015-16. **e)** CPW grants OHV funds to external entities with a three-year timeframe. The majority of this reversion consists of unexpended grants awarded in previous fiscal years that will be expended in the future. **f)** These non-appropriated funds are awarded to CPW based on the federal fiscal year. Reverted funds may have been expended in the interval after the close of the state fiscal year (June 30) but before the end of the federal fiscal year (September 30).**g)** The Parks Revolving Fund was established per Colorado Revised Statute 33-10-111.5, on July 1, 2003 with a fund balance of $200,000. The statutory language has been interpreted to mean that the sum of the inventory value and cash on hand cannot exceek $200,000 at any point in time. During the peak season (May to August) the Parks Retail Program is occasionally unable to replenish stock because the total value of existing inventory and cash on hand are at or above the $200,000 cap. In these situations, CPW can seek a temporary increase to the cap from the State Controller. This reversion amount is related to the temporary increase to the cap requested during the peak season. **h)** This reversion is primarily the result of conservative spending by CPW in FY 2014-15. Please note that a portion of the spending authority is from non-appropriated Lottery funds. **i)** This is a pre-merger line item that previously funded forest health and other activities which are now funded out of other line items.

CPW may propose eliminating this line item as part of the Long Bill development process in spring 2016. **j)** A large part of the reversion is due to CPW receiving non-appropriated cash and federal grants that are awarded for multi-year projects. The majority of the reversion will be expended in the out-years. Approximately $8.0m of this is related to a single project (the Highway 36 trails project) that will take multiple years to complete. **k)** Because the cash funds that support this program are both continuously appropriated, spending authority is the actual fund balances in the two ANS cash funds. The reversion amount will be expended in future years. **l)** Historically, this line item was used by CPW to help fund CWCB's Instream Flow Program. A second appropriation of reappropriated funds for this purpose is contained in the CWCB section of the Long Bill. Due to changes resulting from CORE, CWCB now charges directly to CPW's Widlife Cash Fund for the amount authorized in the Long Bill. As such these funds are no longer transferred and do not appear as an expense in this line item. DNR now believes the Instream Flow Program line item in the CPW budget is no longer needed. However, if this line item is eliminated, the Wildlife Cash Fund appropriation to CWCB should be converted from reappropriated funds to cash funds. **m)** The HPP cash fund is continuoulsy appropriated. Spending Authority for this Appropriation is statutorily set to cover the entire fund balance in one fiscal year, however, the Habitat Partnership Program currently operates on a budget of $2.5 Million annually to compensate for fluctuations in license sales and large projects that may occur from year to year. The reversion amount will be expended in future years. **n)** [Comment applies to multiple lines] Spending Authority for this line item is authorized for 3 fiscal years. The projects funded through this line item take longer than one year to complete; therefore the entire spending authority will never be expended in one fiscal year. Consequently, in any given fiscal year, most of this spending authority will be rolled into future years.

CWCB			Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
	Administration									
		Personal Services	$3,519,324	$51,188	1.5%	$0	$51,188	$0	$0	
		Operating Expenses	$472,894	$380	0.1%	$0	$380	$0	$0	
		River Decision Support Systems	$521,788	$123,367	23.6%	$0	$123,367	$0	$0	a
	Special Purpose									
		Intrastate Water Management and Development	$470,464	$36,568	7.8%	$0	$36,568	$0	$0	
		Federal Emergency Mgmt. Assista	$170,342	$13,732	8.1%	$0	$13,732	$0	$0	
		Weather Modification	$51,636	$32,236	62.4%	$0	$32,236	$0	$0	b
		Water Conservation Program	$335,438	$3,301	1.0%	$0	$3,301	$0	$0	
		Water Efficiency Grant Program	$1,877,251	$1,488,125	79.3%	$0	$1,488,125	$0	$0	c
		Severance Tax Fund	$1,275,500	$8,450	0.7%	$0	$8,450	$0	$0	
		Interbasin Compacts	$1,336,917	$563,404	42.1%	$0	$563,404	$0	$0	d
		Platte River Basin Cooperative Agreement	$256,994	$47,230	18.4%	$0	$47,230	$0	$0	e
		S.B. 02-87 Colorado Watershed Protection Fund	$204,984	$138,533	67.6%	$0	$138,533	$0	$0	f
		Indirect Cost Assessment	$500,314	$63,834	12.8%	$0	$0	$0	$63,834	

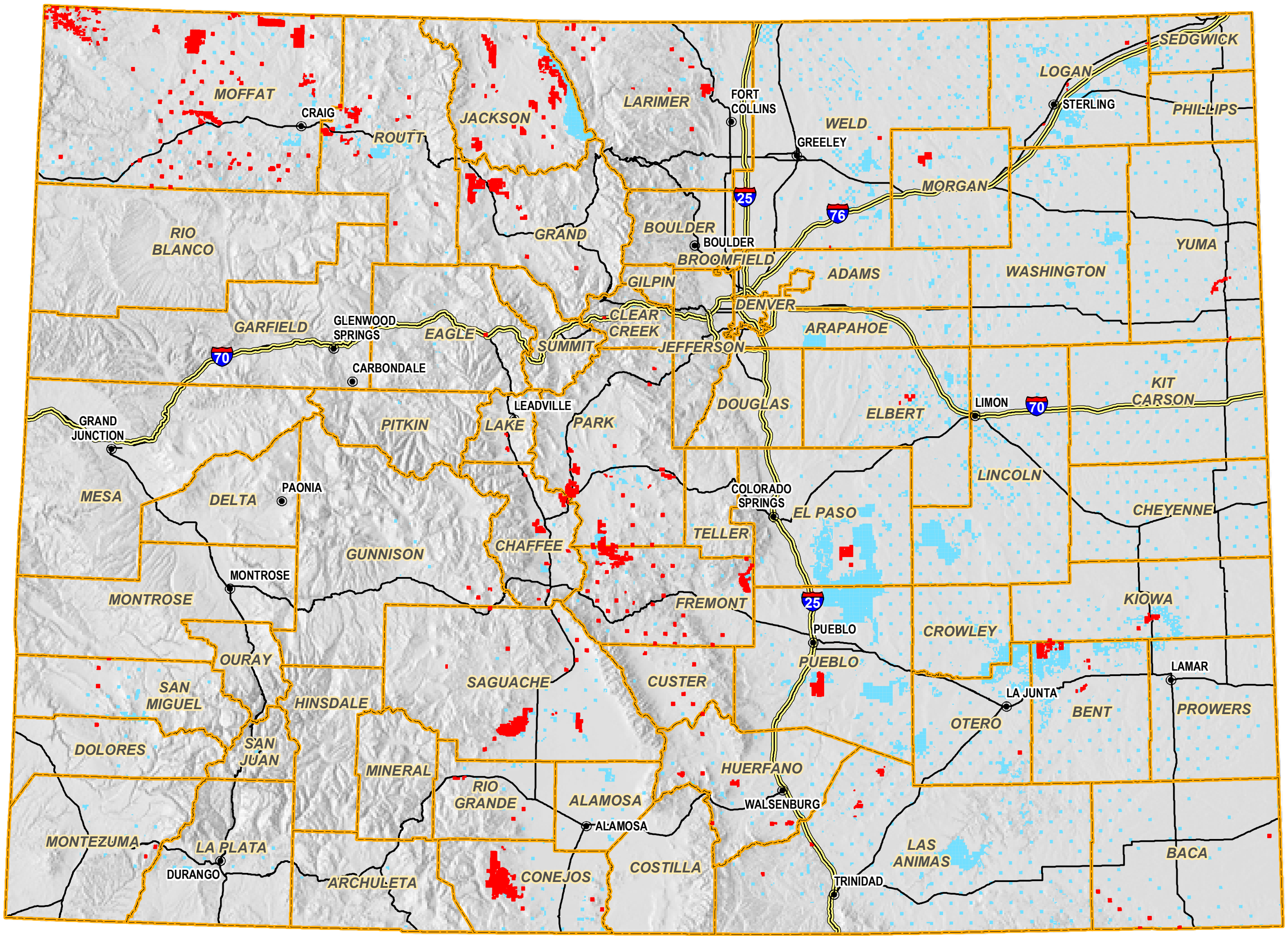
a) Reversion was related to vacant positions. CWCB does not anticipate a significant reversion for this line item for FY 2015-16. **b)** Funding for this line item is continuously appropriated pursuant to Section 37-20-113, C.R.S. The spending level in FY 14-15 reflected the amount of revenue collected. **c)** Funding for this line item is continuously appropriated pursuant to Section 37-60-126 (12) (a) (III), C.R.S. The spending level depends on the number of grant applications received and the length of time to complete projects**. d)** Reversion related to a temporary staffing reduction, and projects were put on hold to focus on the completion of the Colorado Water Plan. The CWCB does not anticipate a significant reversion for this line item for FY 2015-16. **e)** Reversion related to a temporary staffing reduction. The CWCB does not anticipate a significant reversion for this line item for FY 2015-16. **f)** Funding for this line item is continuously appropriated per the direction and approval by the State Controller's Office. Reversion amount reflects contracted projects that depend on the number of grant applications received and the length of time to complete the projects. In addition, the spending level in FY 14-15 reflected the amount of revenue actually collected.

Water Resources			Expenditure Authority	Reversion	% Reversion	General Fund	Cash Funds	Reap Funds	Federal Funds	
	Division Operations									
		Water Administration	$23,992,860	$565,425	2.4%	$53	$563,906	$1,467	$0	
		Well Inspection	$417,311	$240,608	57.7%	$0	$240,608	$0	$0	a
		Satellite Monitoring System	$531,095	$101,794	19.2%	$26,852	$74,942	$0	$0	b
		Federal Grants	$389,463	$52,249	13.4%	$0	$0	$0	$52,249	c
		River Decision Support Systems	$236,296	$0	0.0%	$0	$0	$0	$0	
	Special Purpose									
		Dam Emergency Repair	$50,000	$50,000	100.0%	$0	$50,000	$0	$0	d
		H.B. 03-1334 Temporary Interruptible Water Supply Agreements	$61,589	$61,589	100.0%	$0	$61,589	$0	$0	e
		Indirect Cost Assessment	$78,743	$30,963	39.3%	$0	$0	$0	$30,963	f

a) Normally DWR charges both operating and personal services to this cash fund. Due to the fact that CORE did not post payroll until March/April, DWR only posted payroll expenses to this fund, and posted operating expenses to the GF. DNR knew what the total PS cost should be and had more cofidence in charging PS without knowing what the balance was until late in the year. **b)** DWR struggled to understand what was available to spend early in the year on account of CORE errors, payroll charges not being posted, and struggles pulling reports prior to January. By the time the balances were know, it was too late in the year to fully expend this appropriation. **c)** The transition from COFRS to CORE caused some of the grant balances to be improperly set up. Lacking reports until later in the year, DWR spent grant balances conservatively and was unable to make adjustments to fully spend them down once reporting was working. **d)** DNR does not plan to spend this money on an annual basis and only spends emergency funds when there is a real emergency. **e)** This is funded by an application fee to review the Temporary Interruptible water Suply Agreements and it was approved for 1.0 FTE to review those applications. However, it has never taken off. In the time that this has been on the books DWR has received only two applications, neither of which made it through the review process. Therefore this is unsupported spending authority. **f)** This was a grant setup error. The indirect on the federal setup sheet was in error and calculated at ~$30k but DWR realized this error and a new setup sheet was created to reduce the indirect amount to the correct total. However, the final step in CORE was never done and therefore the SA was never adjusted to the correct amount.

LOCATION OF ENROLLED PARCELS

PUBLIC ACCESS PROGRAM



State Trust Land

Enrolled parcels are primarily in the western half of the State.

LEGEND

ENROLLED

NOT ENROLLED

COLORADO
State Land Board
Department of Natural Resources

Public Access Program
9.10.2015

DEPARTMENT OF NATURAL RESOURCES
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 10, 2015
1:30 pm – 5:00 pm

1:30-1:50 INTRODUCTIONS AND OPENING COMMENTS

1:50-2:00 CASH FUND REPORTS

1. Please explain why the Department was unable to submit cash fund reports with the budget request on November 2, 2015.

2. Has CORE contributed to problems with data accuracy and producing cash fund reports? If so, please provide detail on the issues the Department has experienced with CORE.

2:00-2:15 SEVERANCE TAX

3. Please provide the Department's position on options to smooth fluctuations in revenue from severance tax, as well as potential legislative actions to change the distribution of funds to stabilize revenue streams for programs supported by severance tax.

4. Please discuss the impact of the anticipated shortfall in Operational Fund revenue on Department programs in FY 2016-17.

2:15-3:00 OIL AND GAS CONSERVATION COMMISSION (OGCC)

5. Please provide a response regarding:
    a. the projected revenue shortfall in the Oil and Gas Conservation and Environmental Response Fund for FY 2017-18;
    b. the Department's proposal to raise the mill levy contingent upon changes to cash fund restrictions under TABOR; and
    c. alternatives for addressing the revenue shortfall including the proposed scenarios for reducing OGCC expenditures in FY 2016-17 and FY 2017-18.

6. Please provide an updated analysis of workload measures for the OGCC with data from the recent downturn, including information on inspections and the number of complaints to which inspectors are responding.

7. Please provide information on changes in workload measures tracked by industry (e.g. has hiring decreased, have companies decreased staffing) and explain how the OGCC takes industry workload data into consideration for future planning and when making staffing decisions.

8. Regarding oil and gas inspections by the Oil and Gas Conservation Commission:
   a. Please provide data on the number of inspectors, when they were added, and the number of other support staff required per inspector over the last 10 years.
   b. Please provide an update on any backlogs in inspections. Can CDPHE and OGCC share inspectors as a way to reduce backlogs in inspections?
   c. Can the OGCC use remote monitoring data on oil and gas wells from industry as part of the inspection process? Would that data increase efficiency in inspections?
   d. Please provide an update on the risk-based inspection program including an explanation of how wells are prioritized for inspection. Has this program increased efficiency in the inspection process?

9. How does the OGCC monitor and inspect abandoned oil and gas wells and how does this compare to the inspection process for active wells?

10. Please explain how estimates of future penalty revenue account for the impact of changes made to the penalty structure in H.B. 14-1356 (Increase OGCC Penalty Authority).

3:00-3:30 WATER QUALITY ISSUES AT LEGACY MINE SITES

11. *This is a question for both CDPHE and the DRMS.* Please provide a short briefing on the Gold King Mine incident in August 2015 and the response from the Division of Reclamation, Mining, and Safety (DRMS) and the Colorado Department of Public Health and Environment (CDPHE).

12. *This is a question for the Department of Law*. Is the state still considering joining a lawsuit against the Environmental Protection Agency (EPA) for the Gold King Mine release in August of 2015? What is Colorado's position on those potential suits?

13. *This is a question for both CDPHE and the DRMS.* Please detail any expenditures made by state agencies in connection with the Gold King Mine release in August 2015. Are there any current or future impacts to the budget from the incident?

14. *This is a question for both CDPHE and the DRMS.* Regarding the 500 legacy mine sites with water quality issues:
    a. Is there currently a list that prioritizes legacy mine sites based on an assessment of risk?
    b. Has there been an estimate of the cost of cleaning up these mine sites?
    c. Are any regulatory measures necessary to assist with remediation at these mine sites?

15. How does the DRMS determine the level of risk from the 300 draining legacy mines it can address and prioritize these mine sites for reclamation? Are there any regulatory measures that need to be implemented at these mines sites?

16. *This question is for CDPHE*. Please provide more information on the 230 legacy mine sites that require water treatment and address the following:
    a. Has CDPHE prioritized these sites and what is the process for prioritization?
    b. How is CDPHE working with communities impacted by these legacy mine sites?
    c. Are there any additional regulatory measures that need to be implemented at these mines sites?

17. *This is a series of questions for both CDPHE and the DRMS:*
    a. Please provide a breakdown of funding for reclamation at legacy mine sites between the federal government and the state.
    b. What resources are available at the federal level in terms of emergency relief for incidents at mine sites?
    c. Is the EPA taking any legislative or regulatory action regarding emergencies at legacy mine sites?
    d. Please provide the Department's position on the role of the EPA in the case of incidents or emergencies at legacy mine sites.

18. Is there a risk of a future decline in the federal coal money available for abandoned mine reclamation projects under SMCRA? Will the state have to assume the cost of remediation at legacy mine sites in the future?

3:30-4:00 COLORADO PARKS AND WILDLIFE

19. Please provide detail on the status of the Parks and Outdoor Recreation Cash Fund and the Wildlife Cash Fund, including a discussion of the impact of the requested increase of $1.0 million per year for radios and any ongoing costs associated with the radio replacement plan to be implemented in future years.

20. Regarding the FY 2016-17 request (R2) to replace radios for Parks and Wildlife staff:
    a. Is the Department working with the Office of Information Technology (OIT) or using OIT services for this request? If not, why not?
    b. Please describe the radio technology being requested and explain why dual band capability is required (700 MHz and 800 MHz). Does this allow CPW staff to communicate with agencies that have not converted to 800 MHz channels?
    c. Do all staff need the same radio technology (e.g. volunteers) and do all radios need to be interoperable?

21. Please provide additional information on why the requested transfer of FTE to the Habitat Partnership Program (HPP) is necessary and describe the current role of independent contractors in administering the HPP.

22. Please provide a response to the proposal to reallocate a percentage of net lottery proceeds to capital construction and controlled maintenance for institutions of higher education. What would the impact of a reduction in lottery proceeds/GOCO funding of the proposed magnitude on CPW programs?

4:00-4:30 STATE LAND BOARD

23. Please provide an overview of where state lands are located. Is there public access to these lands?

24. Please provide an update on the current status of negotiations with the federal government on whether or not the State Land Board is due more transfers.

25. Regarding the State Land Board's revenue from oil and gas:
    a. Why does the State Land Board get less than the market rate for oil?
    b. How quickly does production from new oil and gas wells on state lands decline and what is the result of that decline in terms of trust revenue?

26. Please provide a history of how many FTE have been added to the State Land Board on an annual basis for the last 10 years, including a description of the positions added (e.g. what these positions were needed for).

27. How many State Land Board FTE are currently used for managing assets leased to Colorado Parks and Wildlife?

28. How does the State Land Board determine whether the addition of Asset Managers is successful? Please provide these performance measures for the existing Asset Manager positions.

29. How is performance for the State Land Board tracked under the SMART Act?

30. Why is responsibility for ATLAS licenses being assumed by the State Land Board instead of continuing to be administered by OIT?

4:30-5:00 COLORADO WATER CONSERVATION BOARD

31. Please provide an overview of future financial needs outlined in the Colorado Water Plan.

32. Please provide detail on revenue and expenditures from the CWCB Construction Fund and the Perpetual Based Fund related to the Governor's Executive Orders for Forest Fires, including detail on how the money was accessed (e.g by legislation or executive order), what it was used for, and whether any amount has been repaid to either fund.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.

2. Please provide a detailed description of all program hotlines administered by the Department, including:
   a. The purpose of the hotline;
   b. Number of FTE allocated to the hotline;
   c. The line item through which the hotline is funded; and
   d. All outcome data used to determine the effectiveness of the hotline.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. How has the implementation improved business processes in the Department?
   b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?
   c. What impact have these challenges had on the Department's access to funding streams?
   d. How has the implementation of CORE affected staff workload?
   e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.

4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

6. Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?

7. Based on the Department's most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?

8. For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?

9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?

10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?

11. Please provide an explanation of bonus payments for mineral leases collected by the State Land Board, including a description of the how amounts for bonus payment are determined and specific details on the Lowry Ranch and 70 Ranch bonus payments.