

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF FIGURE SETTING  
RECOMMENDATIONS**

**DEPARTMENT OF NATURAL RESOURCES**

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

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

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February 15, 2012**

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**DEPARTMENT OF NATURAL RESOURCES  
FY 2012-13 FIGURE SETTING**

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

JBC WORKING DOCUMENT  
Staff Recommendation Does Not Represent Committee Decision

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**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2012-13**

JBC Working Papers - Decisions Subject to Change  
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**Committee of Reference SMART Act Recommendation Letter for the Department**

House Committee on Agriculture, Livestock, and Natural Resources

Received January 26, 2012

Recommendations

The House Committee on Agriculture, Livestock, and Natural Resources voted 8-5 to support the Department of Natural Resources budget with the exception of the request for 5.0 additional FTE for the Colorado Oil and Gas Conservation Commission. The Committee asked that the requested FTE "be filled with existing FTE vacancies in the department."

Senate Committee on Agriculture, Natural Resources, and Energy

Received January 23, 2012

Recommendations

The Senate Committee on Agriculture, Natural Resources, and Energy did not provide a recommendation on the Department of Natural Resources FY 2012-13 budget.

**FY 2012-13 Joint Budget Committee Staff Figure Setting**  
**Department of Natural Resources**  
**Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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<b>DEPARTMENT OF NATURAL RESOURCES</b> <b>Mike King, Executive Director</b>
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**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY**

Primary Functions: Provides regulation and enforcement related to the development and reclamation of mining sites. Primary sources of cash funds are fees on metal and aggregate mining operations and the severance tax.

**(A) Coal Land Reclamation**

<b>Program Costs</b>	<b><u>2,117,899</u></b>	<b><u>2,134,008</u></b>	<b><u>2,105,000</u></b>	<b><u>2,145,204</u></b>	<b><u>2,107,910</u></b>
<i>FTE</i>	20.0	20.0	23.0	23.0	22.0
Cash Funds	444,163	447,548	441,465	723,214	710,361
Federal Funds	1,673,736	1,686,460	1,663,535	1,421,990	1,397,549
<b>Indirect Cost Assessment</b>	<b><u>164,379</u></b>	<b><u>158,332</u></b>	<b><u>136,073</u></b>	<b><u>134,191</u></b>	<b><u>134,191</u></b>
Cash Funds	30,393	25,999	28,575	28,180	28,180
Federal Funds	133,986	132,333	107,498	106,011	106,011

<b>Total Funds - (A) Coal Land Reclamation</b>	<b><u>2,282,278</u></b>	<b><u>2,292,340</u></b>	<b><u>2,241,073</u></b>	<b><u>2,279,395</u></b>	<b><u>2,242,101</u></b>
<i>FTE</i>	<b><u>20.0</u></b>	<b><u>20.0</u></b>	<b><u>23.0</u></b>	<b><u>23.0</u></b>	<b><u>22.0</u></b>
Cash Funds	474,556	473,547	470,040	751,394	738,541
Federal Funds	1,807,722	1,818,793	1,771,033	1,528,001	1,503,560

**(B) Inactive Mines**

<b>Program Costs</b>	<b><u>984,788</u></b>	<b><u>1,017,477</u></b>	<b><u>1,607,759</u></b>	<b><u>1,636,925</u></b>	<b><u>1,622,250</u></b>
<i>FTE</i>	7.4	7.2	16.4	16.4	16.4
Cash Funds	15,893	48,800	519,247	519,247	518,452
Federal Funds	968,895	968,677	1,088,512	1,117,678	1,103,798

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting**  
**Department of Natural Resources**  
**Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
<b>Mine Site Reclamation</b>	<b><u>31,216</u></b>	<b><u>35,798</u></b>	<b><u>408,690</u></b>	<b><u>409,993</u></b>	<b><u>409,219</u></b>
<i>FTE</i>	0.4	0.5	1.2	1.2	1.2
Cash Funds	31,216	35,798	378,690	379,993	379,219
Reappropriated Funds	0	0	30,000	30,000	30,000
<b>Reclamation of Forfeited Mine Sites</b>	<b><u>0</u></b>	<b><u>15,900</u></b>	<b><u>171,000</u></b>	<b><u>171,000</u></b>	<b><u>171,000</u></b>
Cash Funds	0	15,900	171,000	171,000	171,000
<b>Abandoned Mine Safety</b>	<b><u>100,000</u></b>	<b><u>98,463</u></b>	<b><u>99,596</u></b>	<b><u>99,850</u></b>	<b><u>99,645</u></b>
<i>FTE</i>	0.2	0.1	0.2	0.2	0.2
Cash Funds	100,000	98,463	99,596	99,850	99,645
<b>Indirect Cost Assessment</b>	<b><u>137,099</u></b>	<b><u>127,268</u></b>	<b><u>133,226</u></b>	<b><u>133,696</u></b>	<b><u>133,696</u></b>
Cash Funds	8,250	12,995	12,026	14,633	14,633
Federal Funds	128,849	114,273	121,200	119,063	119,063
<b>Total Funds - (B) Inactive Mines</b>	<b><u>1,253,103</u></b>	<b><u>1,294,906</u></b>	<b><u>2,420,271</u></b>	<b><u>2,451,464</u></b>	<b><u>2,435,810</u></b>
<i>FTE</i>	<b><u>8.0</u></b>	<b><u>7.8</u></b>	<b><u>17.8</u></b>	<b><u>17.8</u></b>	<b><u>17.8</u></b>
Cash Funds	155,359	211,956	1,180,559	1,184,723	1,182,949
Reappropriated Funds	0	0	30,000	30,000	30,000
Federal Funds	1,097,744	1,082,950	1,209,712	1,236,741	1,222,861
<b>(C) Minerals</b>					
<b>Program Costs</b>	<b><u>2,164,151</u></b>	<b><u>2,170,170</u></b>	<b><u>2,135,806</u></b>	<b><u>2,176,730</u></b>	<b><u>2,138,321</u></b>
<i>FTE</i>	20.5	20.8	24.1	24.1	24.1
Cash Funds	2,164,151	2,170,170	2,135,806	2,176,730	2,138,321

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting**  
**Department of Natural Resources**  
**Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
<b>Indirect Cost Assessment</b>	<u>109,392</u>	<u>112,421</u>	<u>121,219</u>	<u>127,188</u>	<u>127,188</u>
Cash Funds	109,392	112,421	121,219	127,188	127,188
<b>Total Funds - (C) Minerals</b>	<b>2,273,543</b>	<b>2,282,591</b>	<b>2,257,025</b>	<b>2,303,918</b>	<b>2,265,509</b>
<b>FTE</b>	<u>20.5</u>	<u>20.8</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>
Cash Funds	2,273,543	2,282,591	2,257,025	2,303,918	2,265,509
<b>(D) Mines Program</b>					
<b>Colorado and Federal Mine Safety Program</b>	<u>487,560</u>	<u>441,380</u>	<u>503,506</u>	<u>513,045</u>	<u>506,210</u>
FTE	5.0	4.0	5.0	5.0	4.0
Cash Funds	316,741	318,632	314,785	324,324	319,995
Federal Funds	170,819	122,748	188,721	188,721	186,215
<b>Blaster Certification Program</b>	<u>105,782</u>	<u>107,916</u>	<u>106,777</u>	<u>108,353</u>	<u>106,953</u>
FTE	1.0	1.0	1.0	1.0	1.0
Cash Funds	22,064	22,512	22,275	22,606	22,315
Federal Funds	83,718	85,404	84,502	85,747	84,638
<b>Indirect Cost Assessment</b>	<u>28,076</u>	<u>24,808</u>	<u>28,191</u>	<u>24,419</u>	<u>24,419</u>
Cash Funds	14,644	15,802	17,668	16,682	16,682
Federal Funds	13,432	9,006	10,523	7,737	7,737
<b>Total Funds - (D) Mines Program</b>	<b>621,418</b>	<b>574,104</b>	<b>638,474</b>	<b>645,817</b>	<b>637,582</b>
<b>FTE</b>	<u>6.0</u>	<u>5.0</u>	<u>6.0</u>	<u>6.0</u>	<u>5.0</u>
Cash Funds	353,449	356,946	354,728	363,612	358,992
Federal Funds	267,969	217,158	283,746	282,205	278,590

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting  
Department of Natural Resources  
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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**(E) Emergency Response Costs**

Emergency Response Costs	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Cash Funds	25,000	25,000	25,000	25,000	25,000

<b>Total Funds - (E) Emergency Response Costs</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	25,000	25,000	25,000	25,000	25,000

<b>Total Funds - (2) Division of Reclamation, Mining, and Safety</b>	<b>6,455,342</b>	<b>6,468,941</b>	<b>7,581,843</b>	<b>7,705,594</b>	<b>7,606,002</b>
<i>FTE</i>	<u>54.5</u>	<u>53.6</u>	<u>70.9</u>	<u>70.9</u>	<u>68.9</u>
Cash Funds	3,281,907	3,350,040	4,287,352	4,628,647	4,570,991
Reappropriated Funds	0	0	30,000	30,000	30,000
Federal Funds	3,173,435	3,118,901	3,264,491	3,046,947	3,005,011

**(3) GEOLOGICAL SURVEY**

Primary functions: providing geologic information to the public and government agencies. Cash funds are from severance tax revenues, fees for geological services provided, and grants. Reappropriated funds are from transfers from other state agencies for geological services.

<b>Environmental Geology and Geological Hazards</b>					
<b>Program</b>	<u>1,706,432</u>	<u>1,523,479</u>	<u>2,481,991</u>	<u>2,511,978</u>	<u>2,484,376</u>
<i>FTE</i>	11.7	9.0	17.2	17.2	16.2
Cash Funds	1,079,919	1,199,136	1,438,600	1,464,341	1,446,070
Reappropriated Funds	364,775	324,343	447,269	448,881	443,286
Federal Funds	261,738	0	596,122	598,756	595,020

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting  
Department of Natural Resources  
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
<b>Mineral Resources and Mapping</b>	<b><u>1,129,540</u></b>	<b><u>1,173,755</u></b>	<b><u>1,426,723</u></b>	<b><u>1,440,260</u></b>	<b><u>1,420,319</u></b>
<i>FTE</i>	8.2	9.3	10.5	10.5	9.5
Cash Funds	1,001,411	997,866	1,106,164	1,117,949	1,102,667
Federal Funds	128,129	175,889	320,559	322,311	317,652
<b>Colorado Avalanche Information Center</b>	<b><u>609,029</u></b>	<b><u>671,333</u></b>	<b><u>697,041</u></b>	<b><u>708,770</u></b>	<b><u>697,847</u></b>
<i>FTE</i>	7.1	7.7	8.4	8.4	8.4
Cash Funds	231,201	276,796	275,825	280,750	276,504
Reappropriated Funds	372,961	377,504	403,133	409,833	403,384
Federal Funds	4,867	17,033	18,083	18,187	17,959
<b>Indirect Cost Assessment</b>	<b><u>240,533</u></b>	<b><u>180,208</u></b>	<b><u>152,789</u></b>	<b><u>144,421</u></b>	<b><u>144,421</u></b>
Cash Funds	167,844	115,940	110,548	127,706	127,706
Federal Funds	72,689	64,268	42,241	16,715	16,715
<b>Total Funds - (3) Geological Survey</b>	<b><u>3,685,534</u></b>	<b><u>3,548,775</u></b>	<b><u>4,758,544</u></b>	<b><u>4,805,429</u></b>	<b><u>4,746,963</u></b>
<i>FTE</i>	<b><u>27.0</u></b>	<b><u>26.0</u></b>	<b><u>36.1</u></b>	<b><u>36.1</u></b>	<b><u>34.1</u></b>
Cash Funds	2,480,375	2,589,738	2,931,137	2,990,746	2,952,947
Reappropriated Funds	737,736	701,847	850,402	858,714	846,670
Federal Funds	467,423	257,190	977,005	955,969	947,346

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

Primary functions: promoting and regulating responsible development of oil and gas natural resources. Cash funds are from the Oil and Gas Conservation and Environmental Response Fund and the severance tax.

<b>Program Costs</b>	<b><u>5,720,272</u></b>	<b><u>5,858,020</u></b>	<b><u>5,874,784</u></b>	<b><u>6,558,173</u></b>	<b><u>6,415,126</u></b> *
<i>FTE</i>	60.1	63.2	67.5	74.0	74.0
Cash Funds	5,720,272	5,858,020	5,874,784	6,558,173	6,415,126

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting**  
**Department of Natural Resources**  
**Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
<b>Underground Injection Program</b>	<b><u>88,385</u></b>	<b><u>86,769</u></b>	<b><u>96,559</u></b>	<b><u>96,559</u></b>	<b><u>96,559</u></b>
<i>FTE</i>	2.0	2.0	2.0	2.0	2.0
Federal Funds	88,385	86,769	96,559	96,559	96,559
<b>Plugging and Reclaiming Abandoned Wells</b>	<b><u>162,084</u></b>	<b><u>216,768</u></b>	<b><u>445,000</u></b>	<b><u>445,000</u></b>	<b><u>445,000</u></b>
Cash Funds	162,084	216,768	445,000	445,000	445,000
<b>Environmental Assistance and Complaint Resolution</b>	<b><u>311,801</u></b>	<b><u>311,929</u></b>	<b><u>312,033</u></b>	<b><u>312,033</u></b>	<b><u>312,033</u></b>
Cash Funds	311,801	311,929	312,033	312,033	312,033
<b>Emergency Response</b>	<b><u>0</u></b>	<b><u>17,236</u></b>	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>
Cash Funds	0	17,236	1,000,000	1,000,000	1,000,000
<b>Special Environmental Protection and Mitigation Studies</b>	<b><u>192,843</u></b>	<b><u>173,184</u></b>	<b><u>325,000</u></b>	<b><u>325,000</u></b>	<b><u>325,000</u></b>
Cash Funds	192,843	173,184	325,000	325,000	325,000
<b>Indirect Cost Assessment</b>	<b><u>317,658</u></b>	<b><u>413,153</u></b>	<b><u>463,897</u></b>	<b><u>398,528</u></b>	<b><u>398,528</u></b>
Cash Funds	310,119	405,977	456,220	393,108	393,108
Federal Funds	7,539	7,176	7,677	5,420	5,420
<b>S.B. 07-198 Coalbed Methane Seepage Projects</b>	<b><u>445,200</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Cash Funds	445,200	0	0	0	0
<b>Total Funds - (4) Oil and Gas Conservation Commission</b>	<b>7,238,243</b>	<b>7,077,059</b>	<b>8,517,273</b>	<b>9,135,293</b>	<b>8,992,246</b>
<i>FTE</i>	<b><u>62.1</u></b>	<b><u>65.2</u></b>	<b><u>69.5</u></b>	<b><u>76.0</u></b>	<b><u>76.0</u></b>
Cash Funds	7,142,319	6,983,114	8,413,037	9,033,314	8,890,267
Federal Funds	95,924	93,945	104,236	101,979	101,979

\*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting**  
**Department of Natural Resources**  
**Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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**(5) STATE BOARD OF LAND COMMISSIONERS**

Primary Functions: Manages around 2.6 million surface acres and 4.5 million mineral acres of state trust lands for the benefit of 8 public trusts, the largest of which is the School Trust (96% of holdings). Cash funds are from the Trust Administration Fund.

<b>Program Costs</b>	<u><b>3,742,771</b></u>	<u><b>3,736,332</b></u>	<u><b>3,642,707</b></u>	<u><b>3,822,589</b></u>	<u><b>3,771,401</b></u> *
<i>FTE</i>	35.1	36.4	37.0	37.0	37.0
Cash Funds	3,742,771	3,736,332	3,642,707	3,822,589	3,771,401
<b>Public Access Program Damage and Enhancement Costs</b>	<u><b>0</b></u>	<u><b>224,599</b></u>	<u><b>225,000</b></u>	<u><b>225,000</b></u>	<u><b>225,000</b></u>
Reappropriated Funds	0	224,599	225,000	225,000	225,000
<b>Asset Management System Upgrade</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>750,000</b></u>	<u><b>750,000</b></u> *
Cash Funds	0	0	0	750,000	750,000
<b>Indirect Cost Assessment</b>	<u><b>165,450</b></u>	<u><b>177,993</b></u>	<u><b>189,581</b></u>	<u><b>202,527</b></u>	<u><b>202,527</b></u>
Cash Funds	165,450	177,993	189,581	202,527	202,527
<b>Total Funds - (5) State Board of Land Commissioners</b>	<u><b>3,908,221</b></u>	<u><b>4,138,924</b></u>	<u><b>4,057,288</b></u>	<u><b>5,000,116</b></u>	<u><b>4,948,928</b></u>
<i>FTE</i>	<u><b>35.1</b></u>	<u><b>36.4</b></u>	<u><b>37.0</b></u>	<u><b>37.0</b></u>	<u><b>37.0</b></u>
Cash Funds	3,908,221	3,914,325	3,832,288	4,775,116	4,723,928
Reappropriated Funds	0	224,599	225,000	225,000	225,000
<b>Total Funds - Department of Natural Resources</b>	<u><b>21,287,340</b></u>	<u><b>21,233,699</b></u>	<u><b>24,914,948</b></u>	<u><b>26,646,432</b></u>	<u><b>26,294,139</b></u>
<i>FTE</i>	<u><b>178.7</b></u>	<u><b>181.2</b></u>	<u><b>213.5</b></u>	<u><b>220.0</b></u>	<u><b>216.0</b></u>
Cash Funds	16,812,822	16,837,217	19,463,814	21,427,823	21,138,133
Reappropriated Funds	737,736	926,446	1,105,402	1,113,714	1,101,670
Federal Funds	3,736,782	3,470,036	4,345,732	4,104,895	4,054,336

\*This line item includes a decision item.

**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2012-13**

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

**COMMON POLICY AND DEPARTMENT-WIDE ISSUES**

**Common Policy Explanation:** Staff's recommendations included in this packet include the implementation of the following JBC common policies:

1. Application of a 2.0 percent personal services base reduction, as adopted by the Committee.
2. Restoration of a 2.5 percent reduction to personal services appropriations taken in FY 2011-12 to implement S.B. 11-1076 (Statewide PERA Adjustment).

**Vehicle Replacements:** The Department is requesting the replacement of three vehicles in FY 2012-13 for the divisions included in this document, all of which are four wheel drive sport utility vehicles used by the Division of Reclamation, Mining, and Safety.

**Staff recommends the replacement of all three requested vehicles.** All three are expected to significantly exceed the common policy threshold of 100,000 miles at the time of replacement, and the vehicle types are appropriate for the division's use.

**FTE Reductions Associated with Oil and Gas Conservation Commission (OGCC) Decision Item #1 and Budget Amendment #1:** The Department is requesting a total of 7.0 additional FTE for the OGCC (above the FY 2011-12 Long Bill appropriation) through decision item #1 (OGCC Field and Technical Staff Support) and budget amendment #1 (OGCC Local Government Liaisons). The House Agriculture, Livestock, and Natural Resources Committee has asked that 5.0 of those additional FTE be transferred from vacant positions elsewhere in the Department.

The Department has identified seven positions that are currently vacant and unfunded that could be moved to the OGCC to support the new staff (2.0 in the Executive Director's Office; 2.0 in the Division of Reclamation, Mining, and Safety; 2.0 in the Colorado Geological Survey; and 1.0 in the Division of Water Resources). **If the Committees approves the decision item and budget amendment, staff recommends transferring the 7.0 identified FTE to the OGCC, which will allow the OGCC to hire the new staff without increasing the Department's total FTE count.** For the divisions included in this packet, the FTE reduction is also included in staff's recommendation for each affected line item.

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

This division is charged with helping to develop Colorado's mining industry in an environmentally protective manner and ensuring that mined land is reclaimed to a beneficial use. The division manages issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation. Often, there are no legally responsible parties identified to fund and administer such clean-up projects. Pursuant to Section 39-29-109.3 (1) (c), C.R.S., up to 25 percent of the moneys in the Operational Account of the Severance Tax Trust Fund may be appropriated for programs in the Division of Reclamation, Mining, and Safety.

**(A) Coal Land Reclamation**

**Program Costs**

*Description:* This program is administered pursuant to a cooperative agreement with the Office of Surface Mining, which is part of the U.S. Department of the Interior. It is a regulatory program charged with reviewing and issuing coal mining and reclamation permits. Program staff monitor and inspect coal mining operations and enforce permit provisions and mining regulations. Federal regulations require the State to conduct the Coal Land Reclamation Program for the State to receive federal funds to safeguard Colorado's inactive mines. In recent years, the line item has supported 23.0 FTE and associated operating expenses. The program is funded with a mix of federal funds and cash funds from the Operational Account of the Severance Tax Trust Fund. The federal funding requires a state match, with federal funding accounting for approximately 79 percent of the appropriation and state severance tax funding making up roughly 21 percent of the appropriation in recent years.

<b>Coal Land Reclamation Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Appropriation</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recommendation</b>
Management	1.3	1.4	1.4	1.4
Administration	4.5	4.5	4.5	4.5
Environmental Protection Specialist	14.2	17.1	17.1	16.1
<b>Total</b>	<b>20.0</b>	<b>23.0</b>	<b>23.0</b>	<b>22.0</b>

*Request:* The Department requests continuation level funding according to OSPB's common policies. The request continues an increase in the cash funds appropriation from the Operational Account of the Severance Tax Trust Fund, enacted in the FY 2011-12 Long Bill, in anticipation of reduced federal funding. Federal funding remained stable in FY 2011-12, and the Committee has approved a supplemental to reduce the cash funds appropriation (and increase the federal funds appropriation)

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in FY 2011-12. The request restores the increased cash funds appropriation for FY 2012-13 in anticipation of reduced federal funding. In addition, the following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

The Department projects that the workload for the coal regulatory program in FY 2011-12 will be consistent with prior years.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Estimate	FY 2012-13 Estimate
Permitting actions	226	825	845	845
Required inspections	396	988	1000	1000

**Recommendation:** Staff recommends continuation level funding, calculated according to the JBC's common policies and including the requested reversal of the FY 2011-12 supplemental appropriation. Staff also recommends a reduction of 1.0 FTE from this line item, and a transfer of that FTE to the OGCC Program Costs line item, if the Committee approves decision item #1 (discussed in the OGCC section of this document.) This FTE is vacant and currently unfunded. The following table details the components of staff's recommendation

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

Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Land Reclamation Program Costs — Department of Natural Resources				
	Total	CF - Severance	Federal Funds	FTE
<b>Personal Services</b>				
FY 2011-12 Appropriation (2011 Session)	\$1,824,954	\$628,961	\$1,195,993	23.0
FY 2011-12 Supplemental (H.B. 12-1192)	0	(246,306)	246,306	
<b>FY 2011-12 Adjusted Appropriation</b>	<b>\$1,824,954</b>	<b>\$382,655</b>	<b>\$1,442,299</b>	<b>23.0</b>
Restore FY 2011-12 PERA Reduction	40,204	8,443	31,761	
Reverse FY 2011-12 Supplemental	0	246,306	(246,306)	

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Land Reclamation Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
Base Reduction (2.0%)	(37,294)	(12,853)	(24,441)	
FTE Transfer for OGCC DI #1 and BA #1	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1.0)</u>
<b>Subtotal, Personal Services</b>	<b>1,827,864</b>	<b>624,551</b>	<b>1,203,313</b>	<b>22.0</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation (2011 Session)	280,046	85,810	194,236	
FY 2011-12 Supplemental (H.B. 12-1192)	<u>0</u>	<u>(27,000)</u>	<u>27,000</u>	
<b>FY 2011-12 Adjusted Appropriation</b>	<b>280,046</b>	<b>58,810</b>	<b>221,236</b>	
Reverse FY 2011-12 Supplemental	<u>0</u>	<u>27,000</u>	<u>(27,000)</u>	
<b>Subtotal, Operating Expenses</b>	<b>280,046</b>	<b>85,810</b>	<b>194,236</b>	<b>0.0</b>
<b>FY 2012-13 Recommendation</b>	<b>\$2,107,910</b>	<b>\$710,361</b>	<b>\$1,397,549</b>	<b>22.0</b>

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(B) Inactive Mines**

<b>Inactive Mines Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Appropriation</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recommendation</b>
Management	0.7	1.2	1.2	1.2
Administration	2.7	2.7	2.7	2.7
Environmental Protection Specialist*	12.0	13.9	13.9	13.9
<b>Total</b>	<b>15.4</b>	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>

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\*Environmental protection specialist positions shown here include FTE supported with non-appropriated federal funds (7.6 in FY 2010-11, and 8.0 in FY 2011-12 and FY 2012-13).

**Program Costs**

*Description:* This line item provides funding to safeguard mine openings, to inspect and monitor mine sites, and to reclaim abandoned mines. The program was instituted under the provisions of the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977. Only mines abandoned prior to 1977 are eligible for the program. Approximately 14,800 eligible abandoned mines remain in Colorado. The Department can also use this federal money for thirty-eight coal mine fires pending safeguarding and for coal mine subsidence issues impacting residential housing.

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

In addition to money from the Abandoned Mine Reclamation Fund, the Department receives federal grants to support the program. To receive the federal grants, the Department must maintain a federally-approved coal mining regulatory program, but there are no matching requirements for the federal grants. The Long Bill reflects the federal administrative and oversight costs, but not the multi-year grants for site work amounting to about \$11.6 million per year.

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request.** The components of the staff recommendation for the line item are summarized in the table below.

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Abandoned Mine Safety Reclamation Fund (originally severance tax)</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2011-12 Appropriation	\$913,273	\$49,461	\$863,812	16.4
Restore FY 2011-12 PERA Reduction	29,166	0	29,166	
Base Reduction (2.0%)	<u>(14,675)</u>	<u>(795)</u>	<u>(13,880)</u>	
<b>Subtotal, Personal Services</b>	<b>927,764</b>	<b>48,666</b>	<b>879,098</b>	<b>16.4</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation	694,486	469,786	224,700	
(No change)	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>694,486</b>	<b>469,786</b>	<b>224,700</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$1,622,250</b>	<b>\$518,452</b>	<b>\$1,103,798</b>	<b>16.4</b>

**Mine Site Reclamation**

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

Acid mine drainage and metal leaching continue for many years -- and sometimes effectively in perpetuity -- after mining operations cease in a given location. Mining companies active today are required to include the cost of water treatment when applying for mining permits. The Division also includes required water treatment costs when determining the financial warranties necessary to approve individual permits. However, mining operations that ended prior to adoption of the federal Clean Water Act of 1972 are remediated through the Mining Non-Point Source Program, which is administered by the Inactive Mines Program.

An assessment conducted in 1980 found that approximately 1,300 miles of Colorado's streams were adversely impacted by heavy metals and acidic drainage from both inactive and abandoned mines.

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In 2006, the JBC approved a request for \$280,000 annually from the Operational Account of the Severance Tax Trust Fund to accelerate water quality improvement projects. The Department requested the additional funds to expand matching funds for water quality improvement projects at abandoned mines and to hire a projects coordinator. In addition to the money from the Operational Account of the Severance Tax Trust Fund, the Department receives \$30,000 from the Department of Public Health and Environment to cover a portion of the program's costs.

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

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

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Mine Site Reclamation — Department of Natural Resources</b>				
	<b>TOTAL</b>	<b>CF - Severance Tax</b>	<b>RF - Public Health and Environment</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2011-12 Appropriation	\$51,032	\$51,032	\$0	1.2
Restore FY 2011-12 PERA Reduction	1,303	1,303	0	
Base Reduction (2.0%)	<u>(774)</u>	<u>(774)</u>	<u>0</u>	
<b>Subtotal, Personal Services</b>	<b>51,561</b>	<b>51,561</b>	<b>0</b>	<b>1.2</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation	357,658	327,658	30,000	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>357,658</b>	<b>327,658</b>	<b>30,000</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$409,219</b>	<b>\$379,219</b>	<b>\$30,000</b>	<b>1.2</b>

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**Reclamation of Forfeited Mine Sites**

*Description:* This line item was created in FY 2007-08 to provide funding that could be rolled forward up to three years to reclaim mine sites that were forfeited due to mine operator bankruptcy or death, or insufficient bonds when the mining permit was revoked. The Department has identified 35 such sites forfeited between 1977 and 1993. Mines forfeited prior to 1977 qualify for federal funding from the Office of Surface Mining and also receive some Severance Tax funds through the Program Costs and Mine Site Reclamation line items. Mines established after 1993 have individually calculated bond requirements based on size, type of disturbance, on-site structures, surrounding environmental impacts, and construction costs. According to the Department, the bonds from forfeited mines established after 1993 have generally been adequate to address necessary reclamation work. Between 1977 and 1993 mine operators were required to post bonds but the bonds were capped in statute by mine type and were frequently inadequate to fund the required reclamation. Risks associated with un-reclaimed sites include water contamination, unstable soils, volatile gases and explosives, and open pits. Sites treated under this line item are not eligible for federal funds that can be used for pre-1977 mines.

*Request:* The Department requests continuation level funding of \$171,000. The request continues a \$171,000 reduction from FY 2008-09 levels. The reduction was first enacted in FY 2009-10 and continued in FY 2010-11 and FY 2011-12.

*Recommendation:* **Staff recommends the request, continuing funding levels from FY 2011-12.**

**Abandoned Mine Safety**

*Description:* These moneys are utilized to safeguard the roughly 14,800 mine openings in Colorado abandoned prior to bonding requirements implemented in 1977, including a high number in the Central City and Blackhawk area. This line item pays for basic measures like capping and fencing. The other line items in the Inactive Mines section pay for more extensive reclamation of sites requiring additional measures. The source of funding is the Operational Account of the Severance Tax Trust Fund.

*Request:* The Department requests continuation level funding calculated according to the OSPB's common policies. The requested level continues a \$12,623 reduction first enacted in FY 2009-10 and continued in FY 2010-11 and FY 2011-12. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding calculated pursuant to the JBC's common policies, with an adjustment for the relevant statewide request.** Staff's

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recommendation continues the reduction of \$12,623 cash funds from FY 2008-09 levels.

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Abandoned Mine Safety — Department of Natural Resources</b>			
	<b>TOTAL</b>	<b>CF - Severance Tax</b>	<b>FTE</b>
<b>Personal Services</b>			
FY 2011-12 Appropriation	\$9,596	\$9,596	0.2
Restore FY 2011-12 PERA Reduction	254	254	
Base Reduction (2.0%)	<u>(205)</u>	<u>(205)</u>	
<b>Subtotal, Personal Services</b>	<b>9,645</b>	<b>9,645</b>	<b>0.2</b>
<b>Operating Expenses</b>			
FY 2011-12 Appropriation	90,000	90,000	
(No change)	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>90,000</b>	<b>90,000</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$99,645</b>	<b>\$99,645</b>	<b>0.2</b>

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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**(C) Minerals**

<b>Minerals Program Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Approp.</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recomm.</b>
Management	1.3	1.4	1.4	1.4
Administration	4.7	6.0	6.0	6.0
Environmental Protection Specialist	14.8	16.7	16.7	16.7
<b>Total</b>	20.8	24.1	24.1	24.1

**Program Costs**

*Description:* This program issues and enforces mining and reclamation permits for all non-coal mines in Colorado on state, federal, and private lands. The types of minerals regulated under this program include metals (such as gold, silver, and molybdenum) and construction materials (such as sand, gravel, marble, and flagstone). The line item also pays for the operating costs of the Mined Land Reclamation Board. In addition, the Minerals Program regulates oil shale development but coordinates extensively with the Colorado Oil and Gas Conservation Commission in reviewing permits and conducting inspections for oil shale operations. The Minerals Program also oversees uranium and vanadium mining.

The sources of funds for the program include fees deposited in the Mined Land Reclamation Fund and revenues from the Operational Account of the Severance Tax Trust Fund. The majority of the fees charged are set in statute but some are set by rule pursuant to Section 34-32-127, C.R.S.

*Request:* The Department requests continuation level funding calculated pursuant to OSPB's budget instructions. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding pursuant to the JBC's common policies, with adjustments for the statewide request.** The components of the staff recommendation are summarized in the table below.

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Severance Tax</b>	<b>Mined Land Reclamation Fund</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2011-12 Appropriation	\$1,885,834	\$953,639	\$932,195	24.1
Restore FY 2011-12 PERA Reduction	40,924	40,924	0	
Base Reduction (2.0%)	<u>(38,409)</u>	<u>(19,423)</u>	<u>(18,986)</u>	
<b>Subtotal, Personal Services</b>	<b>1,888,349</b>	<b>975,140</b>	<b>913,209</b>	<b>24.1</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation	249,972	130,943	119,029	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>249,972</b>	<b>130,943</b>	<b>119,029</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$2,138,321</b>	<b>\$1,106,083</b>	<b>\$1,032,238</b>	<b>24.1</b>

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(D) Mines Program**

<b>Mines Program Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Appropriation</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recommendation</b>
Management	1.0	1.0	1.0	1.0
Administration	0.9	1.0	1.0	1.0
Environmental Protection Specialist	3.1	4.0	4.0	3.0

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Mines Program Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
<b>Total</b>	5.0	6.0	6.0	5.0

**Colorado and Federal Mine Safety Program**

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

*Request:* The Department requests continuation level funding calculated pursuant to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding calculated pursuant to the JBC's common policies, with adjustments for the statewide request. Staff also recommends a reduction of 1.0 FTE from this line item, and a transfer of that FTE to the OGCC Program Costs line item, if the Committee approves decision item #1 (discussed in the OGCC section of this document.)** This FTE is vacant and currently unfunded. The federal government has increased coal mine rescue training requirements, increasing the workload of the program. The purpose of funding the program from the Operational Account instead of user fees is to prevent user fees from being an impediment to proper training and the dissemination of best safety practices.

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Colorado and Federal Mine Safety — Department of Natural Resources</b>					
	Total	Severance Tax	Fees	Federal Funds	FTE
<b>Personal Services</b>					
FY 2011-12 Appropriation	\$384,488	\$239,600	\$3,940	\$140,948	5.0
Restore FY 2011-12 PERA Reduction	9,539	9,539	0	0	
Base Reduction (2.0%)	(6,835)	(4,259)	(70)	(2,506)	
FTE Transfer for OGCC DI #1 and BA #1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1.0)</u>

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Colorado and Federal Mine Safety — Department of Natural Resources</b>					
	<b>Total</b>	<b>Severance Tax</b>	<b>Fees</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Subtotal, Personal Services</b>	<b>387,192</b>	<b>244,880</b>	<b>3,870</b>	<b>138,442</b>	<b>4.0</b>
<b>Operating Expenses</b>					
FY 2011-12 Appropriation	119,018	65,245	6,000	47,773	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>119,018</b>	<b>65,245</b>	<b>6,000</b>	<b>47,773</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$506,210</b>	<b>\$310,125</b>	<b>\$9,870</b>	<b>186,215</b>	<b>4.0</b>

**Blaster Certification Program**

*Description:* This program provides certifications required for certain mine positions, including foreman, fire boss, mine electrician, shot-firer, hoistman, blaster, and electrician, pursuant to Section 34-22-105, C.R.S. The source of cash funds is the Operational Account of the Severance Tax Trust Fund.

*Request:* The Department requests continuation level funding calculated pursuant to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding calculated pursuant to the JBC's common policies with adjustments for the statewide request.** There is a 21.0 percent state matching requirement for the federal funds. The components of the staff recommendation are summarized in the table below.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Blaster Certification — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2011-12 Appropriation	\$72,804	\$15,141	\$57,663	1.0
Restore FY 2011-12 PERA Reduction	1,576	331	1,245	
Base Reduction (2.0%)	<u>(1,400)</u>	<u>(291)</u>	<u>(1,109)</u>	

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<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (D) Mines Program, Blaster Certification — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Subtotal, Personal Services</b>	<b>72,980</b>	<b>15,181</b>	<b>57,799</b>	<b>1.0</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation	33,973	7,134	26,839	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>33,973</b>	<b>7,134</b>	<b>26,839</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$106,953</b>	<b>\$22,315</b>	<b>\$84,638</b>	<b>1.0</b>

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

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

**(E) Emergency Response Costs**

*Description:* This appropriation provides funds for the Department of Natural Resources to respond to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies. For a large-scale disaster, there are procedures for the Governor and/or the JBC to make money available, but even those procedures take time. Also, the Department can use this money for smaller scale emergencies. The Department used \$24,900 in FY 2008-09 and the full \$25,000 appropriation in FY 2009-10 and FY 2010-11. No FTE are associated with this line item, since contractors perform the environmental remediation work.

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

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

**(3) GEOLOGICAL SURVEY**

Geological Survey Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Director	1.0	1.0	1.0	1.0
Geologists	13.3	22.7	22.7	20.7
Administration	4.0	4.0	4.0	4.0
Avalanche Information Center	7.7	8.4	8.4	8.4
<b>Total</b>	26.0	36.1	36.1	34.1

**Environmental Geology and Geological Hazards**

*Description:* This program is designed to lessen the impact of, and increase the awareness and understanding of, geological hazards in Colorado. This program includes three main activities: (1) technical assistance; (2) data acquisition, and; (3) land use reviews.

1. The program provides technical assistance to other state agencies, the federal government, and local governments. Technical assistance projects address a wide range of geological hazards, including the study of hydrocompactive and expansive soils, monitoring and evaluating landslide potential, promoting earthquake awareness, and coordinating information on heaving bedrock. In addition to general research on geological hazards, the program advises efforts to mitigate/prevent geological hazards and improve emergency preparedness and planning by local governments. This program also includes analysis and monitoring of underground storage tank removal by state agencies, rockfall mitigation for the Colorado Department of Transportation, and assisting the Department of Public Health and Environment with remediation of uranium processing sites.
  
2. Data acquisition includes efforts to characterize, study, and understand geological conditions and hazards. A major project under this program is aimed at improving statewide water quality data. The project compiles existing water quality data as well as obtaining new data where gaps exist. Information is managed within a geographic information system (GIS) framework to enhance its usefulness to data users. Sampling focuses on high elevation waters upstream of mining areas to better understand baseline water quality. This baseline allows for analysis of the impact that mining activity, agricultural/residential runoff, and

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other sources have on downstream water quality. Data acquisition also includes efforts to investigate environmental degradation at abandoned mine sites.

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

Section 34-1-105, C.R.S., allows the Colorado Geological Survey to charge fees to recover the direct costs of services provided to the general public, industries, and local governments through an agreement, or when statute requires a local government to review geologic issues, and to recover the direct costs of services provided to state agencies. These fee revenues are deposited in the Geological Survey Cash Fund and are subject to annual appropriation by the General Assembly. In addition to fee revenue, the Colorado Geological Survey receives appropriations from the Operational Account of the Severance Tax Trust Fund and federal funds to perform its duties.

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request. Staff also recommends a reduction of 1.0 FTE from this line item, and a transfer of that FTE to the OGCC Program Costs line item, if the Committee approves decision item #1 (discussed in the OGCC section of this document.)** This FTE is vacant and currently unfunded due to a lack of grant revenue. The following table shows the components of the staff recommendation.

<b>Summary of Recommendation – (3) Colorado Geological Survey Environmental Geology and Geological Hazards — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance Tax</b>	<b>Fees</b>	<b>Other State Agencies</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>						
FY 2011-12 Appropriation	\$1,932,691	\$754,458	\$524,882	\$391,772	\$261,579	17.2
Restore FY 2011-12 PERA Reduction	29,987	15,821	9,920	1,612	2,634	
Base Reduction (2.0%)	(27,602)	(10,775)	(7,496)	(5,595)	(3,736)	

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<b>Summary of Recommendation – (3) Colorado Geological Survey Environmental Geology and Geological Hazards — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance Tax</b>	<b>Fees</b>	<b>Other State Agencies</b>	<b>Federal Funds</b>	<b>FTE</b>
FTE Transfer to OGCC	0	0	0	0	0	(1.0)
<b>Subtotal, Personal Services</b>	<b>1,935,076</b>	<b>759,504</b>	<b>527,306</b>	<b>387,789</b>	<b>260,477</b>	<b>16.2</b>
<b>Operating Expenses</b>						
FY 2011-12 Appropriation	549,300	148,954	10,306	55,497	334,543	
(No change)	0	0	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>549,300</b>	<b>148,954</b>	<b>10,306</b>	<b>55,497</b>	<b>334,543</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$2,484,376</b>	<b>\$908,458</b>	<b>\$537,612</b>	<b>\$443,286</b>	<b>\$595,020</b>	<b>16.2</b>

**Mineral Resources and Mapping**

*Description:* The Mineral Resources and Mapping program promotes the development of the state's mineral resources through the publication and distribution of maps, reports, and presentations on geological conditions, mineral potential, mineral reserves, and actual mineral production.

This section includes two major sub-programs: (1) the Mineral Resource Development and Information Program, and; (2) the Geological Mapping Program. The Mineral Resources Development and Information Program promotes the development of the state's mineral resources, including the development, publication, and distribution of maps, reports, and presentations to the mining industry, local government, and interested citizens. The Geological Mapping Program provides information on the basic geological structures and formations in mapped areas. Current funding provides for about three to four quadrangles to be mapped each year. Federal funds are from the U.S. Geological Survey. This program also includes reports on the location and production of active mines and quarries in Colorado.

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request. Staff also recommends a reduction of 1.0 FTE from this line item, and a transfer of that FTE to the OGCC Program Costs line item, if the Committee approves decision item #1 (discussed in the OGCC section**

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**of this document.)** This FTE is vacant and currently unfunded due a reduced federal grant. The components of the staff recommendation for the line item are summarized in the table below.

<b>Summary of Recommendation – (3) Geologic Survey Mineral Resources and Mapping — Department of Natural Resources</b>					
	<b>Total</b>	<b>Severance</b>	<b>Fees</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>					
FY 2011-12 Appropriation	\$1,260,089	\$886,048	\$79,628	\$294,413	10.5
Restore FY 2011-12 PERA Reduction	13,537	11,785	0	1,752	
Base Reduction (2.0%)	(19,941)	(14,022)	(1,260)	(4,659)	
FTE Transfer to OGCC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1.0)</u>
<b>Subtotal, Personal Services</b>	<b>1,253,685</b>	<b>883,811</b>	<b>78,368</b>	<b>291,506</b>	<b>9.5</b>
<b>Operating Expenses</b>					
FY 2011-12 Appropriation	166,634	130,215	10,273	26,146	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>166,634</b>	<b>130,215</b>	<b>10,273</b>	<b>26,146</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$1,420,319</b>	<b>\$1,014,026</b>	<b>\$88,641</b>	<b>\$317,652</b>	<b>9.5</b>

**Colorado Avalanche Information Center**

*Description:* The Colorado Avalanche Information Center (CAIC) promotes avalanche safety through avalanche forecasting services and education to ski patrols, back country recreation users, industry, and travelers. The program is funded from the Operational Account of the Severance Tax Trust Fund, cash funds from training and publication fees, donations, federal grants, and a transfer from the Colorado Department of Transportation to provide assistance in monitoring and mitigating avalanche dangers along State Highways.

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request.** The components of the

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

<b>Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance</b>	<b>Fees</b>	<b>State Agencies (RF)</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>						
FY 2011-12 Appropriation	\$636,903	\$125,609	\$121,954	\$376,039	\$13,301	8.4
Restore FY 2011-12 PERA Reduction	11,729	4,797	128	6,700	104	
Base Reduction (0.0%)	(10,923)	(2,154)	(2,092)	(6,449)	(228)	
<b>Subtotal, Personal Services</b>	<b>637,709</b>	<b>128,252</b>	<b>119,990</b>	<b>376,290</b>	<b>13,177</b>	<b>8.4</b>
<b>Operating Expenses</b>						
FY 2011-12 Appropriation	60,138	27,117	1,145	27,094	4,782	
(No Change)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>60,138</b>	<b>27,117</b>	<b>1,145</b>	<b>27,094</b>	<b>4,782</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$697,847</b>	<b>\$155,369</b>	<b>\$121,135</b>	<b>\$403,384</b>	<b>\$17,959</b>	<b>8.4</b>

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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

<b>Oil and Gas Conservation Commission Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Appropriation</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recommendation</b>
Director	1.0	1.0	1.0	1.0
Administration	3.8	4.0	4.0	4.0
Hearings/Local Gov. Outreach	3.2	4.5	7.0	7.0
Permitting/Technical Services	19.4	21.0	21.0	21.0
Engineering	9.3	10.0	11.0	11.0
Field Inspections	14.7	15.0	17.0	17.0
Environmental	13.8	14.0	15.0	15.0
<b>Total</b>	<b>65.2</b>	<b>69.5</b>	<b>76.0</b>	<b>76.0</b>

**Program Costs**

*Description:* The Oil and Gas Conservation Commission (OGCC) is charged with promoting the responsible exploration, development, and conservation of Colorado's oil and natural gas resources. To achieve these goals, the Commission promulgates regulations governing oil and gas development, issues permits, enforces laws and regulations, maintains a financial surety program to ensure proper reclamation of well sites, and provides information to the public and industry pertaining to oil and gas production. The Commission also has the authority to regulate oil and gas operations to protect public health and prevent significant adverse environmental impacts.

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

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

*Request:* With decision item #1 and budget amendment #1 (both of which are discussed below), the Department requests a total increase of \$634,397 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 6.5 FTE above the FY 2011-12 appropriation as adjusted by the Department's supplemental bill. For the base, the Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

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- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends approval of decision item #1 with limited exceptions (discussed below) and approval of budget amendment #1 as requested (also discussed below). Staff's recommendation would add 7.0 FTE and associated funding to the OGCC. However, in alignment with the House Agriculture, Livestock, and Natural Resources Committee recommendation, staff recommends transferring vacant FTE from other divisions rather than adding new FTE to the Department's total.**

**For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request.** The components of the staff recommendation for the line item are summarized in the table below.

<b>Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Severance Tax</b>	<b>OGCC Conservation and Environmental Response Cash Fund</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2011-12 Appropriation (2011 Session)	\$5,253,016	\$2,623,214	\$2,629,802	67.0
H.B. 12-1192 (Supplemental)	<u>\$46,068</u>	<u>\$0</u>	<u>\$46,068</u>	<u>0.5</u>
FY 2011-12 Adjusted Appropriation	\$5,299,084	\$2,623,214	\$2,675,870	67.5
Decision Item #1 - Field and Technical Staff	343,331	0	343,331	5.0
Budget Amendment #1 - Annualize OGCC Local Government Liaisons	138,206	0	138,206	1.5
Restore FY 2010-11 PERA Reduction	112,851	56,356	56,495	
Base Reduction (2.0%)	<u>(106,513)</u>	<u>(52,727)</u>	<u>(53,786)</u>	
<b>Subtotal, Personal Services</b>	<b>5,786,959</b>	<b>2,626,843</b>	<b>3,160,116</b>	<b>74.0</b>
<b>Operating Expenses</b>				
FY 2011-12 Appropriation (2011 Session)	559,355	559,355	0	
H.B. 12-1192 (Supplemental)	<u>16,345</u>	<u>0</u>	<u>16,345</u>	
FY 2011-12 Adjusted Appropriation	575,700	559,355	16,345	

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<b>Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>Severance Tax</b>	<b>OGCC Conservation and Environmental Response Cash Fund</b>	<b>FTE</b>
Decision Item #1 - Field and Technical Staff	49,161	0	49,161	
Budget Amend. #1 - Annualize OGCC Local Government Liaisons	<u>3,306</u>	<u>0</u>	<u>3,306</u>	
<b>Subtotal, Operating Expenses</b>	<b>628,167</b>	<b>559,355</b>	<b>68,812</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$6,415,126</b>	<b>\$3,186,198</b>	<b>\$3,228,928</b>	<b>74.0</b>

**DI #1: FIELD AND TECHNICAL STAFF SUPPORT**

*Department Request:* With decision item #1, the Department requests an increase of \$430,472 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 5.0 FTE to expand the OGCC's field and technical support staff in FY 2012-13. The request includes personal services (with salaries at varying amounts above the range minimum) and associated operating expenses for: a hearings officer (1.0 FTE), two field inspectors (2.0 FTE), an environmental specialist (1.0 FTE), and an engineering technician (1.0 FTE). The request responds to an increasing regulatory workload associated with oil and gas development.

*Staff Recommendation:* **Staff recommends approval of decision item #1, with the following changes:**

- **Deny requested increases associated with centralized appropriations** (including Amortization Equalization Disbursement (AED), Supplemental Amortization Equalization Disbursement (SAED), Short-term Disability (STD), and Health, Life, and Dental (HLD)), a reduction of \$36,534 from the request. The request would provide increases associated with those items within the OGCC Program Costs line item, which is not an appropriate placement of such funds. In addition, the Committee's common policy is to not provide increases in centralized appropriations with new FTE requests.
- **As discussed above, reallocate vacant FTE from other divisions within the Department.** The House Agriculture, Livestock, and Natural Resources Committee recommended reallocating vacant FTE from elsewhere within the Department rather than increasing the Department's total FTE count with this decision item. Staff has worked with the Department

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to identify vacant and unfunded positions (discussed previously in this document) and recommends transferring those positions to the OGCC to reflect the recommended positions.

**Staff's recommendation includes: (1) starting salaries above the range minimum, as requested; (2) operating expenses as requested; and (3) two additional vehicles associated with the field inspector positions, to be funded through the Vehicle Lease Payments line item in the Executive Director's Office, as requested.** The following table compares staff's total recommendation for th(with all positions included) to the Department's request.

<b>Summary of Department Request and Staff Recommendation on DI #1</b>			
	<b>Department Request</b>	<b>Staff Recomm.</b>	<b>Difference (Staff-Request)</b>
<b>Executive Director's Office, Vehicle Lease Payments</b>	\$1,446	\$1,446	\$0
<b>OGCC, Program Costs</b>			
FTE (see discussion above)	5.0	5.0	0.0
Personal Services			
Annual Salaries	307,644	307,644	0
PERA and Medicare	35,687	35,687	0
AED, SAED, HLD, STD	36,534	0	(36,534)
<i>Total Personal Services</i>	<i>\$379,865</i>	<i>\$343,331</i>	<i>(\$36,534)</i>
Operating Expenses	\$49,161	\$49,161	\$0
<i>Total Operating Expenses</i>	<i>49,161</i>	<i>49,161</i>	<i>0</i>
<b>Total, OGCC Program Costs</b>	<b>429,026</b>	<b>392,492</b>	<b>(36,534)</b>
<b>Total for All Line Items</b>	<b>\$430,472</b>	<b>\$393,938</b>	<b>(\$36,534)</b>

*Staff Analysis:* The Department's request is based on increasing workload and associated concerns about the OGCC's ability to continue to fulfill its regulatory responsibilities. A discussion of the requested positions and the relevant workload indicator(s) for each position is below.

*1.0 FTE Hearings Officer*

The request includes an additional hearings officer to help manage a rapidly increasing workload for the OGCC hearings and enforcement unit. The request would fund the position at 17.0 percent above the range minimum salary based on competition with the industry and prior hiring experiences for the hearings and enforcement unit. The position would be located in Denver.

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The OGCC holds hearings in response to requests from the industry as well as local governments concerned about permit applications. Approval of drilling applications is often tied to the outcome of OGCC hearings, so delays in conducting hearings can slow the permitting process and increase average permit processing times. According to representatives from the Colorado Oil and Gas Association, the backlog of hearings is now a significant "bottleneck" in the permit approval process.

The hearings and enforcement program last received an increase in staff in FY 2007-08 (for a total of 4.0 FTE, including a hearings manager position (which is currently vacant), one enforcement officer, one hearings officer, and a hearings assistant. When the General Assembly approved the additional employee for FY 2007-08, the OGCC was receiving approximately 100 hearing requests per year, an increase from 53 applications in FY 2004-05. The number of requests has risen dramatically since FY 2007-08: the OGCC received 255 hearing requests in FY 2010-11 and has received 332 through the first six hearings of FY 2011-12 (see table below).

	<b>FY 05-06</b> Actual	<b>FY 06-07</b> Actual	<b>FY 07-08</b> Actual	<b>FY 08-09</b> Actual	<b>FY 09-10</b> Actual	<b>FY 10-11</b> Actual	<b>FY 11-12</b> To Date
Hearing Applications	102	107	104	103	125	255	332

To keep up with the increased requests, the hearings and enforcement unit has focused on hearing requests. However, with an increased focus on hearing applications the unit has developed a backlog of enforcement actions and is currently prosecuting rule violations from 2008. The requested hearings officer would allow the enforcement officer to focus more on enforcement and begin to address the backlog of enforcement matters.

**Based on the dramatic increase in workload and concerns about delays in both permitting and enforcement matters, staff recommends approving the requested position. Staff recommends denying the requested increases associated with centralized appropriations (AED, SAED, STD, and HLD).**

*2.0 FTE Field Inspectors*

In response to increasing numbers of active wells and other workload, the request includes two additional field inspector positions, to be funded at 29.0 percent above the range minimum salary. The requested positions also include additional operating expenses associated with establishing home offices (one of the new positions will be located in Weld County and the other will be in northwest Colorado), as well as a four-wheel-drive vehicle for each position (to be funded through the Vehicle Lease Payments line item in the Executive Director's Office).

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The OGCC field inspection unit inspects oil and gas wells statewide, conducts reclamation inspections of plugged wells, responds to complaints, and ensures that exploration and production wastes are disposed of properly. The agency's goal is to inspect each active well, on average, at least once every three years. According to the OGCC, meeting that goal requires enough inspectors to keep the number of wells per inspector below 3,000 (each inspector is able to inspect an average of approximately 1,000 wells per year). According to the Department, while the goal is to visit each well once per year on average, repeated visits to wells with known problems can delay inspections of other wells for up to ten years.

The OGCC last increased the number of inspectors from 9.0 FTE to 14.0 FTE in FY 2008-09. However, as shown in the table below, the OGCC estimates that continued growth in the number of active wells will increase the number of wells per inspector to more than 3,400 in FY 2011-12. Based on the anticipated number of active wells in FY 2012-13, the ratio would remain above 3,000 wells per inspector even with the requested FTE but the additional staff would reduce the anticipated ratio from 3,625 to 3,172 in FY 2012-13.

	<b>FY 07-08 Actual</b>	<b>FY 08-09 Actual</b>	<b>FY 09-10 Actual</b>	<b>FY 10-11 Actual</b>	<b>FY 11-12 Est.</b>	<b>FY 12-13 Request</b>
Active Wells	35,686	39,944	42,324	45,401	47,916	50,756
FTE	9.0	14.0	14.0	14.0	14.0	16.0
Active Wells per FTE	3,965	2,853	3,023	3,243	3,423	3,172

With the industry adding approximately 3,000 active wells per year in Colorado, maintaining a ratio of 3,000 wells per inspector would require the Department to hire an additional inspector each year to sustain a stable workload for each inspector. The Department has not requested positions annually, and the workload exceeds the Department's preferred ratio.

Representatives from Colorado Counties Incorporated (CCI) and the Colorado Municipal League have expressed local governments' concern about a shortage of inspection staff at the OGCC and have cited a need for additional inspection capacity as a high priority for local governments.

Given the increased inspection workload and the priority placed on inspections by local entities, **staff recommends approving the positions. Staff recommends denying the requested increases associated with centralized appropriations (AED, SAED, STD, and HLD). Staff recommends approval of the two requested vehicles, to be appropriated through the Executive Director's Office.** Four-wheel-drive vehicles are necessary to access wells in many areas and would be required for the requested positions to operate.

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*1.0 FTE Environmental Specialist*

The request includes an additional environmental specialist, to be funded at 11.0 percent above the range minimum salary. The position would be located in Denver and would focus on the management and analysis of water quality data, among other tasks.

The environmental program: responds to reported spills; reviews industry remediation plans for spills and other impacts; reviews applications for exploration and production waste facilities; and reviews industry reuse/recycling plans. As shown in the table below, the industry is reporting more spills and submitting more remediation plans for spills and other environmental impacts than in prior years, adding to the environmental program's workload. According to the OGCC, the increase in reported spills does not necessarily indicate an increase in spills occurring in a given year because spills may go unnoticed for years until an operator upgrades equipment or transfers a property to new ownership.

	<b>FY 05-06 Actual</b>	<b>FY 06-07 Actual</b>	<b>FY 07-08 Actual</b>	<b>FY 08-09 Actual</b>	<b>FY 09-10 Actual</b>	<b>FY 10-11 Actual</b>	<b>FY 11-12 To Date*</b>
Spill Reports	367	330	388	377	427	515	294
Remediation Plans	162	191	269	236	301	585	497

\*Spill reports and remediation plans submitted through December 2011.

The environmental staff is also charged with managing, analyzing, and responding to a variety of environmental data sets to investigate potential environmental impacts from oil and gas development (such as contamination of ground water wells, etc.). According to the Department, the environmental program does not have sufficient staff to respond to the workload discussed above *and manage the volume of data submitted to the environmental program*. The requested position would largely focus on data management and analysis, including: managing water quality data associated with oil and gas wells; tracking compliance with requirements to submit environmental data; maintaining complaint, spill/release and remediation project files; and reviewing and entering analytical data.

Given the increasing workload in the environmental program, **staff recommends approving the position. Staff recommends denying the requested increases associated with centralized appropriations (AED, SAED, STD, and HLD).**

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*1.0 FTE Engineering Technician*

Finally, the request includes an additional engineering technician, funded at 29.0 percent above the range minimum salary, largely to respond to an increasing engineering workload associated with the spread of horizontal and directional drilling in oil and gas development in Colorado.

Directional and horizontal wells reduce surface impacts on the land and more efficiently extract resources by allowing access to a broader area from a single well pad. However, directional and horizontal wells also increase the workload for the OGCC engineers because of the increased complexity of engineering required. The agency is requesting the new position in response to ongoing increases in the number and percentage of horizontal and directional well applications.

The requested position would: review routine regulatory reports, of which the OGCC currently has a backlog; evaluate well spacing requests, which are increasing in number because of the growth in directional drilling; and evaluate new drilling, cementing, and well stimulation techniques, including witnessing the cement casing of wells.

**Staff recommends approving the but position but denying the requested increases associated with centralized appropriations (AED, SAED, STD, and HLD).** On a policy basis, the state encourages horizontal and directional drilling because of the reduced environmental impact and increased efficiency of extraction. Given that, staff believes it makes sense to add staff to meet the increased demand for engineering work from the OGCC.

*Higher Starting Salaries*

As discussed above, the Department is requesting starting salaries above the range minimum for each requested position (29.0 percent above for the field inspector and engineering positions, 17.0 percent for the hearings officer, and 11.0 percent for the environmental specialist). According to the agency, the requested salaries are based on the salaries required by the most recent qualified candidates for the assorted position classes because of competition with the oil and gas industry for qualified candidates.

As the Committee discussed with the Department during the FY 2011-12 supplemental process, the Department has historically been unable to hire experienced candidates for technical positions at the range minimum starting salaries because of competition with the oil and gas industry. **If the Committee approves the requested 5.0 positions and wants the Department to be able to fill all of the approved positions, then staff recommends appropriating the requested (elevated) salary amounts for the positions.**

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*Ongoing Need*

Members of the General Assembly have expressed concerns about whether there will be an ongoing need for the requested (and recommended) positions within the OGCC. Staff and the Department agree that, based on the available information, the positions appear to be needed for the foreseeable future. Staff's rationale for the ongoing need for each type of position is discussed below.

- *Hearings Officer:* Given the rapid growth in hearing requests in recent years, and the continued advance of the oil and gas industry into new (and relatively urban) areas, staff and the Department expect the annual number of hearing requests to remain high.
- *Field Inspectors:* If the General Assembly wishes to approach the Department's goal of no more than 3,000 wells per inspector, the requested inspectors will be necessary until the total number of wells statewide declines significantly. The industry continues to add more active wells than it retires each year, so the number of active wells is growing. Staff and the Department expect that trend to continue.
- *Environmental Specialist:* If the industry continues to grow in Colorado, particularly in new areas, then the workload of the environmental program will most likely continue to grow. With respect to the specific position requested, the quantity of environmental data submitted to the OGCC is only increasing.
- *Engineering Technician:* The request for this position is driven by growth in horizontally and directionally drilled wells. While the number of new horizontal and directional wells could decline, the industry appears to be headed in the opposite direction with increased development in areas that require horizontal and directional wells for production to be economically viable.

If future workload data indicates that the positions are no longer necessary, then staff would recommend either eliminating the position(s) or reallocating them to addressing pressing needs at that time.

*Industry Support*

**The industry, as represented by the Colorado Oil and Gas Association, supports the Department's request.** As discussed above, the industry cites the current backlog of hearings as a "bottleneck" in the oil and gas permitting process. Thus, the industry strongly supports the requested hearings officer position. Given local concerns about a lack of OGCC inspectors (as confirmed by Colorado Counties Incorporated and the Colorado Municipal League), the industry also supports the request for additional inspectors. Finally, the industry supports the environmental staff and engineering position based on increased workload and a desire to adequately staff the OGCC. The industry and the OGCC support the overall request as an attempt to:

- continue to process permits in a timely manner;

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- allow for adequate and timely environmental review of permit requests and proposed well pad locations;
- allow the OGCC to place appropriate, site-specific, conditions on permits that help protect public health, life, and safety;
- increase inspection frequency and allow OGCC staff to witness a higher percentage of critical operations;
- ensure enforcement activities are undertaken in a timely fashion;
- improve the management and analysis of data to test, monitor, prevent, and remediate environmental and public health problems associated with oil and gas development; and
- continue to enable prompt response to, and resolution of, public complaints.

**BA #1: OGCC LOCAL GOVERNMENT LIAISONS**

*Department Request:* Budget Amendment #1 annualizes an FY 2011-12 supplemental approved by the Committee as part of H.B. 12-1192. The supplemental provides funding for the OGCC to fill two new positions to serve as liaisons to local governments affected by oil and gas development. The budget amendment includes increases of \$203,925 cash funds from the Oil and Gas Environmental Response Fund (supported by a mil levy on oil and gas production statewide) and 2.0 FTE *above the November 1, 2011 budget request*. Because the FY 2011-12 supplemental provided \$62,413 and 0.5 FTE in FY 2011-12, the request represents an increase of \$141,512 and 1.5 FTE above the revised FY 2011-12 appropriation (including the supplemental).

*Staff Recommendation:* **Staff recommends approving the request to annualize the FY 2011-12 supplemental appropriation. As discussed above, staff recommends transferring vacant and unfunded FTE (as identified by the Department) to the OGCC to support the requested positions in FY 2012-13.**

*Staff Analysis:* The Joint Budget Committee approved the Department's supplemental request for FY 2011-12 as an ongoing expense. Staff assumes that the Committee intends to annualize the appropriation in FY 2012-13.

**Underground Injection Program**

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

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

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

**Plugging and Reclaiming Abandoned Wells**

*Description:* This line item provides funding to plug and reclaim abandoned oil and gas well sites where there is no known operator responsible for reclamation. The source of funds is the Oil and Gas Conservation and Environmental Response Fund.

*Request:* The Department requests \$445,000 spending authority from the Oil and Gas Conservation and Environmental Response Fund, which is identical to the FY 2011-12 appropriation. The General Assembly increased the appropriation from \$220,000 in FY 2010-11 to \$445,000 in FY 2011-12 to respond to increasing workload for the program.

*Staff Recommendation:* **Staff recommends the request for \$445,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund.** Each year, the Department identifies more abandoned wells than it can address. In recent years the funding has allowed the OGCC to reclaim between two and ten wells per year, with the actual number reclaimed fluctuating based on the complexity of projects addressed in a given year.

**Environmental Assistance and Complaint Resolution**

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

*Request:* The Department requests \$312,033 from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2011-12 appropriation.

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

**Emergency Response**

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*Description:* This line item is intended to be used -- if and when necessary -- for emergency responses. Prior to 2006, there were a number of emergency funding requests both during the session and during the interim. The line was created out of concern that emergency funding would be necessary during a time when the JBC was not meeting during the interim and a response would have to wait for an interim supplemental. A request for information associated with the line item requires the Department to submit a report detailing expenditures under the line item each year.

The JBC approved the creation of this line item in 2006 with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. The General Assembly reduced the appropriation to \$1,000,000 in FY 2011-12 and appropriated some of those funds to the Plugging and Reclaiming Abandoned Wells line item discussed above in response to an increasing workload for that program.

*Request:* The Department requests a continuation appropriation \$1.0 million from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2011-12 appropriation.

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

**Special Environmental Protection and Mitigation Studies**

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

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

*Request:* The Department requests continuation level funding for FY 2012-13 of \$325,000. The General Assembly enacted a \$175,000 cut to this line item in FY 2009-10 (from the FY 2008-09 appropriation of \$500,000), and the request continues the reduced funding level for FY 2012-13.

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

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**S.B. 07-198 Coalbed Methane Seepage Projects**

*Description:* Senate Bill 07-198 created the Coalbed Methane Seepage Cash Fund and continuously appropriated moneys in the Fund to the Department to determine the most cost-effective methods of mitigating the seepage of methane gas along the outcrop of the Fruitland formation in La Plata county, and to install wells to monitor the seepage of methane gas in the Fruitland formation in Archuleta county, through June 30, 2010. The fund repealed June 30, 2010 and is therefore not available for use in FY 2011-12.

There is no request for this line item in FY 2012-13.

**Indirect Cost Assessment**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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

<b>State Board of Land Commissioners Staffing Summary</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Appropriation</b>	<b>FY 2012-13 Request</b>	<b>FY 2012-13 Recommendation</b>
Director/Operations	5.8	7.0	7.0	7.0
Field Operations	16.4	17.7	17.7	17.7
Minerals	6.8	6.0	6.0	6.0
Real Estate	2.8	2.0	2.0	2.0
Financial	3.8	4.4	4.4	4.4
<b>Total</b>	35.6	37.1	37.1	37.1

**Program Costs**

*Description:* The second largest landholder in Colorado after the federal government, the State Land Board is responsible for managing State lands granted in Colorado's enabling clause when granted statehood in 1876. Additionally, in 1996 a constitutional change was implemented (Amendment 16), designating 300,000 acres to the Stewardship Trust for preservation of long-term benefits. The State Land Board manages approximately 3.0 million acres of state trust land assets and approximately 3,000 surface leases. The revenue generated supports eight beneficiaries, the largest of which is the public school system. The school trust accounts for approximately 96 percent of the land managed by the State Land Board and approximately 98 percent of revenues.

Only the administrative costs of the State Land Board are appropriated in this division. The appropriation includes \$75,000 cash funds from the State Board of Land Commissioners Land and Water Management Fund established in Section 36-1-148 (1), C.R.S. This fund is to be used for the management and improvement of state-owned lands and waters under the control of the Land Board. Expenditures from this fund are capped in statute at \$75,000. This fund receives revenues from fees collected for the issuance of leases, patents, certificates of purchase, rights of way documents, and recording assignments for the making of township plats. The remainder of the appropriation is from the State Land Board Trust Administration Cash Fund.

*Request:* With Decision Item #4 (discussed below), the Department requests an increase of \$120,000 cash funds spending authority from the State Land Board Trust Administration Cash Fund to improve the State Land Board's management of its water asset portfolio. For the base, the Department requests continuation level funding according to OSPB's common policies. The following statewide request impacts this line item:

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- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2011-12 pursuant to S.B. 11-076.

*Staff Recommendation:* **Staff recommends approval of Decision Item #4 (discussed below). For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide request.** The components of the staff recommendation are summarized in the following table.

<b>Summary of Recommendation (5) State Land Board Program Costs — Department of Natural Resources</b>		
	<b>Cash Funds</b>	<b>FTE</b>
<b>Personal Services</b>		
FY 2011-12 Appropriation	\$2,333,684	37.0
Decision Item #4 - Interagency Water Expertise (treated as contract services)	120,000	
Restore FY 2011-12 PERA Reduction	59,882	
Base Reduction (2.0%)	<u>(51,188)</u>	
<b>Subtotal, Personal Services</b>	<b>2,462,378</b>	<b>37.0</b>
<b>Operating Expenses</b>		
FY 2011-12 Appropriation	1,309,023	
(No change)	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>1,309,023</b>	
<b>FY 2012-13 Recommendation</b>	<b>\$3,771,401</b>	<b>37.0</b>

**DI #4: INTERAGENCY WATER EXPERTISE**

*Department Request:* With decision item #4, the Department requests an increase of \$120,000 cash funds spending authority from the State Land Board Trust Administration Cash Fund (supported by revenues from state trust lands) to allow the Land Board to engage private consultants or the expertise of other divisions within the Department of Natural Resources to maintain, manage, and expand the State Land Board's water asset portfolio. Because the request would utilize external consultants (either within or outside the Department), the request does not include an increase in Land Board FTE.

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The Department is requesting the additional funding to: (1) develop a complete portfolio of the Land Board's existing water assets (including storage structures, rights-of-way, water rights, etc.); and (2) allow for analysis of additional water-related opportunities and questions as they arise.

This request (Decision Item #4) is associated with Decision item #5, which was previously presented by another analyst. Decision item #5 would provide the necessary reappropriated funds spending authority to allow the other divisions to provide contracted services to the Land Board. If the General Assembly approves the additional cash funds spending authority but not the reappropriated funds for the other divisions, then the Department intends to pursue greater use of private consultants.

*Staff Recommendation:* **Staff recommends approving the request for an additional \$120,000 cash funds spending authority.** Given the importance and potential value of water assets in Colorado, and the lack of water-related knowledge and expertise within the Land Board, staff believes that this proposal offers an innovative strategy to improve the Land Board's management of water assets and increase Land Board revenues.

*Staff Analysis:* According to the Department, the Land Board has never devoted any resources to expanding the water asset portfolio, responding to water-related opportunities, or specifically improving the management of water assets. Instead, the Land Board has managed water assets on an ad hoc basis, with no system in place for inventorying and tracking the assets. Rather than attempting to hire water staff on a permanent basis (which would almost certainly require multiple FTE to provide a sufficient range of expertise), the Department is requesting additional funds to contract with other Department of Natural Resources divisions (including the Geological Survey, the Water Conservation Board, and the Division of Water Resources) or with external consultants, as necessary.

The Land Board manages nearly 3 million acres of land but reports that its water portfolio is "relatively small and underdeveloped." Known water assets include approximately 400 surface structures and 2,200 well permits. Over 80 percent of known water rights are either agricultural or tied to agricultural property.

Ownership and management of water-related assets such as water rights can enhance the generation of revenue from trust lands. For example, grazing leases, which are unirrigated, generate \$2.50 per acre while irrigated agricultural leases produce an average of \$47.00 per acre. Looking beyond traditional agricultural uses, the Department believes that other opportunities could provide significant additional revenue but the Land Board staff does not have the necessary expertise to seek out and analyze such opportunities. The Department provided the following examples of scenarios under which the requested authority would be useful to generate additional revenue:

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- Without an extensive inventory of current water assets, the Land Board is unable to determine whether it is adequately using such assets. The inventory may identify unknown and underutilized assets that could increase revenue generation.
- During land-for-land exchanges, the Land Board has not considered values associated with water (e.g., existing rights-of-way for water storage), which may undervalue lands exchanged away relative to land received.
- The Land Board has not had the expertise to value water rights in general, including in projects involving the acquisition or disposal of groundwater rights generally associated with agricultural property. Given the increased return on irrigated property relative to grazing land, the Land Board wants to better understand both its existing water rights and additional opportunities.
- The Land Board has had (and currently has) multiple opportunities for development of significant water storage projects on Land Board lands. For example, the Department currently has proposals or leases for the Lowry Range as well as properties in El Paso County. The Land Board does not have adequate expertise to analyze these projects on staff.

**Public Access Program Damage and Enhancement Costs**

*Description:* The General Assembly created this line item in the FY 2010-11 Long Bill to reflect expenditures associated with the Public Access Program, a collaborative effort with the Division of Wildlife. Under the Public Access Program, the Division of Wildlife leases approximately 550,000 acres from the State Land Board for public access hunting and fishing. The program generates \$900,000 per year for the Land Board, and the Land Board spends approximately 25 percent of that funding on access improvements, damage repairs, and property enhancement for public access properties. The funds are classified as reappropriated funds in the State Land Board's budget.

*Request:* The Department requests a continuation appropriation of \$225,000 reappropriated funds from the Division of Wildlife, equal to the FY 2010-11 appropriation.

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

**ASSET MANAGEMENT SYSTEM UPGRADE (New Line Item Requested)**

**DI #2: ASSET MANAGEMENT SYSTEM UPGRADE**

*Department Request:* With decision item #2, the Department requests the creation of a new Long Bill line item to support the development of a new asset management system for the Land Board. The request includes \$750,000 cash funds from the State Land Board Trust Administration Fund per year in FY 2012-13 and FY 2013-14.

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The Department intends to use the funds to develop a new system that would: (1) replace the existing (and now unsupported) database used by the Land Board to track and manage lease information; (2) consolidate the Land Board's leasing, development, and property management information into a single database instead of the current use of multiple systems; (3) link directly to the Department's geographic information system (GIS) and other databases to facilitate the analysis and presentation of property management information; and (4) allow for electronic payment by lessees for rents and royalties.

*Staff Recommendation:* **Staff recommends approving the request.** An asset management system is essential to the Land Board's operations. The old system is outdated and no longer supported by the Office of Information Technology (OIT), while the proposed system meets current OIT requirements. In addition, by adding new capability such as connection to the Department's geographic information system (GIS), connecting to other databases (e.g., COFRS), and allowing for electronic submission by lessees, the proposed system should: (1) increase agency efficiency; (2) improve decision making by the Land Board, resulting in increased revenues for trust beneficiaries (including the public schools); and (3) provide improved convenience and efficiency for lessees. The OIT staff member assigned to the Land Board has reviewed the project and believes that the project is necessary and that the proposed budget is appropriate.

The Land Board is completing two "phases" of the project within its base budget but requires additional resources to complete the transition to the new system.

*Staff Analysis:* The Land Board uses its asset management system to track leasing activities for approximately 3 million acres of land and approximately 4 million acres of mineral estate. Staff agrees that a centralized system to track leasing activity and payments is essential to the efficient operation of the Land Board. The Land Board is in the midst of a transition from the old system (utilizing a SYBASE database built on a Powerbuilder platform), which is no longer supported by OIT, to a new system utilizing a SQL-Server database built on a Microsoft.net platform. The Department's request to replace the old system is based on three basic problems that would be addressed by the requested system:

1. *OIT Support.* The OIT supports neither SYBASE nor Powerbuilder at this point, and the Land Board requires support for a core operating system such as the asset management system. The proposed system meets OIT requirements. The Land Board reports that programming costs to update and maintain the old system are cost prohibitive because of the lack of OIT support and the need to rely upon a limited number of private contractors that are familiar with the outdated programs.

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2. *Functionality:* The old system is "lease-based" and effectively warehouses information on individual leases. However, it does not connect to other databases (such as the Department's GIS system) and does not allow for computerized analysis of different leasing options for a given parcel. The Department is attempting to change to a "land based" system that would track leasing information by parcel, allow for analysis of different management options (for example, combining lease purposes where appropriate). The connection to other databases, including the GIS, is essential to this goal. **Additional analytical capacity, with multiple types of data (e.g., leases, water rights, surrounding mineral values, etc.) should facilitate improved decision making by the Land Board.** To the extent that the system allows the Land Board to identify parcels that are underutilized and could be used differently, adding appropriate uses to a given parcel will increase revenues. In addition, analysis of surrounding properties, including mineral values and lease rates, would allow the Land Board to set minimum bids for mineral lease auctions to increase revenues.
  
3. *Operating Efficiency:* The current system relies on multiple un-linked databases and requires manual reentry of the same data into multiple databases. In addition, the current system does not allow for electronic submission of reports, lease payments, royalty payments, etc., requiring large amounts of manual data entry by Land Board staff and preventing timely analysis and auditing of payments. The proposed system would link to the necessary databases and be web accessible to allow for electronic submission. Electronic submission would reduce data entry and the opportunity for error, allowing Land Board staff to focus on additional analytical/auditing tasks that may increase revenues. The ability to submit payments and information electronically is also appealing to many lessees. In particular, representatives from the oil and gas industry have expressed interest in moving to an electronic submission system.

The following table outlines the major improvements offered by the proposed system in comparison to the old/current system.

	Existing System	Requested System
OIT Support	No	Yes
Connection to Department's GIS	No	Yes
Connection to Other Systems (e.g., COFRS, Land Board revenues database, auction database, escrow database, etc.)	No	Yes
Electronic submission by lessees	No	Yes

*System Cost*

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The Department is requesting a total of \$1.5 million in additional funding to complete the development of the new interface application. The Land Board will have spent approximately \$350,000 from its existing appropriations on database conversion through FY 2011-12, and the Land Board has approved an additional \$150,000 within existing resources in the Investment and Development Fund for the project. Thus, the Department's total cost estimate through FY 2013-14 is approximately \$1.95 million dollars.

For comparison, the private contractor that assisted with the early phases of the project provided an estimate of \$4.7 million for the complete project. Similarly, according to the Department, other states that have developed similar systems (e.g., Utah and Idaho) have spent between \$3 million and \$4 million on their systems.

Although the contractor estimate and the amounts spent in other states far exceed the Department's request, the Department and OIT staff believe that the Department's request and cost estimate are realistic. OIT staff report that \$1.5 million is a reasonable estimate for the project in part because they intend to modify software already in use in other agencies (electronic submission software used by the OGCC, for example) rather than create new software solely for this system. In addition, relative to the private contractor's estimate, the Land Board has prioritized "modules" of the project that are not required immediately and would be purchased in the future within existing appropriations through an upgrade and maintenance contract.

The following table shows the Department's assumed changes from the private contractor's estimate to yield the \$1.5 million request for FY 2012-13 and FY 2013-14.

	Estimate/(Reduction from Estimate)	Explanation
<b>Original Consultant Estimate</b>	<b>\$4,705,108</b>	
Funding for database conversion	(350,000)	Already completed within appropriation.
Architectural design (reduce 50%)	(206,171)	Scaled back and using OIT resources.
Data design (reduce 50%)	(482,114)	Scaled back and using OIT resources.
Savings from competitive bid	(470,511)	Assumed 10% savings from bid process.
Postpone lowest priority modules	(474,717)	Postpone some modules assumed in the private estimate.
Approved Investment and Development funding	(150,000)	Land Board has approved spending as necessary whether system is approved or not.

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	Estimate/(Reduction from Estimate)	Explanation
Amount funded in future years through upgrades and maintenance contract (within existing appropriations)	(1,000,000)	Features added over five years within base budget.
<b>Department Request (net estimate)</b>	<b>\$1,571,595</b>	<b>Rounded down to \$1.5 million for request.</b>

Based on the costs in other states and the private estimate provided to the Land Board, staff would be highly uncertain that the project could be completed within the \$1.5 million budget requested by the Department. However, the Department's request is deceptively low because of the amount of the project already funded and expected to be funded within the Land Board's existing base budget (see table below). the total anticipated cost of \$3.1 million appears reasonable based on the costs in Idaho and Utah.

Department estimate for decision item request (from table on previous page)	\$1,571,596
Funds already spent on database migration	350,000
Investment and Development Fund committed to project	150,000
Maintenance and contract funds anticipated over next five years	1,000,000
<b>Total Anticipated Cost</b>	<b>\$3,071,596</b>

Based on the total anticipated budget, the OIT staff responsible for the Land Board is confident in the project budget and fully expects to be able to complete the project within budget.

**Staff agrees that the project, if completed successfully, would improve the efficiency of the Land Board staff, improve analysis and decision making by the Land Board and Land Board staff, likely result in additional revenues, and improve lessee convenience.** Although staff remains uncertain about project costs, the Land Board has demonstrated a strong commitment to the project through the use of significant funds within the existing appropriation and OIT staff is confident that the budget is reasonable and realistic. **Staff recommends approval of the request.**

**Indirect Costs**

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

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

*Recommendation:* **Staff recommends the request**, as approved by the Committee during figure setting for the Department's Executive Director's Office.

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**LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

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

- 42 Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Mine Site Reclamation** -- It is the intent of the General Assembly that these funds shall remain available until completion of the project or the close of ~~FY 2013-14~~ FY 2014-15, whichever comes first. At project completion or the end of the three-year period, any unexpended balances shall revert to the Operation Account of the Severance Tax Trust Fund from which they were appropriated.

*Comment:* This footnote provides roll-forward authority at the end of the fiscal year.

- 43 Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Reclamation of Forfeited Mine Sites** -- It is the intent of the General Assembly that the appropriation to this line item remain available until the completion of the project or the close of ~~FY 2013-14~~ FY 2014-15, whichever comes first. At project completion or the end of the three-year period, any unexpended amount shall revert to the Operational Account of the Severance Tax Trust Fund, from which this appropriation was made.

*Comment:* This footnote provides roll-forward authority at the end of the fiscal year.

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

*Comment:* This footnote sets forth the purpose, conditions, and limitations of the line item. The JBC created the Emergency Response line item in FY 2006-07, with an appropriation of \$1.5 million from the Oil and Gas Conservation and Environmental Response Fund. The appropriation is to be used -- if and when necessary -- for emergency responses. The funding was added due to a concern that emergency funding would be necessary during a time when

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the JBC may not yet be meeting during the interim (and thus would have to wait for an interim supplemental, delaying the Department's ability to respond adequately).

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

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

Staff also recommends continuation of the following requests for information:

- 2 Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response** -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.
- 3 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

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**APPENDIX A: COMMITTEES OF REFERENCE SMART ACT RECOMMENDATION  
LETTERS FOR THE DEPARTMENT OF NATURAL RESOURCES**

State Representative  
JERRY SONNENBERG  
4465 Road 63  
Sterling, Colorado 80751-8804  
Capitol: 303-866-3706  
Cell: 970-581-8648  
E-mail: jerry@repsonnenberg.com



Chairman:  
Agriculture, Livestock, and  
Natural Resources Committee  
Vice-Chairman:  
Capital Development Committee  
Member:  
Appropriations Committee  
Judiciary Committee

**COLORADO**  
**HOUSE OF REPRESENTATIVES**  
STATE CAPITOL  
DENVER  
80203

January 26, 2012

Representative Cheri Gerou  
Chair, Joint Budget Committee  
200 East 14th Avenue, Third Floor  
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows a committee of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The House Agriculture, Livestock, and Natural Resources Committee met on January 25, 2012, to discuss recommendations to the JBC per the SMART Act. At its meeting, the committee made one recommendation regarding the Department of Natural Resources and made two additional recommendations regarding the Department of Agriculture. The committee also sent a letter to the JBC concerning the Department of Agriculture on January 24, 2011.

The committee voted 8-5 to support the Department of Natural Resources budget with the exception of the request for five additional FTE for the Colorado Oil and Gas Conservation Commission. The committee would like these FTE to be filled with existing FTE vacancies in the department.

Representative Cheri Gerou  
January 26, 2012  
Page 2

The committee voted 8-5 to recommend that the funding of Inspection and Consumer Services Programs in the Department of Agriculture be funded with 50 percent General Funds and 50 percent cash funds, and that the indirect cost caps be kept in place for the Brand Board.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Sonnenberg", is written over a large, horizontal oval scribble.

Representative Jerry Sonnenberg, Chair  
House Agriculture, Livestock, and Natural Resources Committee

- c: Joint Budget Committee Members
- House Agriculture, Livestock, and Natural Resources Committee Members
- John Salazar, Commissioner, Department of Agriculture
- Danny Tomlinson, Legislative Liaison, Department of Agriculture
- Mike King, Executive Director, Department of Natural Resources
- Andy White, Legislative Liaison, Department of Natural Resources
- John Ziegler, Staff Director, Joint Budget Committee
- Lauren Ris, Legislative Council Staff



**GAIL SCHWARTZ**  
Senate District 5

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Senate  
State of Colorado  
Denver

**COMMITTEES**

Agriculture, Natural Resources, and Energy  
Chair  
Capital Development Committee  
Member  
Committee on Legal Services  
Member  
Transportation  
Member

January 23, 2012

Representative Cheri Gerou  
Chair, Joint Budget Committee  
200 East 14th Avenue, Third Floor  
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows committees of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The Senate Agriculture, Natural Resources, and Energy Committee met on January 19, 2012, to discuss recommendations to the JBC per the SMART Act. The committee did not make any recommendations regarding the Department of Agriculture or the Department of Natural Resources.

Sincerely,

Senator Gail Schwartz, Chair  
Senate Agriculture, Natural Resources,  
and Energy Committee

- c: Joint Budget Committee Members  
Senate Agriculture, Natural Resources, and Energy Committee Members  
John Salazar, Commissioner, Department of Agriculture  
Danny Tomlinson, Legislative Liaison, Department of Agriculture  
Mike King, Executive Director, Department of Natural Resources  
Andy White, Legislative Liaison, Department of Natural Resources  
John Ziegler, Staff Director, Joint Budget Committee  
David Beaujon, Legislative Council Staff

