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Revised Fiscal Note

(replaces the fiscal note dated January 27, 2023)

Drafting Number:	LLS 23-0267	Date:	February 28, 2023
Prime Sponsors:	Rep. McCormick Sen. Cutter	Bill Status:	House Appropriations
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Bill Topic: STUDY BIOCHAR IN PLUGGING OF OIL & GAS WELLS

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates a work group to study the use of biochar in plugging oil and gas wells. It increases state expenditures in FY 2023-24, may increase state expenditures in FY 2024-25, and may increase state revenue and local workload.

Appropriation Summary: For FY 2023-24, the bill requires appropriations totaling \$375,740 to the Department of Higher Education for Colorado State University and to the Department of Natural Resources.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Energy and Environment Committee.

**Table 1
State Fiscal Impacts Under HB 23-1069**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	\$370,140	\$175,065
	Cash Funds	\$5,600	\$5,600
	Total Expenditures	\$375,740	\$180,665
	Total FTE	3.0 FTE	1.5 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$55,521	\$26,260

Summary of Legislation

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

The bill directs Colorado State University (CSU) to research the use of biochar in plugging oil and gas wells, including studying scientific articles and existing federal or state regulations and conducting laboratory research. By June 1, 2024, CSU must submit a final report on its recommendations to the work group. If the work group determines that a pilot program to study the use of biochar is warranted, CSU must make recommendations regarding the development of a program by December 15, 2024. Recommendations must include standards for using biochar to plug oil and gas wells, selecting study sites, monitoring emissions, comparing data, estimating program costs, and preparing a detailed plan for implementation of the program by COGCC. The bill is repealed September 1, 2025.

State Expenditures

The bill increases state expenditures, primarily in Colorado State University by \$375,740 in FY 2023-24, paid primarily from the General Fund. State expenditures may increase by \$180,665 in FY 2024-25, conditional on decisions made by the work group. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB 23-1069**

	FY 2023-24	FY 2024-25
Colorado State University		
Personal Services	\$220,390	\$110,195
Laboratory Equipment	\$72,000	\$36,000
Indirect Costs	\$53,690	\$26,845
FTE—Personal Services	3.0 FTE	1.5 FTE
CSU Subtotal	\$370,140	\$175,065
Department of Natural Resources		
Travel Reimbursements	\$5,600	\$5,600
DNR Subtotal	\$4,400	\$5,600
Total Cost	\$375,740	\$180,665
Total FTE	3.0 FTE	1.5 FTE

Colorado State University. The bill increases expenditures for CSU to conduct the required research of biochar and prepare the required reports for the work group. This requires 3.0 FTE post-doc researchers beginning in FY 2023-24. If the work group requests recommendations for a pilot program, these positions continue until December 31, 2024. These positions require laboratory equipment to conduct the required research. Expenditures are paid from the General Fund.

Department of Natural Resources. Work group members, who serve without compensation, are entitled to reimbursement from the COGCC for actual expenses incurred for participating, paid from the Colorado Oil and Gas Conservation and Environmental Response Fund. The fiscal note assumes that the 14-member work group will meet four times, with average expenses of \$200 per person per meeting.

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

Local Government

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

Effective Date

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

State Appropriations

For FY 2023-24, the bill requires the following appropriations:

- \$370,140 from the General Fund to the Department of Higher Education for use by the Board of Governors of the Colorado State University System; and
- \$5,600 from the Oil and Gas Conservation and Environmental Response Fund to the Department of Natural Resources.

State and Local Government Contacts

Colorado Energy Office
Governor's Office
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Natural Resources

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Public Health and Environment