

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2011-12 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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**DEPARTMENT OF NATURAL RESOURCES  
FY 2011-12 FIGURE SETTING**

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

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

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**FY 2011-12 Joint Budget Committee Staff Figure Setting  
Department of Natural Resources**

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

	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2011-12</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Staff Rec.</b>	<b>Change Requests</b>
<b>DEPARTMENT OF NATURAL RESOURCES</b>						
<b>Executive Director: Mike King</b>						
<b>(2) DIVISION OF RECLAMATION, MINING, AND SAFETY (Loretta Pineda, Director)</b>						
Primary Functions: Provides regulation and enforcement related to the development and reclamation of mining sites. Primary sources of cash funds are fees on metal and aggregate mining operations and the severance tax.						
<b>(A) Coal Land Reclamation</b>						
Program Costs	2,087,395	2,117,899	2,134,008	2,133,490	2,105,000	DI #1; NP-1; NP-4
FTE	<u>18.1</u>	<u>20.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
CF - Severance Tax	438,355	444,163	447,548	720,745	714,771	
Federal Funds	1,649,040	1,673,736	1,686,460	1,412,745	1,390,229	
Indirect Cost Assessment	<u>164,900</u>	<u>164,379</u>	<u>147,199</u>	<u>136,073</u>	<u>136,073</u>	
CF - Severance Tax	53,777	30,393	25,999	28,575	28,575	
Federal Funds	111,123	133,986	121,200	107,498	107,498	
<b>(A) Coal Land Reclamation</b>	<b>2,252,295</b>	<b>2,282,278</b>	<b>2,281,207</b>	<b>2,269,563</b>	<b>2,241,073</b>	
FTE	<u>18.1</u>	<u>20.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
Cash Funds	492,132	474,556	473,547	749,320	743,346	
Federal Funds	1,760,163	1,807,722	1,807,660	1,520,243	1,497,727	
<b>(B) Inactive Mines</b>						
Program Costs	1,437,869	984,788	1,617,378	1,622,178	1,607,759	DI NP-1; NP-4
FTE	<u>10.4</u>	<u>7.4</u>	<u>16.4</u>	<u>16.4</u>	<u>16.4</u>	
CF - Abandoned Mine Safety Reclamation Fund	50,239	15,893	520,000	520,000	519,247	
Federal Funds	1,387,630	968,895	1,097,378	1,102,178	1,088,512	
Mine Site Reclamation	52,089	31,216	410,790	409,487	408,690	DI NP-4
FTE	<u>0.4</u>	<u>0.4</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	
CF - Severance Tax	52,089	31,216	380,790	379,487	378,690	
RF/CFE - Public Health and Environment	0	0	30,000	30,000	30,000	
Reclamation of Forfeited Mine Sites						
CF - Severance Tax	0	0	171,000	171,000	171,000	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Staff Rec.	Change Requests
Abandoned Mine Safety						
CF - Severance Tax	112,113	100,000	100,000	99,746	99,596	DI NP-4
FTE	0.1	0.2	0.2	0.2	0.2	
Indirect Cost Assessment	<u>144,022</u>	<u>137,099</u>	<u>144,678</u>	<u>133,226</u>	<u>133,226</u>	
CF - Severance Tax	28,473	8,250	12,995	12,026	12,026	
Federal Funds	115,549	128,849	131,683	121,200	121,200	
<b>(B) Inactive Mines</b>	1,746,093	1,253,103	2,443,846	2,435,637	2,420,271	
FTE	<u>10.9</u>	<u>8.0</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>	
Cash Funds	242,914	155,359	1,184,785	1,182,259	1,180,559	
Reappropriated Funds/Cash Funds Exempt	0	0	30,000	30,000	30,000	
Federal Funds	1,503,179	1,097,744	1,229,061	1,223,378	1,209,712	
<b>(C) Minerals</b>						
Program Costs	1,915,434	2,164,151	2,170,170	2,165,238	2,135,806	DI NP-1; NP-4
FTE	<u>20.8</u>	<u>20.5</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>	
CF - Severance Tax	976,539	1,115,978	1,140,652	1,099,818	1,084,582	
CF - Mined Land Reclamation Fund	938,895	1,048,173	1,029,518	1,065,420	1,051,224	
CFE - Mined Land Reclamation Fund reserves	0	0	0	0	0	
Indirect Cost Assessment						
CF - Severance Tax	114,718	109,392	112,421	121,219	121,219	
<b>(C) Minerals</b>	2,030,152	2,273,543	2,282,591	2,286,457	2,257,025	
FTE	<u>20.8</u>	<u>20.5</u>	<u>24.1</u>	<u>24.1</u>	<u>24.1</u>	
Cash Funds	2,030,152	2,273,543	2,282,591	2,286,457	2,257,025	
Reappropriated Funds/Cash Funds Exempt	0	0	0	0	0	
<b>(D) Mines Program</b>						
Colorado and Federal Mine Safety Program	505,140	487,560	509,499	509,529	503,506	DI NP-1; NP-4
FTE	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	
CF - Severance Tax	307,218	306,741	308,632	308,662	304,845	
CF - Fees	2,179	10,000	10,000	10,000	9,940	
Federal Funds	195,743	170,819	190,867	190,867	188,721	
Blaster Certification Program	106,714	105,782	107,916	107,910	106,777	DI NP-4
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
CF - Severance Tax	22,410	22,064	22,512	22,511	22,275	
Federal Funds	84,304	83,718	85,404	85,399	84,502	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Staff Rec.	Change Requests
Indirect Cost Assessment	30,565	28,076	32,573	28,191	28,191	
CF - Severance Tax	15,850	14,644	15,802	17,668	17,668	
Federal Funds	14,715	13,432	16,771	10,523	10,523	
<b>(D) Mines Program</b>	642,419	621,418	649,988	645,630	638,474	
FTE	6.0	6.0	6.0	6.0	6.0	
Cash Funds	347,657	353,449	356,946	358,841	354,728	
Federal Funds	294,762	267,969	293,042	286,789	283,746	
<b>(E) Emergency Response Costs</b>						
CF - Severance Tax	24,900	25,000	25,000	25,000	25,000	
<b>(2) DIVISION OF RECLAMATION, MINING, AND SAFETY - SUBTOTAL a/</b>	6,695,859	6,455,342	7,682,632	7,662,287	7,581,843	
FTE	55.8	54.5	70.9	70.9	70.9	
Cash Funds	3,137,755	3,281,907	4,322,869	4,601,877	4,560,658	
Reappropriated Funds/Cash Funds Exempt	0	0	30,000	30,000	30,000	
Federal Funds	3,558,104	3,173,435	3,329,763	3,030,410	2,991,185	

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

**(3) COLORADO GEOLOGICAL SURVEY (Vince Matthews, Director and State Geologist)**

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

Environmental Geology and Geological Hazards Program	1,525,872	1,706,432	2,516,073	2,512,013	2,481,991	DI NP-1; NP-4
FTE	11.9	11.7	17.2	17.2	17.2	
CF - Severance Tax	860,506	881,059	915,142	915,208	903,412	
CF - Fees for geological services	149,840	198,860	548,001	543,399	535,188	
RF/CFE - Other state agencies	245,276	364,775	452,092	453,260	447,269	
Federal Funds	270,250	261,738	600,838	600,146	596,122	
Mineral Resources and Mapping	1,164,228	1,129,540	1,442,215	1,446,119	1,426,723	DI NP-4
FTE	8.1	8.2	10.5	10.5	10.5	
CF - Severance Tax	955,662	1,001,411	1,029,185	1,029,936	1,016,263	
CF - Local government payments for geo. services	0	0	91,114	91,114	89,901	
Federal Funds	208,566	128,129	321,916	325,069	320,559	

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2011-12	Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Colorado Avalanche Information Center	638,223	609,029	676,970	707,387	697,041	DI #2; NP-4
FTE	<u>7.4</u>	<u>7.1</u>	<u>7.7</u>	<u>8.4</u>	<u>8.4</u>	
CF - Severance Tax	151,424	156,213	156,383	154,712	152,726	
CF - Fees/Grants	116,997	74,988	124,958	124,958	123,099	
RF/CFE - Fees	346,597	372,961	377,504	409,430	403,133	
Federal Funds	23,205	4,867	18,125	18,287	18,083	
Indirect Cost Assessment	<u>182,498</u>	<u>240,533</u>	<u>160,940</u>	<u>152,789</u>	<u>152,789</u>	
CF - Severance Tax	134,901	167,844	115,940	110,548	110,548	
Federal Funds	47,597	72,689	45,000	42,241	42,241	
<b>(3) COLORADO GEOLOGICAL SURVEY</b>						
- SUBTOTAL	3,510,821	3,685,534	4,796,198	4,818,308	4,758,544	
FTE	<u>27.4</u>	<u>27.0</u>	<u>35.4</u>	<u>36.1</u>	<u>36.1</u>	
Cash Funds	2,369,330	2,480,375	2,980,723	2,969,875	2,931,137	
Reappropriated Funds/Cash Funds Exempt	591,873	737,736	829,596	862,690	850,402	
Federal Funds	549,618	467,423	985,879	985,743	977,005	

**(4) OIL AND GAS CONSERVATION COMMISSION (David Neslin, Director)**

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

Program Costs	5,215,837	5,720,272	5,913,427	5,894,341	5,812,371	DI NP-1; NP-4
FTE	<u>50.6</u>	<u>60.1</u>	<u>67.0</u>	<u>67.0</u>	<u>67.0</u>	
CF - Severance Tax	2,616,378	2,958,240	3,234,045	3,223,632	3,182,569	
CF - OGC Environmental Response Fund	2,599,459	2,762,032	2,679,382	2,670,709	2,629,802	
RF/CFE - OGC Environmental Response Fund	0	0	0	0	0	
Underground Injection Program						
Federal Funds	95,189	88,385	96,559	96,559	96,559	
FTE	2.0	2.0	2.0	2.0	2.0	
Plugging and Reclaiming Abandoned Wells	<u>191,534</u>	<u>162,084</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	
CF - OGC Environmental Response Fund	191,534	162,084	220,000	220,000	220,000	
RF/CFE - OGC Environmental Response Fund	0	0	0	0	0	
Environmental Assistance and Complaint Resolution	<u>312,032</u>	<u>311,801</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>	
CF - OGC Environmental Response Fund	312,032	311,801	312,033	312,033	312,033	
RF/CFE - OGC Environmental Response Fund	0	0	0	0	0	
Emergency Response	<u>0</u>	<u>0</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	DI #3
CF - OGC Environmental Response Fund	0	0	1,500,000	1,500,000	1,500,000	
RF/CFE - OGC Environmental Response Fund	0	0	0	0	0	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Staff Rec.	Change Requests
Special Environmental Protection and Mitigation Studies						
CF - OGC Environmental Response Fund	81,173	192,843	325,000	325,000	325,000	
S.B. 07-198 Coalbed Methane Seepage Projects						
CF - OGC Environmental Response Fund	2,003,400	445,200	0	0	0	
Indirect Cost Assessment - Total Funds	<u>327,357</u>	<u>317,658</u>	<u>411,875</u>	<u>463,897</u>	<u>463,897</u>	
CF - OGC Environmental Response Fund	319,294	310,119	405,977	456,220	456,220	
Federal Funds	8,063	7,539	5,898	7,677	7,677	
<b>(4) OIL &amp; GAS CONSERVATION COMMISSION</b>						
- SUBTOTAL	8,226,522	7,238,243	8,778,894	8,811,830	8,729,860	
FTE	<u>52.6</u>	<u>62.1</u>	<u>69.0</u>	<u>69.0</u>	<u>69.0</u>	
Cash Funds	8,123,270	7,142,319	8,676,437	8,707,594	8,625,624	
Reappropriated Funds/Cash Funds Exempt	0	0	0	0	0	
Federal Funds	103,252	95,924	102,457	104,236	104,236	
<b>(5) STATE BOARD OF LAND COMMISSIONERS (Tobin Follenweider, Acting Director)</b>						
Primary Functions: Manages around 2.6 million surface acres and 4.5 million mineral acres of state trust lands for the benefit of 8 public trusts, the largest of which is the School Trust (96% of holdings). Cash funds are from the Trust Administration Fund.						
Program Costs	3,637,746	3,742,771	3,675,330	3,679,295	3,642,707	DI NP-1; NP-4
FTE	<u>35.1</u>	<u>35.1</u>	<u>37.0</u>	<u>37.0</u>	<u>37.0</u>	
CF - Land Board Trust Administration Fund	3,562,746	3,667,771	3,600,330	3,604,295	3,567,707	
CF - SBLC Land and Water Management Fund	75,000	75,000	75,000	75,000	75,000	
RF/CFE - Land Board Trust Administration Fund	0	0	0	0	0	
Public Access Program Damage and Enhancement Costs (New Line Item Requested)						
RF/CFE - Division of Wildlife	0	0	225,000	225,000	225,000	
Indirect Cost Assessment						
CF - Land Board Trust Administration Fund	221,075	165,450	177,993	189,581	189,581	
<b>(5) STATE LAND BOARD - SUBTOTAL a/</b>						
FTE	<u>35.1</u>	<u>35.1</u>	<u>37.0</u>	<u>37.0</u>	<u>37.0</u>	
Cash Funds	3,858,821	3,908,221	3,853,323	3,868,876	3,832,288	
Reappropriated Funds/Cash Funds Exempt	0	0	225,000	225,000	225,000	

	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2011-12</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Staff Rec.</b>	<b>Change Requests</b>

a/ Senate Bill 09-22 continuously appropriated \$3,000,000 cash funds for the SLB Investment and Development Fund in FY 2009-10, \$4,000,000 in FY 2010-11, and \$5,000,000 per year in FY 2011-12 and beyond. As these moneys are continuously appropriated by the General Assembly and are not shown in the Long Bill, they are not reflected in the JBC staff numbers pages.

<b>DEPARTMENT OF NATURAL RESOURCES</b>						
<b>TOTAL FOR INCLUDED DIVISIONS</b>	22,292,023	21,287,340	25,336,047	25,386,301	25,127,535	
FTE	<u>170.9</u>	<u>178.7</u>	<u>212.3</u>	<u>213.0</u>	<u>213.0</u>	
Cash Funds	17,489,176	16,812,822	19,833,352	20,148,222	19,949,707	
Reappropriated Funds/Cash Funds Exempt	591,873	737,736	1,084,596	1,117,690	1,105,402	
Federal Funds	4,210,974	3,736,782	4,418,099	4,120,389	4,072,426	
<i>CF - Severance Tax</i>	<i>6,865,313</i>	<i>7,372,608</i>	<i>8,214,046</i>	<i>8,440,493</i>	<i>8,345,765</i>	



**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2011-12**

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

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

1. Approval of the Department's requested 2.5 percent reduction to personal services appropriations to implement Decision Item NP-4 (Statewide PERA Adjustment).
2. Approval of a JBC-originated 1.5 percent vacancy savings base reduction to all personal services appropriations, including all fund sources.
3. Rejection of the Department's requested operating expenses increases for the printing of statewide warrants and mainframe documents (Decision Item NP-1).

The Governor has also requested an additional reduction in the employer contribution to PERA as part of the February 15, 2011 request. The Joint Budget Committee has not taken action that request, and staff has not included that request in this document.

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

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

**(A) Coal Land Reclamation**

**Program Costs**

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

**DEPARTMENT OF NATURAL RESOURCES  
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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 2009-10 Actual</b>	<b>FY 2010-11 Appropriation</b>	<b>FY 2011-12 Request</b>	<b>FY 2011-12 Recommendation</b>
Management	1.3	1.5	0.9	0.9
Administration	5.4	4.0	4.5	4.5
Environmental Protection Specialist	13.3	17.5	17.6	17.6
<b>Total</b>	20.0	23.0	23.0	23.0

*Request:* With decision item #1, the Department requests an increase of \$273,306 cash funds spending authority from the Operational Account of the Severance Tax Trust Fund to offset an anticipated reduction of the same amount in federal funding (the decision item is discussed in detail below). For the base, the Department requests continuation level funding according to OSPB's common policies. The following statewide requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

*Recommendation:* **Staff recommends approval of decision item #1 (discussed below). For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide requests.** The Department projects that the workload for the coal regulatory program in FY 2011-12 will be consistent with prior years. The staff recommendation is based on maintaining current service levels.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Estimate
Permitting actions	239	226	236	240
Required inspections	410	396	406	406

**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.**

**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2011-12**

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

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Land Reclamation Program Costs — Department of Natural Resources</b>				
	<b>Total</b>	<b>CF - Severance</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2010-11 Long Bill	\$1,859,067	\$388,738	\$1,465,224	23.0
Restore FY 2010-11 PERA Reduction	39,600	8,316	31,284	
Decision Item #1 - Coal Program Refinance	0	246,306	(246,306)	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(40,204)	(8,443)	(31,761)	
Base Reduction (1.5%)	<u>(28,404)</u>	<u>(5,956)</u>	<u>(22,448)</u>	
<b>Subtotal, Personal Services</b>	<b>1,824,954</b>	<b>628,961</b>	<b>1,195,993</b>	<b>23.0</b>
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	280,046	58,810	221,236	
Decision Item NP-1 - Statewide Printing	0	0	0	
Decision Item #1 - Coal Program Refinance	<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 2011-12 Recommendation</b>	<b>\$2,105,000</b>	<b>\$714,771</b>	<b>\$1,390,229</b>	<b>23.0</b>

**DI #1: COAL REGULATORY PROGRAM REFINANCE**

With Decision Item #1, the Department requests an increase of \$273,306 cash funds spending authority from the Operational Account of the Severance Tax Trust Fund to offset an anticipated reduction of the same amount in federal grant funds from the U.S. Office of Surface Mining (OSM). The requested refinance would allow the coal program to maintain existing staffing levels with the anticipated reduction in federal funds.

The President's budget request for the federal fiscal year that began October 1, 2010 proposes a 15.0 percent reduction in federal grants to states for coal regulation as a federal budget reduction measure. In Colorado, the regulatory grants support the coal land reclamation program, the blaster certification

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program, and centralized appropriations (POTs) for both programs. For simplicity, the Department is reflecting the entire refinance within the Coal Land Reclamation - Program Costs line item.

*Background:* Congress enacted the Surface Mining Control and Reclamation Act (SMCRA), providing the basis for coal mine regulation and reclamation, in 1977. Colorado was granted primacy under SMCRA in 1980 and has maintained the responsibility to regulate coal mining (with oversight by OSM) since that time. Colorado has to match federal funding for the coal regulatory program. The ratio of federal funding (79.0 percent of program costs) to state funding (21.0 percent of program costs) is based on the estimated shares of coal mine acreage occurring on federal lands and non-federal lands. The President's Budget is proposing to reduce grants to states as a budgetary savings measure - the reduction is not based on a policy change to alter the ratio of funding or because of a change in the share of mining taking place on federal lands.

In addition to allowing the State to regulate coal mining and reclamation, maintaining primacy also allows the State to receive federal funds for inactive mine reclamation, totaling roughly \$7.0 million in FY 2010-11.

*Staff Analysis:* According to the Department, the anticipated reduction in federal funds without an offsetting increase in state funding would require the Department to reduce the Coal Regulatory Program staff by 2.5 FTE environmental protection specialists (14.2 percent of the current staff of that classification) and \$27,000 in operating funding. The Department highlights the following potential impacts of the estimated reduction in FTE and funding:

- Reduced ability to conduct required inspections and other regulatory activities, with potential impacts on the environment and public health. Because the program is already conducting roughly the minimum number of inspections required by federal law and state statute, significant reductions in inspections would put the program in violation of federal and state standards.
- Slower and/or less complete review and issuance of coal mining permits and permit changes, and review and release of reclamation bonds, with potential negative impacts on the coal industry if mines wait longer for permit actions. Slower and/or less thorough reviews could also put the program out of compliance with legal requirements regarding permit reviews.
- Related to the first two impacts, OSM *could* revoke Colorado's primacy for coal regulation if program performance does not meet OSM standards. The loss of primacy would return responsibility for coal regulation to the federal government (OSM) and would eliminate the State's ability to receive several million dollars per year in inactive mine reclamation funding from OSM. The coal industry would oppose the loss of primacy in Colorado.

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Staff is skeptical that the estimated reduction would result in the State losing primacy in the near future. The OSM does not currently have the necessary staff to operate Colorado's program, and staff does not believe that OSM would be eager to revoke primacy. That said, the estimated 14.2 percent reduction in environmental staff would undoubtedly have performance impacts on the program, and the program is already operating at or near the minimum inspection frequency required by OSM. While a rapid revocation of primacy does not appear likely, the reduced staffing levels would place the program on uncertain ground with respect to OSM and the ability to meet state requirements. Even without a loss of primacy, OSM could increase federal oversight and enforcement actions, creating further uncertainty for the industry and potentially increasing the program's workload as well.

Whether or not OSM revoked primacy, further reducing inspection frequency or thoroughness would create potential environmental and health impacts, and potential negative consequences for the industry. The Department believes that proactive inspections allow for better cooperation with the industry and a reduced need for enforcement actions. As a result, the Department argues that reduced inspection frequencies could actually increase the need for enforcement actions, increasing workload and costs to the industry. With respect to permit reviews and approvals, the industry would clearly be concerned with slower permit review times. In conversations with staff, the industry has supported maintaining an adequate program staff to process permits in a timely manner and stay within federal and state requirements for inspection frequencies and general program performance.

*Staff Recommendation:* **Staff recommends approval of decision item #1.** Maintaining an adequate coal program is a priority for the Department and the industry, and the loss of staff required by denial of the decision item would negatively impact the Department's ability to conduct the program. That impact could jeopardize the Department's ability to process coal permit actions in a timely manner and effectively protect the environment and public health. Because the decision item is based on anticipated funding levels and there is not yet a final federal appropriation for either the current federal fiscal year or the next year, the Department may not require the full refinance. If the final federal appropriation is higher than anticipated, then staff would recommend adjusting the appropriation accordingly during FY 2011-12 supplementals (during the 2012 Session).

**Indirect Cost Assessment**

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

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

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

**(B) Inactive Mines**

Inactive Mines Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management	0.1	1.0	1.2	1.2
Administration	3.8	3.0	3.0	3.0
Environmental Protection Specialist	3.8	13.8	13.6	13.6
<b>Total</b>	<b>7.7</b>	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>

**Program Costs**

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

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

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

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

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

*Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide requests.** 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 (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 2010-11 Long Bill	\$922,892	\$50,214	\$872,678	16.4
Restore FY 2010-11 PERA Reduction	33,899	0	33,899	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(29,166)	0	(29,166)	
Base Reduction (1.5%)	<u>(14,352)</u>	<u>(753)</u>	<u>(13,599)</u>	
<b>Subtotal, Personal Services</b>	<b>913,273</b>	<b>49,461</b>	<b>863,812</b>	<b>16.4</b>
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	694,486	469,786	224,700	
Decision Item NP-1 - Statewide Printing	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>694,486</b>	<b>469,786</b>	<b>224,700</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$1,607,759</b>	<b>\$519,247</b>	<b>\$1,088,512</b>	<b>16.4</b>

**Mine Site Reclamation**

*Description:* This line item is used for the construction of hydro-geologic controls at abandoned mine

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sites. Examples of hydro-geologic controls include diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and re-vegetation. Some of these moneys are granted to local entities as a match to receive federal Clean Water Act moneys from the U.S. Environmental Protection Agency.

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

An assessment conducted in 1980 found that approximately 1,300 miles of Colorado's streams were adversely impacted by heavy metals and acidic drainage from both inactive and abandoned mines. In 2006, the JBC approved a request for \$280,000 annually from the Operational Account of the Severance Tax Trust Fund to accelerate water quality improvement projects. The Department requested the additional funds to expand matching funds for water quality improvement projects at abandoned mines and to hire a projects coordinator. In addition to the money from the Operational Account of the Severance Tax Trust Fund, the Department receives \$30,000 from the Department of Public Health and Environment to cover a portion of the salary for the coordinator position.

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

- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4).

*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.



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<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 2010-11 Long Bill	\$53,132	\$53,132	\$0	1.2
Decision Item NP-4 - FY 2011-12 PERA Reduction	(1,303)	(1,303)	0	
Base Reduction (1.5%)	(797)	(797)	0	
<b>Subtotal, Personal Services</b>	<b>51,032</b>	<b>51,032</b>	<b>0</b>	<b>1.2</b>
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	357,658	327,658	30,000	
(No change)	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>357,658</b>	<b>327,658</b>	<b>30,000</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$408,690</b>	<b>\$378,690</b>	<b>\$30,000</b>	<b>1.2</b>

**Reclamation of Forfeited Mine Sites**

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

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continued in FY 2010-11.

**Recommendation: Staff recommends the request, continuing funding levels from FY 2010-11.**

**Abandoned Mine Safety**

*Description:* These moneys are utilized to safeguard the roughly 17,000 mine openings in Colorado abandoned prior to bonding requirements implemented in 1977, including a high number in the Central City and Blackhawk area. This line item pays for basic measures like capping and fencing. The other line items in the Inactive Mines section pay for more extensive reclamation of sites requiring additional measures. The source of funding is the Operational Account of the Severance Tax Trust Fund.

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

- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4).

*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 continues the reduction of \$12,623 cash funds from FY 2009-10 and FY 2010-11.

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>RF - Public Health and Environment</b>	<b>FTE</b>
<b>Personal Services</b>				
FY 2010-11 Long Bill	\$10,000	\$10,000	\$0	0.2
Decision Item NP-4 - FY 2011-12 PERA Reduction	(254)	(254)	0	
Base Reduction (1.5%)	(150)	(-150)	0	
<b>Subtotal, Personal Services</b>	<b>9,596</b>	<b>9,596</b>	<b>0</b>	<b>0.2</b>
<b>Operating Expenses</b>				

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Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Abandoned Mine Safety — Department of Natural Resources				
	TOTAL	CF - Severance Tax	RF - Public Health and Environment	FTE
FY 2010-11 Long Bill	90,000	90,000	0	
(No change)	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>90,000</b>	<b>90,000</b>	<b>0</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$99,596</b>	<b>\$99,596</b>	<b>\$0</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.

**(C) Minerals**

Minerals Program Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Management	1.0	1.5	0.9	0.9
Administration	5.5	5.0	5.5	5.5
Environmental Protection Specialist	14.0	17.6	17.7	17.7
<b>Total</b>	<b>20.5</b>	<b>24.1</b>	<b>24.1</b>	<b>24.1</b>

**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

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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 in FY 2011-12 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 requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI NP-1).

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

Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals Program Costs — Department of Natural Resources				
	Total	Severance Tax	Mined Land Reclamation Fund	FTE
<b>Personal Services</b>				
FY 2010-11 Long Bill	\$1,920,198	\$1,009,709	\$910,489	24.1
Restore FY 2010-11 PERA Reduction	35,902	0	35,902	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(40,924)	(40,924)	0	
Base Reduction (1.5%)	<u>(29,342)</u>	<u>(-15,146)</u>	<u>(14,196)</u>	
<b>Subtotal, Personal Services</b>	<b>1,885,834</b>	<b>953,639</b>	<b>932,195</b>	<b>24.1</b>

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Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals Program Costs — Department of Natural Resources				
	Total	Severance Tax	Mined Land Reclamation Fund	FTE
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	249,972	130,943	119,029	
Decision Item NP-1 - Statewide Printing	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>249,972</b>	<b>130,943</b>	<b>119,029</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$2,135,806</b>	<b>\$1,084,582</b>	<b>\$1,051,224</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.

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**(D) Mines Program**

<b>Mines Program Staffing Summary</b>	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Appropriation</b>	<b>FY 2011-12 Request</b>	<b>FY 2011-12 Recommendation</b>
Management	1.0	1.0	1.0	1.0
Administration	1.0	1.0	1.0	1.0
Environmental Protection Specialist	4.0	4.0	4.0	4.0
<b>Total</b>	6.0	6.0	6.0	6.0

**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 requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

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

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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>Personal Services</b>					
FY 2010-11 Long Bill	\$390,481	\$243,387	\$4,000	\$143,094	5.0
Restore FY 2010-11 PERA Reduction	9,546	9,546	0	0	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(9,539)	(9,539)	0	0	
Base Reduction (1.5%)	(6,000)	(-3794)	(60)	(2,146)	
<b>Subtotal, Personal Services</b>	<b>384,488</b>	<b>239,600</b>	<b>3,940</b>	<b>140,948</b>	<b>5.0</b>
<b>Operating Expenses</b>					
FY 2010-11 Long Bill	119,018	65,245	6,000	47,773	
Decision Item NP-1 - Statewide Printing	0	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>119,018</b>	<b>65,245</b>	<b>6,000</b>	<b>47,773</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$503,506</b>	<b>\$304,845</b>	<b>\$9,940</b>	<b>188,721</b>	<b>5.0</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 requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146; and
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4).

*Staff Recommendation:* **Staff recommends continuation level funding calculated pursuant to the JBC's common policies with adjustments for the statewide requests.** 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.

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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>Personal Services</b>				
FY 2010-11 Long Bill	\$73,943	\$15,378	\$58,565	1.0
Restore FY 2010-11 PERA Reduction	1,570	330	1,240	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(1,576)	(331)	(1,245)	
Base Reduction (1.5%)	<u>(1,133)</u>	<u>(236)</u>	<u>(897)</u>	
<b>Subtotal, Personal Services</b>	<b>72,804</b>	<b>15,141</b>	<b>57,663</b>	<b>1.0</b>
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	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 2011-12 Recommendation</b>	<b>\$106,777</b>	<b>\$22,275</b>	<b>\$84,502</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



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to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies. For a large-scale disaster, there are procedures for the Governor and/or the JBC to make money available, but even those procedures take time. Also, the Department can use this money for smaller scale emergencies. In FY 2005-06 and FY 2006-07 the Department reverted the entire appropriation. The Department used \$12,200 in FY 2007-08, \$24,900 in FY 2008-09, and the full \$25,000 appropriation in FY 2009-10. No FTE are associated with this line item, since contractors perform the environmental remediation work.

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

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

**(3) GEOLOGICAL SURVEY**

Geological Survey Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Director	1.0	1.0	1.0	1.0
Geologists	14.9	22.7	22.7	22.7
Administration	4.0	4.0	4.0	4.0
Avalanche Information Center	7.1	7.7	8.4	8.4
<b>Total</b>	27.0	35.4	36.1	36.1

**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

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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. New sampling focuses on high elevation waters upstream of mining areas to better understand baseline water quality. This baseline allows for analysis of the impact that mining activity, agricultural/residential runoff, and other sources have on downstream water quality. Data acquisition also includes efforts to investigate environmental degradation at abandoned mine sites.
3. Land use review activities include mandatory geological reviews of subdivisions and school sites, as well as other non-mandatory reviews performed upon request for local governments and state agencies. This program also provides coal mine subsidence information to government agencies and the general public.

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

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

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the**

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**JBC's common policies, with adjustments for the statewide requests.** The components of the staff recommendation are below.

<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 2010-11 Long Bill	\$1,966,773	\$766,188	\$537,695	\$396,595	\$266,295	17.2
Restore FY 2010-11 PERA Reduction	25,794	15,821	5,251	2,780	1,942	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(29,987)	(15,821)	(9,920)	(1,612)	(2,634)	
Base Reduction (1.5%)	<u>(29,889)</u>	<u>(11,730)</u>	<u>(8,144)</u>	<u>(5,991)</u>	<u>(4,024)</u>	
<b>Subtotal, Personal Services</b>	<b>1,932,691</b>	<b>754,458</b>	<b>524,882</b>	<b>391,772</b>	<b>261,579</b>	<b>17.2</b>
<b>Operating Expenses</b>						
FY 2010-11 Long Bill	549,300	148,954	10,306	55,497	334,543	
Decision Item NP-1 - Statewide Printing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>549,300</b>	<b>148,954</b>	<b>10,306</b>	<b>55,497</b>	<b>334,543</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$2,481,991</b>	<b>\$903,412</b>	<b>\$535,188</b>	<b>\$447,269</b>	<b>\$596,122</b>	<b>17.2</b>

**Mineral Resources and Mapping**

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

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

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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 requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146; and
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4).

*Staff recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide requests.** 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 2010-11 Long Bill	\$1,275,581	\$898,970	\$80,841	\$295,770	10.5
Restore FY 2010-11 PERA Reduction	17,441	12,536	0	4,905	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(13,537)	(11,785)	0	(1,752)	
Base Reduction (1.5%)	(19,396)	(13,673)	(1,213)	(4,510)	
<b>Subtotal, Personal Services</b>	<b>1,260,089</b>	<b>886,048</b>	<b>79,628</b>	<b>294,413</b>	<b>10.5</b>
<b>Operating Expenses</b>					
FY 2010-11 Long Bill	166,634	130,215	10,273	26,146	
(No change)	0	0	0	0	
<b>Subtotal, Operating Expenses</b>	<b>166,634</b>	<b>130,215</b>	<b>10,273</b>	<b>26,146</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$1,426,723</b>	<b>\$1,016,263</b>	<b>\$89,901</b>	<b>\$320,559</b>	<b>10.5</b>

**Colorado Avalanche Information Center**

*Description:* The Colorado Avalanche Information Center (CAIC) promotes avalanche safety through

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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:* With decision item #2, the Department requests \$28,179 reappropriated funds from the Department of Transportation and 0.7 FTE to support an additional avalanche forecaster for southwestern Colorado (the decision item is discussed in detail below). For the base, the Department requests continuation level funding according to OSPB's common policies. The following statewide requests impact this line item:

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146; and
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4).

*Staff Recommendation:* **Staff recommends approval of decision item #2, with minor modifications (discussed below). For the base, staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide requests.** The components of the staff recommendation for the line item are summarized in the table below.

Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources						
	Total	Severance	Fees	State Agencies (RF)	Federal Funds	FTE
<b>Personal Services</b>						
FY 2010-11 Long Bill	\$616,832	\$129,266	\$123,813	\$350,410	\$13,343	7.7
Decision Item #2 - San Juan Forecaster	27,281	0	0	27,281	0	0.7
Restore FY 2010-11 PERA Reduction	13,069	3,126	128	9,549	266	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(10,831)	(4,797)	(128)	(5,802)	(104)	
Base Reduction (1.5%)	<u>(9,448)</u>	<u>(1,986)</u>	<u>(1,859)</u>	<u>(5,399)</u>	<u>(204)</u>	
<b>Subtotal, Personal Services</b>	<b>636,903</b>	<b>125,609</b>	<b>121,954</b>	<b>376,039</b>	<b>13,301</b>	<b>8.4</b>

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<b>Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources</b>						
	<b>Total</b>	<b>Severance</b>	<b>Fees</b>	<b>State Agencies (RF)</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>Operating Expenses</b>						
FY 2010-11 Long Bill	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 2011-12 Recommendation</b>	<b>\$697,041</b>	<b>\$152,726</b>	<b>\$123,099</b>	<b>\$403,133</b>	<b>\$18,083</b>	<b>8.4</b>

**DI #2: SAN JUAN FORECASTER**

*Request:* With decision item #2, the Department requests \$28,179 reappropriated funds and 0.7 FTE to support an additional avalanche forecaster for southwestern Colorado. The reappropriated funds are from the Department of Transportation (CDOT) and will allow the CAIC to support another forecaster to serve Red Mountain Pass (US 550) and Lizard Head Pass (SH 145).

*Background:* Created in 1983, the CAIC provides avalanche forecasting and training services for transportation and recreational users. The CAIC began working with CDOT in 1992 to provide avalanche forecasts for vulnerable state and federal highways as well as avalanche safety training for CDOT staff. The existing contract with CDOT now makes up the majority of the CAIC budget, accounting for 55.8 percent of the CAIC's total FY 2010-11 appropriation. In FY 2010-11, the CAIC/CDOT program included six permanent part-time forecasters and one seasonal forecaster distributed among four offices.

Each CAIC forecaster is classified as 0.7 FTE because of the significant seasonal fluctuations in workload. Positions are full-time (1.0 FTE) or more than full-time during the peak avalanche season (November 1 through April 30), half-time (0.5 FTE) during October and May to allow for set-up and takedown of equipment, and one-tenth-time (0.1 FTE) from June through September.

*Staff Analysis:* The decision item would convert the seasonal (half-time) forecaster for SH 145 to a permanent part-time position (0.7 FTE over the course of the year) serving both Red Mountain and Lizard Head passes. The CAIC currently has two forecasters based in Silverton working on the US

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550 corridor, including Red Mountain, Coal Bank, and Molas passes. The decision item would base the new position in Ouray to serve SH 145 and provide additional assistance with US 550 from the north side of Red Mountain Pass, allowing much more rapid response time for the affected corridors.

The Transportation Commission has approved the funding increase for the CAIC contract and believes that the additional forecasting and training services will improve safety in the affected corridors and reduce road closures, assisting the local economies.

*Staff Recommendation:* **Staff recommends that the Committee approve decision item #2, including an increase of \$27,281 reappropriated funds from the Department of Transportation.** Staff's recommendation is below the request because the Department's request did not adjust the State's PERA contribution for the new position to reflect decision item NP-4.

**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.

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

Oil and Gas Conservation Commission Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Director	1.0	1.0	1.0	1.0
Administration	4.0	4.0	4.0	4.0
Hearings	3.1	4.0	4.0	4.0
Permitting/Technical Services	17.2	21.0	21.0	21.0
Information Technology	4.0	0.0	0.0	0.0
Engineering	9.8	10.0	10.0	10.0
Field Inspections	12.2	15.0	15.0	15.0

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Oil and Gas Conservation Commission Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Environmental	10.5	14.0	14.0	14.0
<b>Total</b>	61.8	69.0	69.0	69.0

**Program Costs**

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

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

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

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

- restoring one-time savings associated with the 2.5 percent reduction in employer contribution to PERA in FY 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

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

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



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Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources				
	Total	Severance Tax	OGCC Conservation and Environmental Response Cash Fund	FTE
<b>Personal Services</b>				
FY 2010-11 Long Bill	\$5,354,001	\$2,674,619	\$2,679,382	67.0
Restore FY 2010-11 PERA Reduction	93,508	45,686	47,822	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(112,851)	(56,356)	(56,495)	
Base Reduction (1.5%)	<u>(81,713)</u>	<u>(40,806)</u>	<u>(40,907)</u>	
<b>Subtotal, Personal Services</b>	<b>5,252,945</b>	<b>2,623,143</b>	<b>2,629,802</b>	<b>67.0</b>
<b>Operating Expenses</b>				
FY 2010-11 Long Bill	559,426	559,426	0	
Decision Item NP-1 - Statewide Printing	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>559,426</b>	<b>559,426</b>	<b>0</b>	
<b>FY 2010-11 Recommendation</b>	<b>\$5,812,371</b>	<b>\$3,182,569</b>	<b>\$2,629,802</b>	<b>67.0</b>

**Underground Injection Program**

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

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

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

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**Plugging and Reclaiming Abandoned Wells**

*Description:* This line item provides funding for plugging and reclaiming 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 \$220,000 spending authority from the Oil and Gas Conservation and Environmental Response Fund, which is identical to the FY 2010-11 appropriation.

*Staff Recommendation:* **Staff recommends the request for \$220,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund.** Each year, the Department identifies more abandoned wells than it can address and must prioritize the projects (see discussion below associated with the Emergency Response line item). The cost and complexity of reclamation varies, but in recent years the funding has allowed reclamation of an average of 20-25 wells per year, with the actual number reclaimed fluctuating based on the complexity of projects addressed in a given year (see the Emergency Response line item below for additional discussion of abandoned well workload).

**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 2010-11 appropriation.

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

**Emergency Response**

*Description:* In 2006, the JBC approved the creation of this line item with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. This line item 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.

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

*Request:* The Department requests a continuation appropriation \$1.5 million from the Oil and Gas Conservation and Environmental Response Fund, which is the same as the FY 2009-10 appropriation. With decision item #3 (Modify Footnote Regarding Use of Emergency Funds, discussed below), the Department requests a change to the Long Bill footnote associated with this line item to provide flexibility to use up to 15.0 percent of the appropriation for non-emergency reclamation of abandoned wells, work typically conducted under the Plugging and Reclaiming Abandoned Wells line item discussed above.

*Staff Recommendation:* **Staff recommends the requested continuation level funding. Staff recommends rejection of the decision item request to modify the line item's Long Bill footnote, as discussed below.** The Department appears to be using the appropriation as intended and has not abused the spending authority.

**DI #3: MODIFY FOOTNOTE REGARDING USE OF EMERGENCY FUNDS**

*Request:* With decision item #3, the Department requests a modification to the Long Bill footnote governing the use of Emergency Response funds. The modification would allow the Oil and Gas Conservation Commission, acting by order, to use up to 15.0 percent (up to \$225,000) of the Emergency Response appropriation to fund non-emergency projects on the Plugging and Reclaiming Abandoned Wells (PRAW) project list. The proposed footnote, with additions in bold italics, is below.

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 the 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. ***If the Oil and Gas Conservation Commission***

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***Director and the Oil and Gas Conservation Commission have reasonable cause to believe that this line will not be expended in full, the Commission acting by order may authorize up to 15% of this line to be used to fund projects on the Plugging and Reclaiming Abandoned Wells project list in order to protect the public health, safety, or welfare, or the environment.***

The Department is requesting additional flexibility through the footnote modification rather than an increase to the PRAW line item because the request: (1) does not require an increase in spending authority; (2) maintains flexibility to spend the full amount on emergency response in some cases (if the emergency occurs early enough in the fiscal year that the OGCC has not committed funding to PRAW uses); and (3) still allows the Department to more than double PRAW spending if the OGCC believes that emergency response needs would allow for the additional PRAW spending.

*Staff Analysis:* The goal of the decision item is to accelerate PRAW projects. While the modification would not increase spending authority, it would most likely increase state *expenditures* for as long as the revised footnote remained in effect simply because the Emergency Response line item is little used in most years. The line item was first created in FY 2006-07 and has been funded at \$1.5 million per year since that time. The Department has spent a *total* of \$416,582 over that period (\$71,904 in FY 2006-07 and \$344,678 in FY 2007-08), with no expenditures in FY 2009-10 or FY 2010-11. As a result, assuming that the Department utilized the requested flexibility, staff would expect the OGCC's actual expenses to increase by \$225,000 in FY 2011-12 and in future years where the General Assembly granted the flexibility.

According to the Department, when the decision item was drafted there were a total of 82 projects on the PRAW list that were either in process or planned. Seventeen of those 82 projects are considered "high priority" because of their risk to public health or the environment, and the Department estimates that completing the 17 high priority projects would cost \$438,000. At the current PRAW appropriation level (\$220,000 in FY 2010-11 and requested in FY 2011-12), that is approximately two years of work to reclaim the *known* high priority wells. The Department estimates that completing all 82 projects currently on the list would cost approximately \$870,000, roughly four years of the current appropriated level. In addition, the OGCC's inspection crews discover more abandoned wells each year. At current appropriation levels, the Department argues that addressing the known high priority projects will take years and lower priority projects will remain unaddressed for many years.

Staff highlights the following concerns about the request as submitted:

1. Modifying the footnote offers only a limited degree of flexibility. In order to effectively plan, contract for, and implement the additional PRAW projects, the OGCC would have to commit

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to doing the additional projects early in the fiscal year. Thus, the \$225,000 would already be committed to PRAW projects if an actual emergency occurred more than a few weeks into the fiscal year. **If the Committee wishes to go forward with the proposal to increase PRAW spending by \$225,000 per year, staff would recommend simply cutting the Emergency Response line item by that amount and increasing PRAW.** Doing so would: (1) be more transparent with respect to the use of the funds; (2) have relatively little impact on the actual flexibility retained by the OGCC because of the timing issues discussed above; and (3) would leave \$1.275 million in the Emergency Response line item, more than three times the highest annual expenditure under the Emergency Response line item to date.

2. The urgency of the request is unclear. Many of the wells in question were abandoned in the 19th and early 20th centuries and have been present for decades. The OGCC is finding more projects than in prior years because of the increased number of inspectors on the ground but staff is not convinced that the actual problem is becoming more serious or more urgent. That said, staff does not question the validity of the projects. Abandoned wells can be dangerous, particularly in proximity to enclosed spaces which may collect combustible gases and even explode. The OGCC has responded to multiple cases of this variety in the past, including some with significant injuries and damage to property. To the extent that new development is taking place in proximity to abandoned wells, the odds of such accidents increase. In addition to safety hazards, abandoned wells can have significant environmental impacts, including major effects on agricultural and grazing lands as well as water supplies.

*Staff Recommendation:* **Staff recommends that the Committee deny the request because of the concerns highlighted above and largely because of the overall fiscal climate.** Staff's recommendation is based largely on the assumption that the Committee wishes to reduce growth in *all* spending at this point (staff notes that the request would not impact the General Fund shortfall in any way and does not impact spending authority). In a more "normal" fiscal climate, staff would likely recommend the request. Finally, as discussed above, if the Committee does wish to allow for the increased expenditures on PRAW projects, staff would recommend simply cutting the Emergency Response line item by \$225,000 and increasing the PRAW line item by the same amount as a more transparent means of funding the additional projects.

**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:

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- 38 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 2011-12 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 2011-12.

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

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

*Description:* Senate Bill 07-198 created the Coalbed Methane Seepage Cash Fund and continuously appropriated moneys in the Fund to the Department to determine the most cost-effective methods of mitigating the seepage of methane gas along the outcrop of the Fruitland formation in La Plata county, and to install wells to monitor the seepage of methane gas in the Fruitland formation in Archuleta county, through June 30, 2010. The fund 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 2011-12.

**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**

State Board of Land Commissioners Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Director/Operations	4.5	5.5	5.5	5.5
Field Operations	15.4	16.0	16.0	16.0
Minerals	6.8	6.8	6.8	6.8
Real Estate	2.7	4.0	4.0	4.0
Financial	4.7	4.7	4.7	4.7
<b>Total</b>	34.1	37.0	37.0	37.0

**Program Costs**

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

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

*Request:* The Department requests continuation level funding according to OSPB's common policies. The following statewide requests impact 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 2010-11 pursuant to S.B. 10-146;
- a reduction associated with the "Statewide PERA Adjustment" (DI NP-4); and
- an increase associated with statewide printing of mainframe documents (DI-NP-1).

*Staff Recommendation:* **Staff recommends continuation level funding calculated according to the JBC's common policies, with adjustments for the statewide requests and the 1.5 percent personal services base reduction.** The components of the staff recommendation are summarized in the following table.

<b>Summary of Recommendation</b>		
<b>(5) State Land Board Program Costs — Department of Natural Resources</b>		
	<b>Cash Funds</b>	<b>FTE</b>
<b>Personal Services</b>		37.0
FY 2010-11 Long Bill	\$2,366,307	
Restore FY 2010-11 PERA Reduction	63,709	
Decision Item NP-4 - FY 2011-12 PERA Reduction	(59,882)	
Base Reduction (1.5%)	<u>(36,450)</u>	
<b>Subtotal, Personal Services</b>	<b>2,333,684</b>	<b>37.0</b>
<b>Operating Expenses</b>		
FY 2010-11 Long Bill	1,309,023	
Decision Item NP-1 - Statewide Printing	<u>0</u>	
<b>Subtotal, Operating Expenses</b>	<b>1,309,023</b>	
<b>FY 2011-12 Recommendation</b>	<b>\$3,642,707</b>	<b>37.0</b>

**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



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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.**

**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.

*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:

- 35 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 2012-13~~ FY 2013-14, 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.

- 36 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 2012-13~~ FY 2013-14, 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.

- 37 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. As discussed with decision item #3 (see discussion on page 33), the Department is requesting a modification of this footnote, which staff recommends denying. If the Committee approves the decision item, then staff will adjust the footnote accordingly.

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- 38 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:

- 38 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.
- 39 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.