



JOINT BUDGET COMMITTEE STAFF FY 2020-21 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Natural Resources

*Division of Reclamation, Mining, and Safety, Oil and Gas Conservation
Commission, the State Board of Land Commissioners, and severance tax policy.*

Funding for the Department of Natural Resources in FY 2019-20 consists of 11.2 percent General Fund, 77.9 percent cash funds, 2.3 percent reappropriated funds, and 8.6 percent federal funds.

Funding for the divisions covered in this briefing packet consist of 89.0 percent cash funds, 0.7 percent reappropriated funds, and 10.3 percent federal funds in FY 2019-20. These divisions did not receive General Fund appropriations in FY 2019-20 and have not requested General Fund appropriations in FY 2020-21.

FY 2019-20 APPROPRIATION AND FY 2020-21 REQUEST

DEPARTMENT OF NATURAL RESOURCES – DRMS, OGCC, AND SBLC						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION:						
SB 19-207 (Long Bill)	33,314,777	0	29,615,470	225,000	3,474,307	243.1
Other legislation	535,508	0	535,508	0	0	5.0
TOTAL	\$33,850,285	\$0	\$30,150,978	\$225,000	\$3,474,307	248.1
FY 2020-21 REQUESTED APPROPRIATION:						
FY 2019-20 Appropriation	\$33,850,285	0	\$30,150,978	\$225,000	\$3,474,307	248.1
R1 Electronic oil and gas filing system	0	0	0	0	0	0.0
R5 True-up orphaned well and emergency spending authority	(1,761,000)	0	(1,761,000)	0	0	0.0
R9 Optimize inactive mines program spending authority	0	0	0	0	0	0.0
R10 True-up coal program spending authority	(164,500)	0	(34,545)	0	(129,955)	(1.0)
Annualize prior year legislation	1,107,580	0	1,092,466	0	15,114	7.0
Annualize prior year budget actions	442,564	0	356,438	0	86,126	0.0
Indirect cost assessment	(17,434)	0	(26,627)	0	9,193	0.0
TOTAL	\$33,457,495	\$0	\$29,777,710	\$225,000	\$3,454,785	254.1
INCREASE/(DECREASE)	(\$392,790)	\$0	(\$373,268)	\$0	(\$19,522)	6.0
Percentage Change	(1.2%)	0.0%	(1.2%)	0.0%	(0.6%)	2.4%

R1 ELECTRONIC OIL AND GAS FILING SYSTEM: The request, from the Oil and Gas Conservation Commission (OGCC), includes an increase of \$147,840 cash funds from the Oil and Gas Conservation and Environmental Response Fund in FY 2020-21 for the development of an electronic filing system to manage hearing applications. The table above reflects a zero-dollar appropriation because the appropriation is located in the Payments to OIT line item in the Executive Director's Office. The request includes a FY 2019-20 supplemental request to be submitted in January for \$83,710 cash funds, and ongoing annual subscription fees of \$35,640.

R5 TRUE-UP ORPHANED WELL AND EMERGENCY SPENDING AUTHORITY: The request includes a \$1.8 million cash funds decrease from the Oil and Gas Conservation and Environmental Response Fund equal to an 8.75 percent decrease in the overall OGCC program budget. The request proposes a \$1.2 million decrease to the Plugging and Reclaiming Abandoned Wells line item (Orphaned Well Program) and a \$0.6 million decrease to the Emergency Response line item.

R9 OPTIMIZE INACTIVE MINES PROGRAM SPENDING AUTHORITY: The request includes a budget neutral line item consolidation in the Division of Reclamation, Mining, and Safety's Inactive Mines Reclamation Program (IMRP). The request consolidates the Legacy Mine Hydrology Projects, Reclamation of Forfeited Mine Sites, and Emergency Response Costs line items into the Inactive Mines Program Costs line item. As a part of the request, the Department requests legislation to eliminate statutory transfers from the Severance Tax Operational Fund to IMRP cash funds that would no longer be necessary.

R10 TRUE-UP COAL PROGRAM SPENDING AUTHORITY: The request includes a decrease of \$164,500 total funds, including a decrease of \$34,545 cash funds from the Severance Tax Operational Fund and a decrease of \$129,955 federal funds and a decrease of 1.0 FTE in the Coal Land Reclamation program. This request reflects an ongoing reduction and elimination of a permanently vacant position to better align staff and funding with changes in the coal industry.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net increase of \$1.1 million total funds to reflect the FY 2020-21 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
SB 19-181 Protect Public Welfare Oil and Gas	\$1,003,782	\$0	\$1,003,782	\$0	7.0
SB18-200 PERA Unfunded Liability	103,798	0	88,684	15,114	0.0
TOTAL	\$1,107,580	\$0	\$1,092,466	\$15,114	7.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net increase of \$442,564 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Annualize prior year salary survey	\$557,917	\$0	\$471,791	\$86,126	0.0
FY 19-20 BA2 Additional Oil and Gas Inspectors	(70,011)	0	(70,011)	0	0.0
FY 19-20 R2 Additional Oil and Gas Staffing	(28,744)	0	(28,744)	0	0.0
FY 19-20 Oil and Gas FTE	(16,598)	0	(16,598)	0	0.0
TOTAL	\$442,564	\$0	\$356,438	\$86,126	0.0

INDIRECT COST ASSESSMENT: The request includes net adjustments to indirect costs across these Divisions.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SEVERANCE TAX OPERATIONAL FUND UPDATE – S.B. 19-016: Senate Bill 19-016, Severance Tax Operational Fund Distribution Methodology, made changes to the Severance Tax Operational Fund distribution process. This informational issue brief summarizes the changes made in the bill.

FOLLOW-UP ON DEPARTMENT OF REVENUE FY 2018-19 RFI – RESOURCES FOR SEVERANCE TAX REPORTING:

The Department of Revenue submitted its response to a 2018 Long Bill Request for Information (RFI) as required on November 1, 2018. The response included statutory recommendations and additional funding recommendations, but none were included in the Department of Revenue's budget request. The JBC did not take action on the Department's RFI response for FY 2019-20. This issue brief follows up on the RFI response as it relates to unresolved severance tax data reporting and tax data reporting problems generally by the Department of Revenue and its GenTax tax administration information system.

DEPARTMENT REQUESTS – R1, R5, R9, AND R10: The Department's FY 2020-21 budget request includes two request items from the Oil and Gas Conservation Commission and two request items from the Division of Reclamation, Mining, and Safety. These requests include an increase of \$147,840 cash funds for an electronic filing system to better manage the hearings process for oil and gas hearings applications, two decreases in spending authority totaling \$1.9 million for budget alignment with recent actual expenditures, and one budget neutral request for line item consolidation to increase program expenditure efficiency and flexibility.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2020-21_natbrf2.pdf