

Schedule 13
Funding Request for the 2012-13 Budget Cycle

Department: Department of Natural Resources
Request Title: Annual Fleet True-Up
Priority Number: N/A

Dept. Approval by: Will. H. Levine 12-23-2011
 Date
OSPB Approval by: _____
 Date

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input checked="" type="checkbox"/> Supplemental FY 2011-12 |
| <input type="checkbox"/> Budget Amendment FY 2012-13 |

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
Fund		Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	2,898,675	(9,236)	2,898,675	-	-
	FTE	-	-	-	-	-
	GF	293,114	7,284	293,114	-	-
	GFE	-	-	-	-	-
	CF	2,553,410	(20,014)	2,553,410	-	-
	RF	-	-	-	-	-
	FF	52,151	3,494	52,151	-	-
(1) Executive Director's Office, Vehicle Lease Payments	Total	2,898,675	(9,236)	2,898,675	-	-
	FTE	-	-	-	-	-
	GF	293,114	7,284	293,114	-	-
	GFE	-	-	-	-	-
	CF	2,553,410	(20,014)	2,553,410	-	-
	RF	-	-	-	-	-
	FF	52,151	3,494	52,151	-	-

Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:**

This supplemental will increase the use of cash from the Operational Account of the Severance Tax Trust Fund by \$254

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: **Not Required:**

Schedule 13s from Affected Departments: Department of Personnel and Administration

Other Information:

Schedule 13
Funding Request for the 2012-13 Budget Cycle

Department: Natural Resources
 Request Title: Capitol Complex Leased Space Adjustments
 Priority Number: N/A

Dept. Approval by: Will. H. Leone 12-23-2011
 Date

OSPB Approval by: _____
 Date

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input checked="" type="checkbox"/> Supplemental FY 2011-12 |
| <input type="checkbox"/> Budget Amendment FY 2012-13 |

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
Fund		Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	872,671	28,087	872,671	-	-
	FTE	-	-	-	-	-
	GF	217,855	7,012	217,855	-	-
	GFE	-	-	-	-	-
	CF	376,769	12,125	376,769	-	-
	RF	171,132	5,508	171,132	-	-
	FF	106,915	3,442	106,915	-	-
Capitol Complex Leased Space	Total	872,671	28,087	872,671	-	-
	FTE	-	-	-	-	-
	GF	217,855	7,012	217,855	-	-
	GFE	-	-	-	-	-
	CF	376,769	12,125	376,769	-	-
	RF	171,132	5,508	171,132	-	-
	FF	106,915	3,442	106,915	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:
 Section (1) Executive Director's Office letternote "a" should be revised to reflect an additional \$5,508 in departmental indirect cost recoveries. Section (1) Executive Director's Office letternote "b" should be revised to reflect an additional \$8,324 in additional cash from various sources of cash funds and an additional \$3,801 from the Operational Account of the Severance Tax Trust Fund.

Cash or Federal Fund Name and COFRS Fund Number:
 Reappropriated Funds Source, by Department and Line Item Name:
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments:
 Other Information:

Schedule 13 Funding Request for the 2012-13 Budget Cycle

Department: Department of Natural Resources
Request Title: OIT Communications Services Payments Utilities Increase
Priority Number: N/A

Dept. Approval by: Will H. Lewis 12-23-2011
 Date

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input type="checkbox"/> Supplemental FY 2011-12 |
| <input checked="" type="checkbox"/> Budget Amendment FY 2012-13 |

OSPB Approval by: _____
 Date

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	1,060,571	-	1,148,157	3,937	3,937
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	1,060,571	-	1,148,157	3,937	3,937
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(1) Executive Director's Office, Communication Services Payments	Total	1,060,571	-	1,148,157	3,937	3,937
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	1,060,571	-	1,148,157	3,937	3,937
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:
Reappropriated Funds Source, by Department and Line Item Name:
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: Governor's Office of Information Technology
Other Information:

Schedule 13 Funding Request for the 2012-13 Budget Cycle

Department: Department of Natural Resources
Request Title: OIT Staff Transfer - Technical Adjustment
Priority Number: N/A

Dept. Approval by: Will H. Lewis 12-23-2011
 Date

OSPB Approval by: _____
 Date

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input type="checkbox"/> Supplemental FY 2011-12 |
| <input checked="" type="checkbox"/> Budget Amendment FY 2012-13 |

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
Fund		Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	69,088,792	-	69,855,399	-	-
	FTE	551.4	-	551.4	2.0	2.0
	GF	471,648	-	684,522	-	-
	GFE	-	-	-	-	-
	CF	57,002,990	-	57,860,864	-	-
	RF	1,521,241	-	922,448	-	-
	FF	10,092,913	-	10,387,565	-	-
(1) Executive Director's Office, Purchase of Services from Computer Center	Total	5,411,608	-	5,324,088	(150,470)	(150,470)
	FTE	-	-	-	-	-
	GF	471,648	-	684,522	-	-
	GFE	-	-	-	-	-
	CF	3,314,076	-	3,508,627	(150,470)	(150,470)
	RF	1,521,241	-	922,448	-	-
	FF	104,643	-	208,491	-	-
(6) Division of Parks and Wildlife, (D) Wildlife Operations, (2) Wildlife Management	Total	63,677,184	-	64,531,311	150,470	150,470
	FTE	551.4	-	551.4	2.0	2.0
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	53,688,914	-	54,352,237	150,470	150,470
	RF	-	-	-	-	-
	FF	9,988,270	-	10,179,074	-	-

Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:**
 The amount shown as coming from the Wildlife Cash Fund, in the Wildlife Operations section, will need to be increased by \$150,470.
Cash or Federal Fund Name and COFRS Fund Number: #410 (Wildlife Cash Fund)
Reappropriated Funds Source, by Department and Line Item Name:
Approval by OIT? Yes: No: **Not Required:**
Schedule 13s from Affected Departments: Governor's Office of Information Technology
Other Information:



DEPARTMENT OF NATURAL RESOURCES

John W. Hickenlooper
Governor

*FY 2011-12 Supplemental and FY 2012-13 Budget Amendment
January 3, 2012*

Mike King
Executive Director

Department Priority: 1 Local Government Liaisons

Summary of Incremental Funding Change for Fiscal Years 2011-12 and 2012-13	Total Funds	Cash Funds	FTE
OGCC – Local Government Liaisons FY 11-12 Supp.	\$62,413	\$62,413	0.5
OGCC – Local Government Liaisons FY 12-13 B.A.	\$203,925	\$203,925	2.0

Request Summary:

The Oil and Gas Conservation Commission (OGCC) is requesting a \$62,413 FY 2011-12 supplemental and a \$203,925 FY 2012-13 budget amendment for an additional 2.0 FTE, effective March 1, 2012. The funding source would be the Oil and Gas Conservation and Environmental Response Fund. The requested positions would serve as liaisons between the OGCC and local governments.

Background and Details of Request:

Counties that are new to oil and gas development, or have previously experienced only limited development in rural areas, are being pushed by their constituency to take action and provide protection against the oil and gas industry. The extensive publicity surrounding the Niobrara shale oil play, the extraordinary level of leasing activity, and the ongoing national debate on hydraulic fracturing have generated a considerable amount of anxiety. In response to their concerns, local officials, many of whom are unfamiliar with this type of industrial activity or the role of the OGCC, are crafting rules that often conflict with the State's. Gunnison County officials, for example, proposed additional set back requirements and more restrictive surface casing rules. They recently agreed to a memorandum of understanding with the State, however, but only after extensive involvement by the Department of Natural Resources. In the

meantime, El Paso County issued a four-month moratorium on the issuance of drilling permits, commencing in September, while it develops county oil and gas regulations. The city of Colorado Springs recently followed with its own six-month moratorium. Longmont, Commerce City, and Aurora are currently considering bans on oil and gas operations.

Other local governments that have recently either implemented or considered oil and gas regulations, such as additional set back requirements, downhole regulations, ground and surface water sampling requirements, and hydraulic fracturing regulations include: Routt County, Elbert County, Douglas County, the town of Coal Creek in Fremont County, Arapahoe County, Rio Grande County, Adams County, Fort Collins in Larimer County, and the town of Craig in Moffat County. In an attempt to avoid the development of a patchwork of local regulations that potentially conflict with State rules, OGCC staff has made dozens of presentations to local government officials and the public regarding oil and gas issues and the role of the OGCC.

The following is a sampling of OGCC staff involvement in local public meetings:

- Gunnison County - OGCC staff participated in October 2010; and

June, July, August, and September 2011 public meetings. OGCC and Gunnison officials approved a Memorandum of Understanding on October 31, 2011.

- Routt County - OGCC staff participated in two September 2011 public meetings.
- Elbert County - OGCC staff participated in January, June, October, and November 2011 public meetings.
- Douglas County - OGCC staff participated in April and June 2011 public meetings.
- Coal Creek, Fremont County - OGCC staff made presentations in January 2011 and participated in a town meeting in March 2011.
- Arapahoe County - OGCC staff participated in July, October, and November 2011 public meetings.
- El Paso County - OGCC staff participated in June, August, October, and November 2011 public meetings.
- Rio Grande County - OGCC staff presented to the Rio Grande Basin Roundtable in March 2011.
- Craig, Moffat County - OGCC staff attended a Craig City Council oil and gas information meeting in September 2011.
- Longmont, Boulder County – OGCC staff presented to Longmont City Council in November and December 2011.
- Broomfield – OGCC staff presented to the City and County of Broomfield in December, 2011.

- Adams County – OGCC staff met with the Planning Commission in December 2011.

This time-intensive effort to stave off a morass of rules, through which the industry and public would have to operate, is essential and welcomed by local governments and industry alike, but it is unsustainable. OGCC senior staff members, one or more of whom typically prepare for and travel to these events, are left with little time to devote to their technical and supervisory responsibilities. These same staff members are also routinely inundated with emails and phone calls from these communities; and failing to respond in a timely manner could bolster the argument for more local regulations.

To address this recent, substantial workload increase the agency has considered two alternatives: 1) request funding for contractors to perform these outreach activities; or 2) request funding for two additional FTE. The former was ultimately deemed impractical given the long term nature and complexity of these issues. The state may experience fluctuations in the number of drilling applications from year to year, but they are expected to increase over the long term as a result of depletion of existing fields and the ongoing energy needs of the U.S. The large conventional oil and gas fields have already been discovered. Operators are now looking for the little fields, unconventional plays, and smaller reservoirs. This ongoing need for additional energy resources will continue to drive oil and gas operations into new areas. More traditional oil and gas areas will also be impacted, as new technologies are developed. Any concerns or potential risks associated with them would require the agency's attention. Even old technologies in new areas are huge concerns to residents, as illustrated by the recent controversy over hydraulic fracturing.

The OGCC needs oil and gas professionals with in-depth knowledge of the agency, the industry, and environmental issues, as well as the ability to prepare presentations and articulate the agency's

policies and rules. A technical background and longevity at the agency are key to the necessary efficiency of the requested positions. The ability to work with relative independence and deliver a consistent message at the local forums they attend is essential. Other staff members will not have time to closely review and edit all presentation materials.

Moreover, the requested staff members would need the skills to work closely with local governments to integrate them into the state's permitting and regulatory processes. The OGCC can incorporate local concerns into the state processes, provided local governments understand and use those processes. This requires ongoing individual attention. If there is a breakdown in communication, due to the state's lack of skills or resources, then local governments would likely pursue a different route to gain local control of oil and gas activity, probably resulting in more rules for industry. Some of the communication could be rather difficult. For example, there will be times when the OGCC does not agree with a local government's recommendation on a permit. When a situation like this arises, for reasons ranging anywhere from technical to legal, it is essential that the OGCC's liaison for that area explain the state's decision directly to the impacted local government, allowing the latter to pass along accurate information to its constituents. A better understanding of the state's position should reduce tension and save time for everyone involved, including the oil and gas operators. Good community relations are important to them and the state should be doing more to prevent local roadblocks, based on misinformation, to development.

The requested local government liaisons would perform the following duties. The estimated time required for each task is included.

- Participate in local government meetings concerning oil and gas activity. Discuss the industry oversight roles of local, state, and federal governments and how,

through coordination, multiple levels of government can provide an appropriate, relatively predictable regulatory environment for the industry, and still address specific local issues. *Average 12 hours per week x 52 weeks = 624 (includes preparation and travel time).*

- Educate county governments, municipalities, and special districts about the OGCC's Local Governmental Designee (LGD) program and how, through the LGD process, they have the ability to: provide input into drilling permits, location assessments (Form 2As), and well density requests; submit complaints; appeal Commission orders; request consultation with the OGCC or CDPHE; and extend the public comment period on permits. *Average 10 hours per week x 52 weeks = 520.*
- Provide outreach and training to Local Governmental Designees to improve the efficiency and effectiveness of the LGD program. *Average 22 hours per week x 52 weeks = 1,144 hours.*
- Review local government comments on Form 2As and provide individual attention to LGDs regarding their concerns. Once educated about the LGD process, the OGCC expects LGDs, particularly those representing areas new to development, to frequently comment on Form 2As. *Average 18 hours per week x 52 weeks = 936 hours.*
- Prepare and maintain presentation materials that can be used by other OGCC staff members to ensure a consistent message is delivered by the state. *Average 2 hours per week x 52 weeks = 104 hours.*
- Act as a first point of contact for local governments, and prepare verbal or written responses to their questions, as

appropriate. *Average 18 hours per week x 52 weeks = 936 hours.*

FTE calculation: Total estimated hours of 4,264 divided by 2,080 hours/FTE = approx. 2.0 FTE

Assumptions for Calculations:

- **Salaries:** Due to competition with the oil and gas industry for skilled employees, the OGCC has been unable to attract qualified staff at range minimum salaries in recent years. The scarcity of applicants has forced the OGCC to conduct multiple searches and ultimately pay salaries up to 30% above range minimum. The requested positions would be classified as Environmental Specialist IIIs, because they require extensive oil and gas experience as an Environmental Specialist, or related profession. To successfully compete for and retain qualified candidates, the OGCC is requesting that funding be appropriated at 20% above the range minimum (\$5,733 x 1.2 = \$6,880/month).
- **Laptops:** Due to frequent travel and presentations, laptops with upgraded processors and storage for use with GIS software and OGCC custom applications will be required. Estimated cost is \$1,800/laptop x 2 = \$3,600.
- **Cell Phones:** Due to frequent travel, cell phones will be required. Verizon basic plan is \$31.53/month x 2 FTE x 12 months = \$757
- **Travel Expenses:** An average of one overnight trip per month per employee is expected. \$220/trip x 1 trip/month x 12 months x 2 FTE = \$5,280
- **Home-based office expenses:** The OGCC is currently planning to locate these staff positions in the regions most affected by oil and gas activity, thus incurring minor, but ongoing home office phone, fax, and Internet services. Typical monthly Qwest package for these services is \$146.45/month x 12 months

= \$1,757. After subtracting common policy of \$450 for Telephone Base, the OGCC requests \$1,307 x 2 FTE = \$2,614.

- **Mileage:** Combined, the requested FTEs would use their personal vehicles to travel an estimated average of 350 miles per week x 52 weeks = 18,200 miles/year x \$0.50/mile = annual cost of \$9,100.

Consequences if not Funded:

The consequences of not funding this request as a FY 2011-12 supplemental and FY 2012-13 budget amendment are potentially far reaching. If the state ignores opportunities to maximize the coordination, compatibility, and predictability of state and local regulations, Colorado might be considered an “unfriendly state” to industry, with potentially hundreds of regulatory regimes. Lawsuits by the industry, challenging local rules, would likely follow. Colorado is already considered to have the most comprehensive oil and gas regulations in the nation; and, by statute, the OGCC is mandated to foster the responsible, balanced development of the state’s oil and gas resources.

Additionally, the state would likely be drawn into any litigation between the industry and local governments. Significant costs in terms of the OGCC’s and Attorney General’s staff time would be incurred, but, because the litigation is between third parties, the state will have little or no control over the processes or outcomes. Legislation to address local government issues could also be pursued. Either or both scenarios would cause major distractions for staff, as well as elected officials.

The need for the positions is urgent, as well as long term. It will not fade in a few years, due to ongoing demand for energy and the constant push to develop new resources. This is a resource-rich state that is ranked fifth in the nation in natural gas production and third in natural gas reserves. There are many untapped horizons throughout the state. Improved exploration, drilling, and

completion technologies are making previously unknown or uneconomical oil and gas plays very attractive, even at relatively low commodity prices. As prices rise, as they inevitably will, the pace of development will accelerate even more, and, as some local governments become comfortable working with the state and industry, others will be impacted for the first time.

Every month, local governments are discussing oil and gas regulation. The Oil and Gas Conservation Commission cannot afford to wait to address these issues while additional regulations are adopted (see the discussion of recent events in the Background Section on page 1 of this request). Because additional local regulations and moratoriums are being considered over the coming months, the Department is seeking a supplemental to better address local regulation issues as soon as possible.

Impact to Other State Government Agency:

None expected.

Current Statutory Authority or Needed Statutory Change:

This request will *not* necessitate a statutory change. The following statutes give the OGCC

broad authority to request these additional resources:

CRS 34-60-102(1): Oil and Gas Conservation Act – declares it is to be in the public interest to foster the responsible, balanced development, production, and utilization of the natural resources of oil and gas in the state of Colorado in a manner consistent with protection of public health, safety, and welfare, including protection of the environment and wildlife resources...

CRS 34-60-106(2)(d): The commission has the authority to regulate...Oil and gas operations so as to prevent and mitigate significant adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations to the extent necessary to protect public health, safety, and welfare, including protection of the environment and wildlife resources, taking into consideration cost-effectiveness and technical feasibility.

Cash Fund Projections:

The Oil and Gas Conservation and Environmental Response Fund (Fund 170) is capable of funding this request without a mill levy increase, under current production and product price projections. Table 1 below shows the agency's projections through FY 2013-14.

Table 1

Cash Fund Name	Cash Fund Number	FY 2010-11 Expenditures	FY 2010-11 End of Year Cash Balance	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate	FY 2013-14 End of Year Cash Balance Estimate
Oil and Gas Conservation and Emergency Response Fund	170	\$5,454,078	\$7,865,329	\$7,500,000	\$6,500,000	\$5,800,000

Schedule 13 Funding Request for the 2012-13 Budget Cycle

Department: Natural Resources

Request Title: OGCC - Local Government Liaisons

Priority Number: _____

Dept. Approval by: Will H. Levin 12-23-2011
Date

- | |
|--|
| <input checked="" type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input type="checkbox"/> Supplemental FY 2011-12 |
| <input type="checkbox"/> Budget Amendment FY 2012-13 |

OSPB Approval by: _____
Date

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	8,711,046	62,413	8,823,897	203,925	203,925
	FTE	67.0	0.5	67.0	2.0	2.0
	GF	293,114	-	293,114	-	-
	GFE	-	-	-	-	-
	CF	8,365,781	62,413	8,478,632	203,925	203,925
	RF	-	-	-	-	-
	FF	52,151	-	52,151	-	-
(4) Oil and Gas Conservation Commission, Program Costs	Total	5,812,371	62,413	5,925,222	203,925	203,925
	FTE	67.0	0.5	67.0	2.0	2.0
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	5,812,371	62,413	5,925,222	203,925	203,925
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

The FY 2011-12 OGCC letternote "a" will need to be revised to reflect an additional \$62,413 coming from the Oil and Gas Conservation and Environmental Response Fund.

The FY 2012-13 OGCC letternote "a" will need to be revised to reflect an additional \$203,925 coming from the Oil and Gas Conservation and Environmental Response Fund.

Cash or Federal Fund Name and COFRS Fund Number: Oil and Gas Conservation and Environmental Response Fund (#170)

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments:

Other Information:



DEPARTMENT OF NATURAL RESOURCES

John W. Hickenlooper
Governor

Mike King
Executive Director

*FY 2011-12 Supplemental
November 14, 2011*

Department Priority: xx
Request Title: Reversal of Coal Program Refinancing

Summary of Incremental Funding Change for FY 2011-12	Total Funds	Cash Funds	Federal Funds	FTE
Reversal of cash funds refinancing in the Coal Regulatory Program due to increased federal grant funding.	\$0	(\$273,306)	\$273,306	0.0

Request Summary:

This request is for a shift of \$273,306 in spending authority from cash funds/severance tax to federal funds to accommodate a higher than projected federal grant award in the Coal Regulatory Program (Coal Program). The financing shift will accurately reflect the federal and cash funding proportion used to support personal services and operating costs associated with enforcement of coal mine regulations and assurance of reclamation of mined acres to beneficial use.

At the time of the original FY 2011-12 Office of Surface Mining (OSM) funds were projected to be reduced by 15 percent, for which a Change Request (DI-1) was submitted to refinance the gap in funding with cash funds. In May of 2011 it became apparent that the federal grant reduction was not going to occur, at this point it was too late to incorporate this new information into the FY 2011-12 budget. Therefore this request is a reversal of the Change Request action. This request provides timely and accurate state budget information to reflect a reversion of \$273,306 cash funds/severance tax spending authority. The cash revenue is replaced by federal funds from the Dept of the Interior/Office of Surface Mining. This request aligns spending authority to OSM's target of 79 percent federal funding and 21 percent state matching funds, which is based on

the percentage of Colorado coal mine acres that occupy federal lands vs. other land ownership.

The federal grant funding for the Coal Program has fallen short of covering the OSM target of 79 percent in 6 of the last 10 state fiscal years. Cash/severance tax revenue was approved in each of those fiscal years to refinance the federal funds shortfall in order to avert staff layoffs and a significant decline in the state's regulatory oversight of coal mines. Initial OSM projections for state grants to incur a 15 percent reduction during the federal 2011 budget cycle were averted; final grant awards were distributed in May 2011.

Submittal of this request allows consideration of the unused cash/severance tax funds in the overall budget picture for FY2011-12. The cash funds amount of \$273,306 is currently restricted in the state's accounting system and the program had the ability to book the federal funds that exceeded the original spending authority level. Additionally, by reverting these funds to the Operational Account of the Severance Tax trust fund it will be possible to reduce the tier 1 reserves by an equal amount. This will result in a total reduction of FY 2011-12 obligations by \$546,612.

Impact to the FY2012-13 Budget Year:

The Department is still anticipating a 15 percent reduction and therefore is not requesting a change to the FY 2012-13 budget request.

In summary, in order to accurately reflect the actual cash vs. federal revenue split for the Coal Program for FY2011-12, this Supplemental requests a decrease of \$273,306 in cash spending authority and a corresponding increase in federal spending authority.

Anticipated Outcomes:

The main outcome of this request is to provide accurate information on severance tax revenue utilized by the Department of Natural Resources/ Tier 1 programs and on the spending authority shown per the FY2011-12 Supplemental bill.

Assumptions for Calculations:

The amount of \$273,306 is based on a reversal of the DI-1 Change Request amount submitted and approved in the FY2011-12 budget cycle. The origin of that amount was based on justification of funding required to maintain existing staffing levels and the related travel costs for coal mine inspections and enforcement activities.

Consequences if not Funded:

- No negative consequences will occur to the Coal Program if this request is not approved because there are no restrictions per the Long Bill that prevent the program from accepting/spending the additional federal grant funds. The cash/severance tax revenue would remain unspent through the end of FY2011-12.
- The overall state budget would not reflect accurate cash/severance tax obligations in a timely manner if this Supplemental is not approved.

Impact to Other State Government Agency:

Reversion of state severance tax spending authority may impact budgetary decisions related

to severance tax uses in other agencies/purposes if mid-year adjustments become necessary.

Cash Fund Projections:

Not applicable - this request reverts cash fund/severance tax spending authority.

Relation to Performance Measures:

No impact to the division's performance measures.

Supplemental/Budget Amendment Criteria:

Supplemental Criteria: Revised federal funding information was received after the original FY2011-12 budget was finalized (May 2011).

Budget Amendment: No change to the FY 2012-13 budget request. OSM continues to project a 15 percent reduction in state grants to the 2012 federal budget. The FY2012-13 Coal Program request retains an increased cash funds/severance tax level to cover this potential federal funds reduction; therefore, a companion Budget Amendment is not warranted at this time when the federal grant amounts are unknown. As more definitive grant information becomes available, the division will work within the state budget process to adjust the financing proportion for the Coal Program. [There is no indication from OSM at this time that federal grant reductions would exceed 15 percent; therefore a request for additional cash/severance tax revenue beyond the November 1, 2011 submittal is not anticipated.]

Current Statutory Authority or Needed Statutory Change:

The regulation of coal mining in Colorado is authorized by the federal Surface Mining Control and Reclamation Act of 1977 (PL95-87) and by Colorado Revised Statutes section 34-33-101 [2011]. This request does not require a statutory change.

(for Department and OSPB use only – this will not appear in final request)

Additional Request Information	Yes	No	Additional Information
Is this request driven by a new statutory mandate?		X	
Will this request require a statutory change?		X	
Is this a one-time request?	X		
Will this request involve any IT components?		X	

Schedule 13
Funding Request for the 2012-13 Budget Cycle

Department: Natural Resources
Request Title: Reversal of Coal Program Refinance
Priority Number: _____

Dept. Approval by: Will H. Levine 12-23-2011

 Date

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2012-13 |
| <input type="checkbox"/> Base Reduction Item FY 2012-13 |
| <input checked="" type="checkbox"/> Supplemental FY 2011-12 |
| <input type="checkbox"/> Budget Amendment FY 2012-13 |

OSPB Approval by: _____

 Date

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	6
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	2,105,000	-	2,145,204	-	2,145,204
	FTE	23.0	-	23.0	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	714,771	(273,306)	723,214	-	723,214
	RF	-	-	-	-	-
	FF	1,390,229	273,306	1,421,990	-	1,421,990
(A) Coal Land Reclamation, Program Costs	Total	2,105,000	-	2,145,204	-	2,145,204
	FTE	23.0	-	23.0	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	714,771	(273,306)	723,214	-	723,214
	RF	-	-	-	-	-
	FF	1,390,229	273,306	1,421,990	-	1,421,990

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Fund 704 (Operational Account of the Severance Tax Trust Fund)

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: N \ A

Other Information: