

**Schedule 13**  
**Funding Request for the 2013-14 Budget Cycle**

Department: Natural Resources/State Board of Land Commissioners  
 Request Title: Minerals Field Coordinator  
 Priority Number: R-2

Dept. Approval by: Will H. Le 10/18/2012  
 Date  
 OSPB Approval by: Geoff M. ... 10/23/12  
 Date

- Decision Item FY 2013-14
- Base Reduction Item FY 2013-14
- Supplemental FY 2012-13
- Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
Fund		Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
<b>Total of All Line Items</b>	<b>Total</b>	24,330,296	-	26,697,798	82,382	81,400
	FTE	37.0	-	37.0	1.0	1.0
	GF	2,731,092	-	2,809,077	-	-
	GFE	-	-	-	-	-
	CF	17,631,541	-	19,557,805	82,382	81,400
	RF	1,266,086	-	1,650,650	-	-
	FF	2,701,577	-	2,680,266	-	-
<b>(1) Executive Director's Office Health, Life, and Dental</b>	<b>Total</b>	10,007,209	-	11,107,783	4,421	4,421
	FTE	-	-	-	-	-
	GF	963,577	-	818,991	-	-
	GFE	-	-	-	-	-
	CF	6,215,329	-	7,266,502	4,421	4,421
	RF	1,069,178	-	1,437,218	-	-
	FF	1,759,125	-	1,585,072	-	-
<b>(1) Executive Director's Office Short Term Disability</b>	<b>Total</b>	155,493	-	176,734	101	101
	FTE	-	-	-	-	-
	GF	26,141	-	30,041	-	-
	GFE	-	-	-	-	-
	CF	102,043	-	116,019	101	101
	RF	5,494	-	5,731	-	-
	FF	21,815	-	24,943	-	-
<b>(1) Executive Director's Office Equalization Disbursement</b>	<b>Total</b>	3,185,576	-	3,766,558	2,055	2,283
	FTE	-	-	-	-	-
	GF	473,384	-	576,485	-	-
	GFE	-	-	-	-	-
	CF	2,157,966	-	2,561,300	2,055	2,283
	RF	102,945	-	109,157	-	-
	FF	451,281	-	519,616	-	-

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
	Fund	Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
<b>(1) Executive Director's Office Supplemental Equalization Disbursement</b>	<b>Total</b>	2,735,659	-	3,400,364	1,855	2,140
	FTE	-	-	-	-	-
	GF	404,868	-	520,438	-	-
	GFE	-	-	-	-	-
	CF	1,854,503	-	2,312,284	1,855	2,140
	RF	88,469	-	98,544	-	-
	FF	387,819	-	469,098	-	-
<b>(1) Executive Director's Office Vehicle Lease Payments</b>	<b>Total</b>	3,103,483	-	3,103,483	1,604	4,812
	FTE	-	-	-	-	-
	GF	331,892	-	331,892	-	-
	GFE	-	-	-	-	-
	CF	2,720,167	-	2,720,167	1,604	4,812
	RF	-	-	-	-	-
	FF	51,424	-	51,424	-	-
<b>(1) Executive Director's Office Leased Space</b>	<b>Total</b>	1,345,882	-	1,345,882	3,000	3,000
	FTE	-	-	-	-	-
	GF	531,230	-	531,230	-	-
	GFE	-	-	-	-	-
	CF	784,539	-	784,539	3,000	3,000
	RF	-	-	-	-	-
	FF	30,113	-	30,113	-	-
<b>(5) State Board of Land Commissioners Program Costs</b>	<b>Total</b>	3,796,994	-	3,796,994	69,346	64,643
	FTE	37.0	-	37.0	1.0	1.0
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	3,796,994	-	3,796,994	69,346	64,643
	RF	-	-	-	-	-
	FF	-	-	-	-	-
Letternote Text Revision Required?    Yes: <input type="checkbox"/> No: <input type="checkbox"/> If yes, describe the Letternote Text Revision:						
Cash or Federal Fund Name and COFRS Fund Number:    State Land Board Trust Administration Fund- Fund #162						
Reappropriated Funds Source, by Department and Line Item Name:						
Approval by OIT?    Yes: <input type="checkbox"/> No: <input type="checkbox"/> Not Required: <input checked="" type="checkbox"/>						
Schedule 13s from Affected Departments: Yes						
Other Information:						



# DEPARTMENT OF NATURAL RESOURCES

John W. Hickenlooper  
Governor

*FY 2013-14 Funding Request  
November 1, 2012*

Mike King  
Executive Director

8-1-12

Signature

Date

**Department Priority: R-2  
Minerals Field Coordinator**

Summary of Incremental Funding Change for FY 2013-14	Total Funds	Cash Fund	FTE
Minerals Field Coordinator	\$82,382	\$82,382	1.0

### Request Summary:

The State Land Board requests an increase of \$82,382 in cash spending authority and 1.0 FTE to allow it to respond to workload needs generated by the growth in oil and gas development on state trust land.

### Problem or Opportunity:

The State Land Board was established in 1876 to manage more than 3 million acres of land and 4 million acres of mineral rights that the federal government gave to Colorado to generate revenue for public education and some of the state's institutions. The Board is the trustee for the beneficiaries and is charged with the duties to generate reasonable and consistent income and preserve the long-term asset value through strong stewardship. Its earnings support not only the operations of the board, but several State school programs including the Building Excellent Schools Today (BEST) Program, the School Finance Act, and the Colorado Early Literacy Act.

The State Land Board experienced tremendous recent growth, with revenues more than doubling in the past three years (from \$66M in FY 2009-10 to \$145M in FY 2011-12). This increase is primarily due to oil and gas development on state trust land.

Despite the volatility of oil and gas development, the associated workloads are long-term and ongoing. All new oil and gas development on state trust land involves extensive staff time. Due to new oil and gas technology (such as fracking) as well as additional environmental requirements that the State Land Board requires of its lessees, State Land Board staff are required to more intensively manage both new and existing leases. Existing staff are unable to maintain their existing workload/performance. The State Land Board has not received an increase in staff in the last five years.

### Brief Background:

The need for minerals-focused field staff is driven by three factors. First the Niobrara and Mississippian oil and gas plays have increased both the number of oil and gas leases auctioned and number of wells permitted and drilled on existing leases. For the last three fiscal years, the Board auctioned roughly 400 new leases every year. This is 50% higher than the average from the prior three fiscal years. Also, the number of new oil and gas wells permitted on state trust land has increase by 200 or about 10% in the past 12 months.

The second factor is approval and monitoring of special lease stipulations. Over the past three years over 50% of all new oil and gas leases

issued by the State Land Board contain specific environmental stipulations developed in partnership with Colorado Parks and Wildlife and the Colorado Natural Heritage Program.

Starting in FY 2012-13, all new oil and gas leases will contain stipulations. These stipulations require State Land Board staff to site, approve, and monitor oil and gas drilling activity and reclamation on state trust land. The Board's stipulations are aimed at protecting surface value and are in addition to standard COGCC requirements.

Finally, a field coordinator is needed to develop and enforce Best Management Practices (BMPs) for mineral development and assist with the development of comprehensive mineral development plans. Because the State Land Board often owns both the surface and subsurface, the Board needs to make sure that operators are developing and reclaiming the trust property to the highest level possible, not just to the minimum state regulatory level. Further, assuring high level reclamation is consistent with the stewardship requirements of the State Land Board's mission. Consequently the Board has mandated the development and implementation of BMPs.

Similarly, the Board also has undertaken staff intensive comprehensive mineral development plans at the Lowry Range property, in northern Larimer County, and most recently the former National Hog Farm property in eastern Weld County. Given their success (\$200M of additional bonus revenue), staff expects more comprehensive development plans in the future.

**Proposed Solution:**

Add field staff that would focus on the most intensive areas for oil and gas development.

**Alternatives:**

*Preferred Alternative:*

*Hire 1 FTE field coordinator*

*Alternative 1:*

*Hire contractor field coordinator*

A lease is a legal document between the State Land Board and the lessee. While the State Land Board has used contractors in the past for lease enforcement, there are legal constraints that limit the ability for a contractor to act on behalf of the Board. Moreover, it is difficult to maintain consistency and accountability over a long period of time with a contractor and would be more expensive.

*Alternative 2:*

*Hire more than 1 FTE field coordinator*

Oil and gas activities on state trust land have increased across the state however the most intense areas has been Weld, Larimer, Arapahoe, Morgan, Elbert, and El Paso counties. We believe that a single FTE would be most effective as this time but may have future need for FTE if oil and gas development increases in other areas of the state.

**Anticipated Outcomes:**

Hiring this FTE will produce better management of oil and gas development on state trust land. The State Land Board will have better control over the development and that BMPs and stipulations are enforced. This will also minimize the negative impact on non oil and gas resources.

Also, oil and gas companies in the assigned area will have a designated State Land Board contact for oil and gas development operations and will be assured a clear and quick turnaround to drilling and access requests.

This FTE will free up existing staff to manage existing workload and pursue other income and value enhancement opportunities on state trust lands. For example, the State Land Board's North Central District Manager has been unable to conduct most of the required mid-term agriculture lease inspection over the past two years. The manager is also lagging behind on lease renewal inspections. These inspections ensure good stewardship and avoid unnecessary lease extensions which don't allow for competitive bidding. Finally, the North Central

District Manager has no time to pursue accretive land transactions which increase value and income to trust beneficiaries.

It is difficult to quantify the impact of adding a single field staff position. Nevertheless, the impact would not have to be significant: a revenue increase of \$85,000 for the State Land Board represents a 0.06% increase in total revenues and 0.5% increase in surface (non-mineral) lease revenues.

**Assumptions for Calculations:**

This request includes \$72,125 personal services for 1.0 FTE (GP III) and \$10,257 for 1 state vehicles, lease space, and operating budget. This position will to be located outside of Denver where the State Land Board does not own buildings. Detail provided in attached template.

**Consequences if not Funded:**

Not having personnel that specialize in oil and gas field-based issues requires State Land Board staff to work in areas outside of their expertise which could lead to more negative consequences from leasing activity (e.g. loss of value and ultimately income). While, at the same time, areas that staff are experts in are neglected leading to a loss of revenue and value.

**Impact to Other State Government Agency:**

DPA - This request includes 1 new vehicle.

**Cash Fund Projections:**

*See the Schedule 9 for the State Land Board's Trust Administration Cash Fund (Fund #162).*

**Relation to Performance Measures:**

N/A

**Current Statutory Authority or Needed Statutory Change:**

None

**Calculation Assumptions:**

**Personal Services** -- Based on the Department of Personnel and Administration's August 2011 Annual Compensation Survey Report, a General Professional IV at the middle of the pay range will require a monthly salary of \$5,000. A General Professional I at the middle of the pay range will require a monthly salary of \$3,500.

**Operating Expenses** -- Base operating expenses are included per FTE for \$500 per year. In addition, for regular FTE, annual telephone costs assume base charges of \$450 per year.

**Standard Capital Purchases** -- Each additional employee necessitates the purchase of a Personal Computer (\$900), Office Suite Software (\$330), and office furniture (\$3,473).

**General Fund FTE** -- New full-time General Fund positions are reflected in FY 2012-13 as 0.9166 FTE to account for the pay-date shift.

<b>Expenditure Detail</b>		<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<i>Personal Services:</i>		FTE	\$	FTE	
	Monthly Salary				
General Professional III	\$ 4,756	1.0	57,072	1.0	57,072
PERA			5,793		5,793
AED			2,055		2,283
SAED			1,855		2,140
Medicare			828		828
STD			101		101
Health-Life-Dental			4,421		4,421
<b>Subtotal Position 1, ## FTE</b>		<b>1.0</b>	<b>\$ 72,125</b>	<b>1.0</b>	<b>\$ 72,638</b>
<b>Subtotal Personal Services</b>		<b>1.0</b>	<b>\$ 72,125</b>	<b>1.0</b>	<b>\$ 72,638</b>

<b><i>Operating Expenses</i></b>					
Regular FTE Operating	500	1.0	500	1.0	500
Telephone Expenses	450	1.0	450	1.0	450
PC, One-Time	1,230	1.0	1,230		-
Office Furniture, One-Time	3,473	1.0	3,473		-
Vehicle Lease	1,604	1.0	1,604	1.0	4,812
Lease Space	3,000	1.0	3,000	1.0	3,000
Other			-		
Other			-		
<b><i>Subtotal Operating Expenses</i></b>			<b>\$ 10,257</b>		<b>\$ 8,762</b>
<b><u>TOTAL REQUEST</u></b>		1.0	<b><u>\$ 82,382</u></b>	1.0	<b><u>\$ 81,400</u></b>
<i>General Fund:</i>			\$ -		-
<i>Cash funds:</i>			\$ 82,382		81,400
<i>Reappropriated Funds:</i>			\$ -		-
<i>Federal Funds:</i>			\$ -		-