

Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Natural Resources
Request Title: Reappropriation of Severance Tax Funds to E-Permitting
Priority Number: R-5

Dept. Approval by: Willi H. Levine 10/15/2012
 Date
OSPB Approval by: Grant N. [Signature] 10/23/12
 Date

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|--|
| <input checked="" type="checkbox"/> Decision Item FY 2013-14 |
| <input type="checkbox"/> Base Reduction Item FY 2013-14 |
| <input type="checkbox"/> Supplemental FY 2012-13 |
| <input type="checkbox"/> 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
Total of All Line Items	Total	3,894,299	-	3,894,299	-	-
	FTE	40.7	-	40.7	-	-
	GF	-	-	-	-	-
	CF	2,776,621	-	2,776,621	-	-
	RF	-	-	-	-	-
	FF	1,117,678	-	1,117,678	-	-
(B) Inactive Mines, Program Costs	Total	1,636,925	-	1,636,925	-	-
	FTE	16.4	-	16.4	0.2	(0.2)
	GF	-	-	-	-	-
	CF	519,247	-	519,247	-	-
	RF	-	-	-	-	-
	FF	1,117,678	-	1,117,678	-	-
(B) Inactive Mines, Abandoned Mine Safety	Total	99,850	-	99,850	(99,850)	99,850
	FTE	0.2	-	0.2	(0.2)	0.2
	GF	-	-	-	-	-
	CF	99,850	-	99,850	(99,850)	99,850
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(C) Minerals, Program Costs	Total	2,157,524	-	2,157,524	99,850	(99,850)
	FTE	24.1	-	24.1	-	-
	GF	-	-	-	-	-
	CF	2,157,524	-	2,157,524	99,850	(99,850)
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:**
 The FY 2013-14 letternote "a" amount on line "(C) Minerals" will need to be increased by \$99,850 from the Operational Account of the Severance Tax Trust Fund.

Cash or Federal Fund Name and COFRS Fund Number: Mined Land Reclamation Fund (#256) = fund related to incr amount.
 Emergency Response Fund (#211) = fund related to decr amt/FTE switch.

Reappropriated Funds Source, by Department and Line Item Name: N/A

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

Schedule 13s from Affected Departments:

Other Information: Footnote is requested to indicate this reappropriation is for FY 2013-14 only; the Abandoned Mine Safety line will be restored with \$99,850 and 0.2 FTE in FY 2014-15 and to allow spending over 2 fiscal years with the statement, "The funds to be available until completion of the project or the close of FY 2014-15, whichever comes first."



DEPARTMENT OF NATURAL RESOURCES

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

*John W. Hickenlooper
Governor*

*Mike King
Executive Director*

November 1, 2012

Signature

Date

Department Priority: R-5

Request Title: Reappropriation of Severance Tax Funds to E-Permitting

Summary of Incremental Funding Change for FY 2013-14	Total Funds	Cash Funds	FTE
(B) Inactive Mines - Abandoned Mine Safety - One year reallocation of severance tax to e-permitting in Minerals Program and FTE to Inactive Mines federal funds		(\$99,850)	(0.2) FTE
(B) Inactive Mines – Program Costs			0.2 FTE
(C) Minerals - Program Costs		\$99,850	

Request Summary:

The Division of Reclamation, Mining, and Safety requests a one year suspension of the \$99,850 cash funds/severance tax appropriation to the Abandoned Mine Safety (AMS) program. This temporary suspension is being requested so that the Division may reallocate and reprioritize the \$99,850 to the Minerals Program for development of an e-permitting system. A 2-year spending cycle is requested for this one-time appropriation to accommodate the purchasing process for contractual services and to conduct a pilot project with actual permit submittals.

Opportunity that this request will address:

Mining permit applications, revisions, and annual reports are currently only accepted in paper, causing the following inefficiencies:

- Applicants incur cost and time delays preparing and mailing paper copies when the original documents are created in an electronic format, along with production start up delays if permit documents are incomplete;
- and Minerals program staff spend excessive

time on redundancies of hand-entering data from paper submittals, or tracking electronic documents sent in e-mails into the permit tracking database and scanning paper documents into the imaged filing system. Other inefficiencies exist in handling incomplete application packets and cash fees payment handling.

E-permitting improves customer service and responsiveness. As mine operators convert to the e-permitting option, the following efficiencies will be phased in:

- E-forms will have required fields “flagged” and won’t allow submittal if sections are incomplete, reducing delays in review/ approval time;
- Improved timeliness for mine operators to proceed with new or revised mining operations as incomplete submittals are reduced or avoided;
- Data in the forms will be linked to current databases saving staff time from redundant data entry and possible errors; and

- Forms will be pre-indexed and linked directly to the image server where all permit documents are stored, eliminating staff time for scanning and filing paper documents.

Background:

The division’s need to convert to a paperless process was prompted by the redundancies occurring between paper application forms and electronic filing/data storing systems, along with requests from mine operators to submit their documents electronically. DRMS launched a pilot e-permitting project in FY2011-12 by holding stakeholder meetings, funding IT consultants to prepare a web-based access framework, establishing formatting for coal e-forms, and running live tests with mine operators. E-permitting systems in other states were reviewed before deciding to adopt the framework of the nationally recognized system at the Colorado Oil and Gas Conservation Commission. Off-the shelf software does not provide the capability to link e-forms to the existing database/imaging systems.

The original purpose of the Abandoned Mines Safety (AMS) line item is to supplement federal funds to safeguard abandoned mine openings/features. Repurposing these funds for one year will result in:

- Approximately 8-10 mine features not being completed in FY 2013-14, out of 300-350 features addressed each year; and
- 0.2 FTE, who provide on-site management for AMS work, being used on federally funded projects (0.2 FTE will be shown on the Inactive Mines - Program Costs line for FY 2013-14, then shifted back for subsequent years).

Federal funds to the Inactive Mine Reclamation Program will be at an elevated level in 2013-2014 (due to an Office of Surface Mining payout), providing an optimal time to repurpose the funds for a single fiscal year.

This request aligns to the following Governor’s Office initiative:

State Agency Strategic Initiatives:

- I. Build a Business-Friendly Environment
 - B. Increase level of customer service and responsiveness of state government;

D. Initiate and pursue legislative and administrative changes that improve efficiency and effectiveness in government.

Proposed Solution:

In lieu of requesting additional severance tax funds when those revenues are limited, the current \$99,850 in the Abandoned Mine Safety (AMS) line is requested for reprioritization for a single fiscal year to fund the majority of the project’s cost. Minerals Program base funding would cover the remaining estimated costs, which ranges from \$418 to \$11,500. See Table 1 for cost estimates on the project.

- Contractual services ⁽¹⁾ are requested to develop the e-forms and imaging indexing structure and to work with existing OIT staff for linking new forms to the existing business system. OIT staff currently paid by DRMS revenues will manage the project.

⁽¹⁾ If OIT FTE are proven to be available for development/programming tasks on this project during the review of this request, the funding structure would be adjusted accordingly.

- Submittal of electronic documents will not be mandatory; therefore, paper processes will continue until adequate training can be provided to mine operators and it can be proven that e-permitting is viable for all applicants. A portion of the requested funding will be used to set up computer work stations in the Durango and Grand Junction field offices where current staff can walk mine operators through the electronic forms. The funding will also be used to hold 5 meetings with mine operators across the state to demonstrate the e-forms and to answer questions.
- Electronic documents will continue to require review for completeness, but it will be much quicker due to “missing information” alerts in the e-forms.
- A level of time savings will be realized from reductions in data entry/physical scanning of documents and will be applied to increased timeliness in permitting, inspections, enforcement and bond calculations.

Administrative functions will be restructured over time as electronic submittals increase.

Anticipated Outcomes:

- Standard e-forms will be developed that mine operators can access via the internet and that will include alerts for missing documents;
- Mine operator will experience cost/time savings through the reduction in incomplete forms being submitted;
- Direct connectivity of forms to the permit system database and the imaging filing system is achieved;
- Encryption using SSL/secure sockets layer to protect data entry in forms behind the state's firewall;
- Training and stakeholder meetings will be held with staff, industry and the public;
- Computer workstations will be established at DRMS field offices for operators who do not have access to the internet;
- Eliminate redundancies and errors in data entry; and
- Staff time spent on data entry, application completeness review, scanning, and fees handling is reduced.

Assumptions for Calculations:

Costs

- Contractual cost estimate for e-forms development/programming (correlated from costs incurred for FY 2011-12 pilot project in Coal Regulatory Program):
1,372 hours @ \$74/hour = \$101,528
- Five Stakeholder Trainings/Meetings = \$3,780
- Two computer workstations = \$6,060
(Minerals Program will cover \$11,518 of the estimated cost within their base budget.)

Benefits

1. Initial completeness review of applications/revisions is streamlined as the e-form alerts the user to incomplete information.

This process will add clarity and structure to the application process. The completeness review by program staff is required within 10 days. If something is omitted, the applicant has up to 60

days to remedy their application and it often takes several weeks for the corrections to be completed. The e-forms alerts will not allow the application to be submitted if sections are omitted, allowing staff to proceed to the formal review of the documents.

2. Staff time redirected from paper forms processes.

Permitting actions consist of new permit applications (50-80/yr), permit revisions (230-270/yr) and annual report submittals for all permits (currently 1,774). Estimates below demonstrate staff time that would be focused on priority workloads as mine operators convert to the e-permitting system.

- Environmental Protection Specialist (EPS) - 12 FTE:
5-20 hours/month per EPS (60-240 hrs/month) redirected from data entry and handling incomplete paper documents to increased timeliness on permitting, mine inspections, enforcement and bond re-calculations.
- Administrative Assistants (AA) - 2 FTE:
25 hours/month per AA (50 hrs/month) redirected from paper scanning/indexing to increased time for customer service calls and improved monitoring/collection of annual fees. Administrative duties will be restructured to fulfill permit review, bonding analysis, and fee/enforcement monitoring.

Consequences if not funded:

If the reallocation of funds is not approved, deployment of e-permitting in the Minerals Program could take 3-4 years. Funding would be dependent on leaving limited numbers of vacant positions open, which impacts inspection/enforcement effectiveness in the program. Contractual programming costs may increase as deployment is delayed.

Impact to Other State Government Agency:

The Office of Information and Technology's approval is required for the IT expenditures related to this request. Existing OIT staff will monitor the implementation of this project.

Cash Fund Projections:

This net-zero request is funded under Tier 1 of the Severance Tax Operational Account. At this time, cash fund revenue for current Tier 1 appropriations is projected to be sufficient to fund existing base appropriations.

Relation to Performance Measures:

DRMS-2: Regulate Mining

Objective: The percent of inspected coal and mineral mine sites that are in regulatory compliance annually.

Reduced staff time spent handling application documents as operators adopt e-permitting will incrementally increase time devoted to mine site regulatory compliance/bond calculations.

Current Statutory Authority or Needed Statutory Change:

Minerals Regulatory Program: 34-32-101 *et seq* and 34-32.5-101 *et seq* and 25-8-104, C.R.S. [2012]

The legislative declaration (34-32-102, C.R.S.) supports an “orderly development of the state’s natural resources” to which this proposal contributes timely permit approval and accurate information in the division’s business system. More efficient use of regulatory staff time improves time for updated bond calculations and enforcement actions.

The Division has received a legal opinion from the Attorney General’s Office on the acceptance of e-documents. Agreements with the operators will be in place to accept e-documents, which satisfies the “written” requirement in Section 34-32-112 C.R.S.

TABLE 1 – COST ESTIMATES	HOURS		COST RANGE	
	Low estimate	High estimate		
IT PROGRAMMING @ \$74/hours x Estimated Range of Hours				
YEAR 1				
Application Forms Electronic Format				
Metal designated mining operation (DMO) [additional info required]	120	150	8,880	11,100
Metal non-DMO/Construction Materials	80	100	5,920	7,400
Prospecting/Exploration	50	70	3,700	5,180
Revisions Electronic Format	60	100	4,440	7,400
Succession of Operator Electronic Format	60	60	4,440	4,440
Annual Report Electronic Format	40	40	2,960	2,960
Adjust Dashboard/Operator View for Minerals Forms				
Drop down menus; field unique to non-coal commodities	120	120	8,880	8,880
Link e-forms to Permit System database and imaging filing system	240	240	17,760	17,760
Adjust web access/”opt in” agreements for Minerals applicants	60	60	4,440	4,440
48 bond forms converted to “fill-able” format/linked to Permit System (4 hrs/form)	192	192	14,208	14,208
YEAR 2				
Pilot live testing monitoring/adjustments	60	60	4,440	4,440
Forms and interface adjustments/maintenance	140	180	10,360	13,320
TOTAL COST FOR IT PROGRAMMING	1222	1372	\$90,428	\$101,528
STAKEHOLDER MEETINGS (4 travelling staff x 5 meetings)				
Meeting Rooms rental x 5 meetings @ \$200 each			1,000	1,000
Staff per diem @ \$46/day x 4 staff x 1.5 days x 5 meetings			1,380	1,380
Lodging @ \$70/night x 4 staff x 5 meetings			1,400	1,400
TOTAL COST OF STAKEHOLDER MEETINGS			\$3,780	\$3,780
[TABLE 1 CONTINUED BELOW]				

TABLE 1 CONTINUED				
PUBLIC COMPUTER WORK STATIONS FOR FIELD OFFICES				
Desktop Computer @ \$900 x 2 field offices (Durango + Grand Jct)			1,800	1,800
Office Suite Software @ \$330 x 2 field offices			660	660
Furniture @ \$1,800 x 2 field offices			3,600	3,600
TOTAL COST OF COMPUTER WORK STATIONS			\$6,060	\$6,060
TOTAL COST ESTIMATE			\$100,268	\$111,368
AMOUNT REQUESTED FOR REAPPROPRIATION			(\$99,850)	(\$99,850)
AMOUNT FROM MINERALS BASE FUNDING			\$418	\$11,518

Department of Natural Resources

FY 2013-14 Funding Request

November 1, 2012

Appendix A for Decision Item R-5 – Reappropriation of Severance Tax Funds to E-Permitting

Why is the Division of Reclamation, Mining and Safety (DRMS) willing to withdraw funding from the Abandoned Mine Safety (AMS) line for FY 2013-14? Is it an option to eliminate that funding permanently?

Due to projected constraints on severance tax revenue in FY 2013-14, DRMS viewed redirecting severance tax appropriations as the only option for implementing a high priority e-permitting project. Timely implementation of e-permitting is essential for keeping pace with existing electronic processes in the mining industry and to provide a more effective use of staff time.

Approximately 8-10 abandoned mine projects will go unfunded for a single fiscal year. It's imperative that the funding be restored in FY 2014-15 because all available funding sources are required to resolve the remaining inventory of approximately 14,500 issues at abandoned mine sites (unprotected mine openings, hazardous mine debris, unstable slopes/waste piles, etc). Federal funds will be at a peak level from the Office of Surface Mining in FY 2013-14 but will decline in future years, so this is the preferred time to operate without the AMS severance tax funding for one year.

Can federal funds cover the cost of the 0.2 FTE that will transfer from the AMS line to the Inactive Mines Program Expenses line?

Yes – there is adequate workload for 0.2 FTE to work on projects funded from federal funds from the Dept of the Interior/Office of Surface Mining (OSM), as well as other grants received from the U.S. Forest Service and the Bureau of Land Management.

Why is funding requested for contractual technical staff vs existing OIT staff?

OIT staff funded from current DRMS revenue will be utilized for oversight of the e-permitting project and for the technical aspects of linking electronic forms to the existing business system that tracks all mining

permits. Contractual services are requested for developing the e-forms and translating them to the business system. OIT staff time has not been available for this additional development workload in past/current fiscal years. DRMS initiated a successful e-permitting project in the Coal Regulatory Program in FY 2011-12 with this combination of OIT technical oversight and contractual developers.

How will the work on the Coal Program's e-permitting project relate to this request?

The development performed for e-permitting in the Coal Program provides a basic framework for connecting e-forms to the common business system, along with defining and flow charting of the process that can be adapted for the Minerals permit forms. The forms and permitting requirements are distinctly different in each program.

Will e-permitting be difficult to implement with small mine operators?

Use of e-permitting will not be mandatory, but to encourage conversion to the new system, computer workstations will be provided for the field offices (Grand Junction and Durango) out of the requested funds. Existing staff can provide technical assistance to the workstations.

Why are the funds requested to be spent over two fiscal years?

The ability to spend the fund over two fiscal years provides optimal flexibility in selecting an appropriate contractor (the state purchasing process requires adequate time for vendor competition/selection), for testing/evaluating the electronic forms in a pilot phase with actual permit applicants, and for making final adjustments to the process in year-two.