Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-01 Additional Staffing and Equipment for Flowline Safety

Dept. Approval By: Will H. Lei

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$39,443,130	$0	$40,985,213	$384,875	$284,066
	FTE	108.3	0.0	108.3	2.0	2.0
	GF	$4,725,227	$0	$4,229,275	$0	$0
	CF	$33,275,375	$0	$34,588,701	$384,875	$284,066
	RF	$729,840	$0	$1,500,548	$0	$0
	FF	$712,688	$0	$666,689	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Health, Life, And Dental	Total	$14,157,819	$0	$15,155,329	$16,000	$16,000
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,665,836	$0	$2,156,673	$0	$0
	CF	$10,773,085	$0	$11,585,159	$16,000	$16,000
	RF	$382,739	$0	$1,102,505	$0	$0
	FF	$336,159	$0	$310,992	$0	$0
01. Executive Director's Office, (A) Administration -- Short-Term Disability	Total	$182,489	$0	$168,774	$289	$289
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$29,655	$0	$26,798	$0	$0
	CF	$142,767	$0	$132,513	$289	$289
	RF	$4,986	$0	$5,230	$0	$0
	FF	$5,081	$0	$4,233	$0	$0

01. Executive Director's Office, (A) Administration -- Amortization Equalization Disbursement	Total	$5,410,905	$0	$5,591,406	$7,593	$7,593
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$879,485	$0	$887,519	$0	$0
	CF	$4,233,366	$0	$4,390,476	$7,593	$7,593
	RF	$147,874	$0	$173,223	$0	$0
	FF	$150,180	$0	$140,188	$0	$0

01. Executive Director's Office, (A) Administration -- Supplemental Amortization Equalization Disbursement	Total	$5,410,905	$0	$5,591,406	$7,593	$7,593
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$879,485	$0	$887,519	$0	$0
	CF	$4,233,366	$0	$4,390,476	$7,593	$7,593
	RF	$147,874	$0	$173,223	$0	$0
	FF	$150,180	$0	$140,188	$0	$0

01. Executive Director's Office, (A) Administration -- Vehicle Lease Payments	Total	$4,207,446	$0	$4,207,446	$2,148	$6,444
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$270,766	$0	$270,766	$0	$0
	CF	$3,819,225	$0	$3,819,225	$2,148	$6,444
	RF	$46,367	$0	$46,367	$0	$0
	FF	$71,088	$0	$71,088	$0	$0

03. Oil and Gas Conservation Commission -- Program Costs	Total	$10,073,566	$0	$10,270,852	$351,252	$246,147
	FTE	108.3	0.0	108.3	2.0	2.0
	GF	$0	$0	$0	$0	$0
	CF	$10,073,566	$0	$10,270,852	$351,252	$246,147
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Requirec	Yes	X	No		**If Yes, see schedule 4 fund source detail.**
RF Letternote Text Revision Requirec	Yes	X	No		
FF Letternote Text Revision Requirec	Yes		No	X	
Requires Legislation?	Yes		No	X	
Type of Request?	Department of Natural Resources Prioritized Request				
Interagency Approval or Related Schedule	None				

Cost and FTE

- The Oil and Gas Conservation Commission (OGCC) requests an increase of $384,875 cash funds for 2.0 FTE, one State vehicle, field imaging equipment, and methane detection drone services to improve and accelerate OGCC's oversight of flowlines, particularly in the urban interface areas statewide. Funding will be from the Oil and Gas Conservation and Environmental Response Fund. Ongoing costs starting in FY 2019-20 are $284,066.

Current Program

- OGCC's Facilities Integrity Program administers a risk-based program focused on the installation and maintenance of flowlines. Flowlines are the network of pipelines connecting oil and gas wells to tanks, separators, and other vessels, and include the pipelines connecting these facilities to the sales meter. The program provides guidance and outreach to operators; inspects flowlines during construction, repair, and abandonment; observes flowline pressure tests; audits operators' flowline integrity programs and pressure testing records; and supports enforcement efforts when violations are found.

Problem or Opportunity

- The April 2017 home explosion in Firestone heightened concerns over the regulation of flowlines, especially those in close proximity to residential areas. While the Facilities Integrity Program has made good progress with its audits and inspections of flowlines, its small staff is unable to provide comprehensive statewide oversight.
- The May 2017 Notice to Operators requiring operators to inspect their inventory of existing flowlines to ensure and document the integrity of all lines within 1,000 feet of a building unit and to ensure inactive flowlines are abandoned pursuant OGCC rules has significantly increased the workload for the Facilities Integrity Program. While some of the increase is temporary, much of it will be long term as the need to witness more pressure tests, inspect flowlines, and ensure operators conduct detailed flowline failure analyses will continue to be a high priority. Moreover, staff has been inundated with requests for data on flowlines, audits, and pressure test results, hindering their ability to audit operator programs and visually inspect flowlines and associated facilities.
- The OGCC currently has no flowline specialists located on the West Slope, preventing the program from a timely response when flowline expertise is needed outside the Front Range.
- Contract drone services with methane detection capability is a cost effective way to monitor flowlines over large areas, particularly those not accessible to vehicles. Without the timesavings offered by this new technology, the OGCC's FTE request would be larger.

Consequences of Problem

- If the State fails to fully address the public's concerns over flowlines, there may be additional proposals to either limit oil and gas development or shift certain regulatory responsibilities to local governments or other state and federal agencies. In addition, without State action, public safety in regards to flowlines and other production facilities cannot be adequately ensured.

Proposed Solution

- Funding an additional 2.0 FTE, contract drone services, field imaging equipment, and associated costs would allow the OGCC to carefully and more quickly address public concerns by beginning to implement a statewide systematic approach to monitoring flowlines, which would include inspecting a higher percentage of an operator's flowlines, increased engagement with local governments to help avoid impacts and conflicts associated with oil and gas development, providing guidance to operators, and prosecuting violations of its flowline rules.

Department Priority: R-01
Request Detail: Additional Staffing and Equipment for Flowline Safety

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Additional Staffing and Equipment for Flowline Safety	$384,875	$0

Problem or Opportunity:

OGCC Facilities Integrity Program Background

The Oil and Gas Conservation Commission (OGCC) Facilities Integrity Program was established in FY 2015-16 in response to recommendations made in the OGCC's February 2014 report to the General Assembly on risk-based inspection strategies required by S.B. 13-202 (Concerning Additional Inspections of Oil and Gas Facilities). The report found that most spills and releases are caused by equipment failure during the production phase of oil and gas development. Flowlines — pipelines used to move raw produced fluids (unprocessed natural gas, condensate, crude oil, and produced water) from oil and gas wells to tanks, separators, and other facilities including sales meters — were identified as the source of almost half of these spills and releases. As a result, the Facilities Integrity Program (Program) has primarily focused on flowlines as its first priority.

The Program currently has 3.0 FTE, all based in the Denver area: a program supervisor, plus one flowline specialist and one flowline engineer. Its main objectives are to prevent or reduce spills and help operators establish their own robust and proactive facilities integrity programs. However, it is important to note that the Program functions very differently than the OGCC's Field Inspection Unit due to its small size. To make the best use of its limited staff resources, the Program relies on priority-based audits as well as operator education and outreach instead of a comprehensive inspection schedule that would require many more FTE.

Flowlines are selected for audits based on priority scores that factor in attributes such as the number of years in service, environmental risks, proximity to population, the number of spills at a specific location, and time since last inspection. This allows the Program to focus on confirming the integrity of higher priority flowlines either through a records review or by witnessing the required pressure tests in person. Program staff also inspect flowlines during construction, repair, and abandonment, both proactively and upon operator request. Site visits allow staff to work with operators and provide guidance on industry best practices regarding flowlines. These processes ultimately assist operators in developing and improving their own internal programs to minimize spills and other facility integrity issues.

Problem or Opportunity

There are several issues currently affecting the Facilities Integrity Program. The first is that, in spite of its strategic use of resources, the Program is still too small to effectively handle the workload driven by the current inventory of flowlines across the state. Each active oil and gas well uses several flowline segments to connect to each type of production facility (e.g., tanks, separators, emission control devices) and each facility has numerous smaller connecting lines. With more than 54,000 active wells in the state, this multiplies out to at least 334,500 flowlines (est. 14,250 miles) statewide. At current staffing levels, the Program can only audit 5% of the operators in the state and conduct 200 onsite inspections each year. The sheer volume of flowlines in the state is further complicated by the fact that some flowlines are associated with older wells, which are more challenging to oversee than newer facilities. Age is the most important factor in determining risk for spills, but older wells and flowlines also may not have comprehensive records compared to newer facilities due to ownership changes or fewer permitting requirements at the time they were drilled.

Currently, there is no flowline staff stationed on the West Slope, which creates logistical challenges in monitoring the active oil and gas development in the Piceance and San Juan Basins. This limits the Program's ability to provide timely and effective service to residents and operators on the West Slope. At present, it can take the Denver-based flowline specialist two to three days to travel and respond to a reported problem or operator request on the West Slope, which also leaves Front Range facilities unattended for that period of time. At the current levels of staffing, covering Front Range facilities alone is a challenge. One flowline specialist simply cannot be in two places at once.

The second major issue facing the Program is a significant increase in ongoing workload related to the April 2017 home explosion that occurred in Firestone, CO. While this incident is still under investigation by the National Transportation Safety Board, the Frederick-Firestone Fire Protection district concluded that the origin and cause of the explosion was an abandoned gas flowline that was cut. The incident heightened public concerns over the regulation of flowlines but the Program currently lacks the capacity to increase its oversight without additional resources.

In response to the explosion, the OGCC also issued a Notice to Operators (NTO) in May 2017. The NTO requires operators to: (1) document the location and integrity of, i.e. pressure test, all existing flowlines located within 1,000 feet of a building unit; and (2) inspect their inventory of existing flowlines statewide to ensure that any flowline not in active use has been properly abandoned according to OGCC rules. The Facilities Integrity Program is responsible for ensuring these requirements are being met by reviewing paperwork and spot checking sites in the field. With current staffing levels, the Program cannot effectively absorb the additional workload associated with the NTO on top of its existing responsibilities.

Proposed Solution:

To address these issues, the OGCC is requesting an increase of $384,875 from the Oil and Gas Conservation and Environmental Response Fund and 2.0 FTE to expand the capacity of the Facilities Integrity Program and improve flowline safety statewide. The request includes one flowline specialist plus one vehicle and field imaging equipment, one flowline engineer, and contract services for methane detection using drones (unmanned aircraft systems or UAS). Ongoing costs would be $284,066; no statutory change is required.

Flowline Specialist (1.0 FTE with Vehicle and Equipment)
Flowline specialists are responsible for conducting onsite flowline integrity inspections and responding to flowline-related spills and releases reported by operators. This includes observing and inspecting flowlines during construction, repair, testing, and abandonment, as well as observing flowline pressure tests. The requested flowline specialist would be located on the West Slope to improve statewide oversight. Like other OGCC field staff, flowline specialists require a vehicle and specialized equipment to be effective, as sharing is either highly impractical or impossible in most cases.

It is important to note that flowline specialists require specific expertise that field inspectors generally do not have. Although field inspectors are routinely on site at oil and gas production facilities, they would not be able to absorb the responsibilities of flowline specialists as an alternative to this request. If field inspectors were required to add flowline integrity to their protocol, the rate of inspection for active oil and gas wells would decrease substantially (*i.e.* become less frequent). Additionally, another key finding in the 2014 report on risk-based inspections was that subsurface spills and releases may not be identified during the normal field inspection process, which makes a flowline specialist an essential addition to the Facilities Integrity Program to ensure effective oversight.

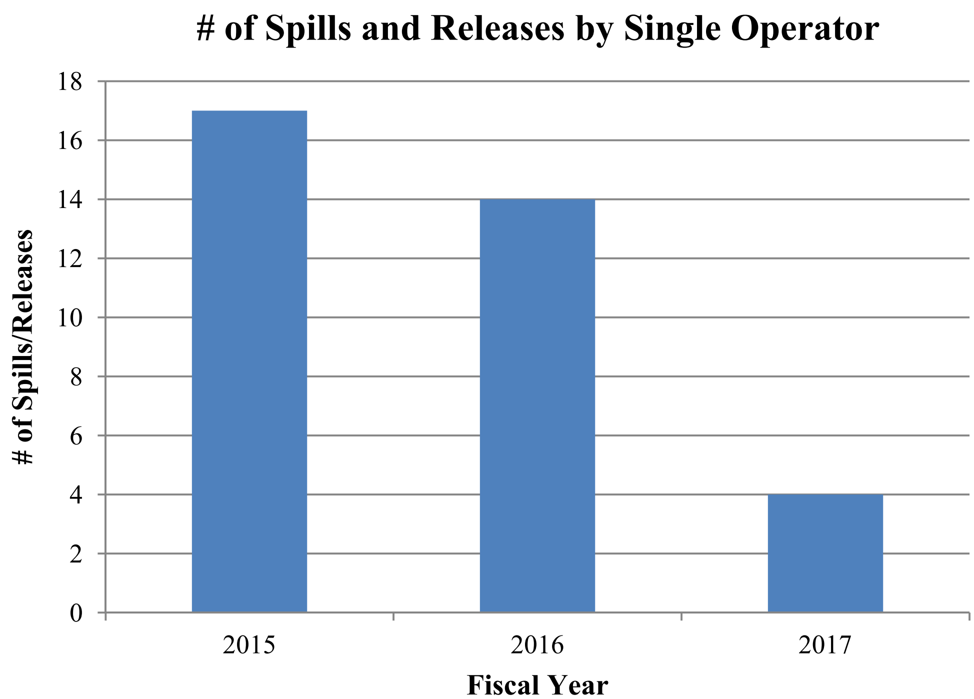
Flowline Engineer (1.0 FTE)
Flowline engineers are office-based and primarily responsible for conducting audits of operators' flowline integrity programs and pressure testing records. The Facilities Integrity Program uses a priority-based model, similar to the one used by field inspectors, to generate a list of flowlines to be audited. These audits represent a critical piece of the Program's strategy to encourage the development of industry facility integrity programs and compliance with OGCC rules regarding flowlines. The requested flowline engineer would be located in Denver due to the high level of activity along the Front Range.

Field Imaging Equipment (Estimated Cost: $96,950)
To improve the Program’s efficiency in detecting invisible hydrocarbon gas leaks from flowlines and facilities, an additional Optical Gas Imaging camera is needed. The OGCC currently has three of these cameras located around the state but they are so heavily used by field inspectors that they have to be reserved a week or more in advance. Adding two FTE to the Facilities Integrity group would put an even greater demand on the existing cameras and further limit each staff member’s access to one.

Contract Services for Drones (Estimated Annual Cost: $50,000)
The use of drones is an increasingly common and cost effective way of monitoring flowline integrity over large or inaccessible areas. Drones can carry a variety of instruments including high resolution and thermal imaging cameras and methane detection sensors, which can help identify flowline integrity issues from the air. Depending on the power source and the weight of the instrumentation, drones can stay in the air for up to an hour and cover a range of several miles or more. This would facilitate faster and more extensive monitoring of flowlines than flowline specialists could accomplish on the ground due to lengthy drive times and tough terrain. Drones are already in use by the oil and gas industry and would significantly expand the capacity of the Facilities Integrity Program at a much lower cost than adding the FTE the OGCC would need to achieve the same outcomes.

The Federal Aviation Administration (FAA) has established an extensive set of regulations regarding UAS operations, e.g. certifications for UAS operators, maximum groundspeed and altitude, line of sight requirements, controlled airspace restrictions, allowable proximity to people, etc. In order to ensure full compliance with FAA requirements, the OGCC is requesting resources to contract with service providers that have the necessary expertise and certifications to conduct UAS operations.

Facilities Integrity Program Effectiveness
In its first two years of operation, the Facilities Integrity Program has already seen evidence of reductions in spills and releases and improvements in the quality of industry facilities integrity programs. For example, the following figure shows the number of spills or releases by a single operator during the first two years of the Facilities Integrity Program.



Working with the Facilities Integrity Program, the operator identified and addressed a frequent problem with the fusion of joints in its polyethylene flowlines, a common cause of flowline failure along with internal corrosion and damage from freezing. As a result, the operator was able to decrease spills and releases from flowlines by 76.5% in two years.

Since 2008, OGCC rules have required that all operators with pipelines under its jurisdiction register as a member of the Utility Notification Center of Colorado and participate in the One Call notification system (CO811), the program that marks underground facilities before excavation. However, this rule had not been actively enforced until a records review by the Facilities Integrity Program showed that many operators were not members. The Program was able to register 80 operators in 2016 through outreach efforts, then issued 89 additional warning letters to other non-registered operators. To date, 50 of these have been resolved by operators submitting proof of One Call membership, which, in most cases, were new memberships.

Consequences if Not Approved
The 2014 report to the General Assembly specifically identified flowlines, among other production facilities more broadly, as a significant source of spills and releases that pose a risk to the environment. Following the Firestone incident, it is also clear that flowlines present a significant public safety risk, particularly where oil and gas activity is occurring in proximity to population centers. If the request is not

approved, the Facilities Integrity Group will be limited in its ability to provide an adequate level of service and oversight, especially given the increased demands on the Program. Public safety in regards to flowlines and other production facilities would not be adequately ensured.

Anticipated Outcomes:

With the additional FTE and resources to use drones to monitor flowlines, the Facilities Integrity Program will be able to provide better service to the public and industry, particularly on the West Slope. The request doubles the number of staff responsible for completing flowline audits, which will allow the Program to ensure the integrity of a greater proportion of the inventory of flowlines each year. It would also allow a specialist to dedicate time on the West Slope, increasing the number of site visits made each year. A West Slope-based specialist minimizes the inefficiency of extended travel time for an individual specialist and improves the response time to requests from West Slope operators, as well as those on the Front Range.

Additionally, by allowing the Program to take advantage of drone technology to solve the long-standing challenge of overseeing infrastructure across a large area, the request will significantly increase oversight without a corresponding increase in staff. Monitoring flowlines from the air will allow staff to identify and resolve spills and other flowline issues much faster than they can now.

Perhaps most importantly, adding resources to the Facilities Integrity Program will help protect public safety and increase public trust in the agency, which is a focus of the OGCCs first strategic policy initiative in the Department's Performance Plan. The Firestone incident illustrated that, in addition to environmental risks, flowline failures can be a serious public safety hazard. This request would ensure that the Program has the resources necessary to adequately respond to the increased workload driven by the response to Firestone and, more generally, to keep the public safe and to help prevent any future incidents.

Assumptions and Calculations:

Salaries

Due to competition with the oil and gas industry, the OGCC must typically offer above-range-minimum pay to attract candidates for technical positions such as these. Therefore, this request assumes the following salaries:

- Flowline engineer: $7,320/month (20.5% above FY 2017-18’s range minimum)
- Flowline specialist: $5,335/month (25% above FY 2017-18’s range minimum)

Operating Expenses

For the home-based flowline specialist position, the request includes a laptop; travel and training expenses; field and safety equipment; home office equipment, including voice and data plans; a cell phone; and an individually assigned state vehicle. With the exception of the home office equipment and vehicle, the same is requested for the flowline engineer. It is assumed that this employee will work out of the OGCC’s Denver office and share an existing state vehicle with other Denver-based staff members.

Vehicles (Lease Rates and Mileage Costs): The estimated monthly lease rate is $537 for the type of four-wheel drive vehicle the OGCC needs for accessing oil and gas locations, which are frequently located in rough terrain. Because the requested vehicle would not arrive until the third quarter of FY 2018-19, the request includes only four months of lease payments during the first year. The mileage estimates are based on the annual average of 17,000 miles driven by current OGCC field inspectors at the estimated FY 2018-19 variable rate of $0.29 per mile. The requested vehicle includes twelve months of mileage charges, because the new specialist will use a temporary vehicle until the new permanent vehicle is delivered.

Laptops: Each FTE requires a laptop with upgraded processors and storage to allow for the use of GIS software and OGCC custom applications, both of which are necessary to carry out the agency's mission. The most recent of these laptops were purchased for $1,608 in April 2017, a $378 differential over common policy. The laptops include a 500 GB solid state hard drive, 16 GB of memory, and a 3.5 GHz CPU. These upgrades are needed to allow the inclusion of the complete OGCC database, GIS applications, and new electronic inspection forms, all of which run locally on the laptops.

Due to the rugged conditions in which OGCC laptops are operated, and because the agency follows the standard practice of replacing most computers on a three year schedule, a replacement allowance equal to one-third of the first year cost has been included as an ongoing operating expense for each requested FTE.

Travel and Training Expenses: Travel expenses are estimated at $8,100 per year for the flowline specialist due to the expectation this staff member will average three overnight trips per month. The flowline engineer will make one-third as many overnight trips. Annual technical training expenses are estimated at an average of $750 per year for each position. Ongoing oil and gas industry technical training is essential and often very expensive.

Field and Safety Equipment: The table below details the first year cost of essential equipment. An ongoing $350 per year is requested, as well, to cover expenses such as routine equipment maintenance, the annual service plan for each SPOT Tracker, and the purchase of new equipment, as needed.

Field and Safety Equipment (Year 1)		
Item	**Flowline Specialist**	**Flowline Engineer**
Gas Monitor	$ 600.00	$ 600.00
SPOT Tracker	$ 150.00	$ 150.00
Flame Resistant Clothing	$ 600.00	$ 600.00
Steel Toed Boots, 2 pair	$ 300.00	$ 300.00
GPS Unit	$ 150.00	$ 150.00
Jumper Cables	$ 50.00	$ -
Tow Straps	$ 30.00	$ -
Hand Tools	$ 500.00	$ 500.00
Tool Boxes	$ 30.00	$ 30.00
Total Per Position	**$ 2,410.00**	**$ 2,330.00**

Contract Services and Capitalized Equipment

Field Imaging Equipment: An intrinsically-safe, explosion-proof model is required for areas with potentially explosive hydrocarbon concentrations, such as oil and gas facilities. A July 2017 quote for an optical gas imaging camera with certified intrinsically safe electronics (*i.e.* no sparks) was $96,950. The camera's annual maintenance costs are $2,750.

Training to become certified in the use of these cameras costs $2,000 per person. The request assumes the flowline specialist will receive training in FY 2018-19 and once every four years, thereafter.

Contract Services for UAS (i.e. Drones): The OGCC received cost estimates and other information in July 2017 from two companies that provide drone services in the Rocky Mountain region. While the amount of data that can be collected in a single day will depend on factors such as terrain, weather, vegetation levels, and the parameters measured, the expected average is 6-12 miles worth of flowlines in a linear survey. A drone operator can only survey up to about 1.5 miles before having to move to a new location because current FAA rules require the operators to keep drones in sight at all times without the use of binoculars.

The daily rate for these services is approximately $3,000 plus travel and miscellaneous expenses. Therefore, assuming 15 days per year at $3,000/day plus a total of $5,000 for other expenses, the estimated annual cost is $50,000.

Fund Balance Projections

Cash Fund Name	Cash Fund Number	FY 2015-16 Expenditures	FY 2015-16 End of Year Cash Balance Actual	FY 2016-17 End of Year Cash Balance Estimate*	FY 2018-19 End of Year Cash Balance Estimate*	FY 2019-20 End of Year Cash Balance Estimate*
Oil and Gas Conservation and Environmental Response Fund	1700	$11,136,135	$5,885,082	$6,920,180	($223,631)	($4,528,258)

*Includes this decision item, and assumes no levy rate increase and that all appropriations are fully expended.

Calculation Assumptions:

Personal Services -- Salaries are determined by hiring experience in the same job classes.

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).

Expenditure Detail		FY 2018-19		FY 2019-20	
Personal Services:		FTE	$	FTE	$
	Monthly Salary				
Staff Engineer - Engineer I	$ 7,320	1.0	87,840	1.0	87,840
PERA			8,916		8,916
AED			4,392		4,392
SAED			4,392		4,392
Medicare			1,274		1,274
STD			167		167
Health-Life-Dental			8,000		8,000
Subtotal Position 1, 1.0 FTE		1.0	**$ 114,981**	1.0	**$ 114,981**
	Monthly Salary				
Engr Tech - Eng/PhysSciTech II	$ 5,335	1.0	64,020	1.0	64,020
PERA			6,498		6,498
AED			3,201		3,201
SAED			3,201		3,201
Medicare			928		928
STD			122		122
Health-Life-Dental			8,000		8,000
Subtotal Position 2, 1.0 FTE		1.0	**$ 85,970**	1.0	**$ 85,970**
Subtotal Pers Services, Including Potted Costs		2.0	**$ 200,951**	2.0	**$ 200,951**
Operating Expenses					
Staff Engineer - Engineer I	500	1.0	500	1.0	500
Telephone Expenses (ongoing)	450	1.0	450	1.0	450
PC, One-Time, $410 yr2 (ongoing)	1,230	1.0	1,230	1.0	410
Office Furniture, One-Time	3,473	-	-	-	-
Add'l home office phone/ Internet (in excess of base)	1,307	-	-	-	-
Cell Phone, $480/yr (ongoing)	480	1.0	480	1.0	480
Fld Laptop Surchg, $126 yr2 (ongoing)	378	1.0	378	0.3	126
Vehicle Mileage, 11,500 mi/yr @ $0.29/mile	5,100	-	-	-	-

Field & Safety Equip - $350 yr 2 (ongoing)	2,330	1.0	2,330	1.0	350
Annual Technical Training - $750/yr (ongoing)	750	1.0	750	1.0	750
Travel Expenses - $225/trip	225	12.0	2,700	12.0	2,700
Subtotal Position 1, 1.0 FTE			**$ 8,818**		**$ 5,766**
Engr Tech - Eng/PhysSciTech II	500	1.0	500	1.0	500
Telephone Expenses (ongoing)	450	1.0	450	1.0	450
PC, One-Time, $410 yr2 (ongoing)	1,230	1.0	1,230	1.0	410
Office Furniture, One-Time	3,473	1.0	3,473	-	-
Add'l home office phone/data (in excess of base) (ongoing)	1,307	1.0	1,307	1.0	1,307
Cell Phone, $480/yr (ongoing)	480	1.0	480	1.0	480
Fld Laptop Surchg - $378/FTE	378	1.0	378	1.0	378
Vehicle Mileage 17K mi/yr @	4,930	1.0	4,930	1.0	4,930
Field & Safety Eqpmt - $350 yr2 (ongoing)	2,410	1.0	2,410	1.0	350
Annual Technical Training - $750 yr2 (ongoing)	750	1.0	750	1.0	750
Optical Camera Training - $2K first yr, & every 4 yrs, thereafter.	2,000	1.0	2,000	0.3	500
Travel Exp. - $225/trip (3X per month/FTE)	225	36.0	8,100	36.0	8,100
Subtotal Position 2, 1.0 FTE			**$ 26,008**		**$ 18,155**
Vehicle Lease	537		**$ 2,148**		**$ 6,444**
Subtotal Operating Expenses, Including Potted Costs			**$ 36,974**		**$ 30,365**
Contract Services and Capitalized Equipment Costs					
Optical Gas Imaging Camera - $2,750 yr2 maintenance (ongoing)	96,950		**$ 96,950**		**$ 2,750**
Unmanned Aircraft Systems, 15 days/yr (ongoing)	50,000		**$ 50,000**		**$ 50,000**
Subtotal Contract Services and Capitalized Equipment			**$ 146,950**		**$ 52,750**
TOTAL REQUEST		2.0	**$ 384,875**	2.0	**$ 284,066**
General Fund:					
Cash funds:		*2.0*	*384,875*	*2.0*	*284,066*
Reappropriated Funds:					
Federal Funds:					

	FY 2018-19	FY 2019-20
PERA	10.15%	10.15%
AED	5.00%	5.00%
SAED	5.00%	5.00%
Medicare	1.45%	1.45%
STD	0.190%	0.190%
Health-Life-Dental	$8,000	$8,000

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-02 DNR IT Application Development and Support

Dept. Approval By: Will H. Le

OSPB Approval By:

___	Supplemental FY 2017-18
X	Change Request FY 2018-19
___	Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	$11,466,417	$0	$14,590,628	$115,445	$110,742
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	$1,802,797	$0	$2,413,753	$36,942	$35,437
	CF	$8,844,447	$0	$11,226,491	$66,976	$64,248
	RF	$704,084	$0	$816,944	$9,236	$8,859
	FF	$115,089	$0	$133,440	$2,291	$2,198

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	$11,466,417	$0	$14,590,628	$115,445	$110,742
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration -- Payments to OIT	GF	$1,802,797	$0	$2,413,753	$36,942	$35,437
	CF	$8,844,447	$0	$11,226,491	$66,976	$64,248
	RF	$704,084	$0	$816,944	$9,236	$8,859
	FF	$115,089	$0	$133,440	$2,291	$2,198

CF Letternote Text Revision Requirec Yes X No ___ **If Yes, see schedule 4 fund source detail.**

RF Letternote Text Revision Requirec Yes X No ___

FF Letternote Text Revision Requirec Yes ___ No X

Requires Legislation? Yes ___ No X

Type of Request? Department of Natural Resources Prioritized Request

Interagency Approval or Related Schedule Office of Information Technology

Cost and FTE

- The Department of Natural Resources (DNR) requests an additional $115,445 in spending authority to pay for an additional 1,548 hours (1.0 FTE) of support from the Governor's Office of Information Technology (OIT). This request will allow DNR to address a projected shortfall in IT development hours over the next 5 years.

Current Program

- DNR is allocated about 21,600 hours of application support and development through OIT. OIT needs 5,400 hours each year to maintain existing DNR applications, which results in a net of 16,224 hours each year that is available to address new IT development and support needs.

Problem or Opportunity

- DNR does not have sufficient IT hours to meet its application development and support need both now and in the future.
- DNR estimates that it has a current IT project backlog of 80,000 hours. This is in addition to a projected five-year need for 35,000 hours for statewide OIT projects and new DNR projects that are not part of the current backlog. Together these total a need for 115,000 hours of OIT support by FY 2021-22. At current staffing levels, DNR will only receive 81,000 hour of OIT support over this time period, resulting in a projected shortfall of 34,000 hours.
- This backlog has and will impact DNR's ability to meet customer demands and statutory mandates.
- Some of the areas that have been negatively impacted by this backlog include: coal mine permit tracking and inspections; water rights tracking and public reporting (Hydrobase); oil and gas well permits (eform upgrades); issuing hunting licenses; effective use of state park campsites and cabins; identifying and tracking customers at state parks; firewall upgrades, and; law enforcement and records management at CPW.

Consequences of Problem

- Without additional funding, DNR believes that it will have an unfunded need of about 34,000 OIT hours by FY 2021-22 which would limit the completion of mission critical IT system development.

Proposed Solution

- Increasing OIT hours by 1,548 or 1.0 FTE. DNR expects that the additional 1,548 hours per year will reduce the anticipated unfunded hours by 6,148 hours or almost 20%. The additional IT development and support hours will allow DNR to complete its mission critical projects, respond to statewide OIT projects, and address a prioritized list of new IT projects. This request still results in an estimate backlog of about 28,000 hours at the end of five years, which will require DNR to find alternative sources of funding and/or postpone projects until hours are available beyond five years.

John W. Hickenlooper
Governor

Bob Randall
Executive Director

FY 2018-19 Funding Request | November 1, 2017

Department Priority: R-02
Request Detail: DNR IT Application Development and Support

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
DNR IT Application Development and Support	$115,445	$36,942

Problem or Opportunity:

As detailed in the attached *Five Year IT Roadmap* - June 2017, DNR does not have sufficient IT development and support hours to meet its application development and support needs. The Department of Natural Resources (DNR) estimates that it has a current IT project backlog of 80,000 hours. This backlog has impacted DNR's ability to meet its customers' demands and its statutory mandates. Here are some of the areas that have been negatively impacted by this backlog:

- Coal mine permit tracking and inspections
- Water rights tracking and public reporting (Hydrobase)
- Oil and gas well permits (eform upgrades)
- Issuing wildlife hunting licenses
- Effective use of state park campsites and cabins
- Identifying and tracking customers at state parks
- Firewall upgrades
- Law enforcement and records management (CPW)

DNR is allocated about 21,600 hours[1] of application support and development through the Governor's Office of Information Technology (OIT). OIT needs 5,400 hours each year to maintain existing DNR applications, which results in a net of 16,224 hours each year that is available to address DNR's IT development and support needs. Without additional funding, DNR believes that it will have an unfunded need (i.e. backlog) of about 34,000 OIT hours by FY 2021-22.

Proposed Solution:

DNR recommends increasing OIT hours by 1,548 or 1.0 FTE.

[1] The OIT application development and support hours are part of the IT common policy budget, which also funds desktop support, network support, cyber security, software licensing, support services, etc.

Anticipated Outcomes:

DNR expects that the additional 1,548 hours per year will reduce the anticipated unfunded hours by 6,148 hours or almost 20%. The additional IT development and support hours will allow DNR to complete its mission critical projects, respond to statewide OIT projects, and address a prioritized list of new IT projects. This request still results in an estimate backlog of about 28,000 hours at the end of five years, which will require DNR to find alternative sources of funding and/or postpone projects until hours are available in future years.

Assumptions and Calculations:

The following table summarizes the detail provided in DNR's *Five Year IT Roadmap* - June 2017.

Item	5 year DNR IT Roadmap OIT Hours FY 2017-18 to FY 2021-22
DNR net allocated IT developer hours (21,632/year minus 5,408/year)	81,120
DNR IT project backlog	<79,895>
DNR IT change orders and new projects (est. 6,000/year)	<30,000>
OIT statewide projects (FY 2017-18 to FY 2019-20)	<5,332>
NET Unfunded Hours w/out new FTE	**<34,107>**

DNR Net Allocated Developer Hours
DNR is allocated about 21,600 hours of application support and development through the OIT common policy. OIT needs 5,400 hours each year to support and maintain existing DNR applications, which results in a net of 16,000 hours each year that is available to address DNR's IT development and support needs as identified in DNR's 5 Year IT Roadmap. This 16,000 hours is needed to make major modifications to existing DNR IT systems, to help with replacing older IT systems, and to develop entirely new systems and new functionalities where none previously existed. Over the next five years (from FY 2017-18 through FY 2021-22), the DNR's current allocation of applications development staff will be able to address an estimated 81,120 of IT project work.

DNR IT Project Backlog
DNR and OIT identified a backlog of nearly eighty IT projects totaling an estimated need for 80,000 OIT hours. These projects have either not been started or are currently unfinished. Many of these projects have been planned for years and have already been through OIT's formal project intake process.

DNR IT New Projects and Change Orders
Information technology is a rapidly changing environment that constantly drives modifications such as software version upgrades to manage increasing security risks to existing systems. Additionally new mandates such as legislation or changes in business practice often require that existing systems be updated

to reflect these new changes. Based on past experience, OIT estimates these unanticipated changes increase DNR's annual IT developer needs by about 6,000 hours each year.

While the 5 year plan attempts to better account for these unanticipated changes, it is likely that technology will continue to drive changes that cannot be predicted and DNR and OIT need to be able to respond when these opportunities arise to better meet customer needs. Nonetheless, the current request for 1,548 hours per year still results in an unfunded need of about over 28,000 OIT hours at the end of five years so most of these unanticipated hours will have to be absorbed within current project hour allocations, use other project allocations thus delaying other project implementations, and/or find alternative sources of funding.

OIT Statewide Projects
OIT identified almost 30 statewide mission critical projects it intends to tackle over the next three years. Projects include:

- Network directory and refresh projects
- Software maintenance and upgrades
- Firewall upgrades and other security changes
- HRWorks (Go-Live Oct 2018)
- Database projects
- Services desk enhancements

DNR's share of these statewide projects is estimated to be about 5,300 hours.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-03 Increased Operating and New FTE for State Forest SP

Dept. Approval By: Will H. Levi

OSPB Approval By:

	Supplemental FY 2017-18
X	Change Request FY 2018-19
	Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$32,143,322	$0	$32,645,062	$382,920	$378,217
	FTE	255.1	0.0	255.1	1.0	1.0
	GF	$150,000	$0	$150,000	$0	$0
	CF	$31,548,516	$0	$32,050,256	$382,920	$378,217
	RF	$0	$0	$0	$0	$0
	FF	$444,806	$0	$444,806	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
05. Division of Parks and Wildlife, (A) Colorado Parks and Wildlife Operations -- State Park Operations	Total	$29,536,442	$0	$30,038,182	$282,920	$278,217
	FTE	255.1	0.0	255.1	1.0	1.0
	GF	$150,000	$0	$150,000	$0	$0
	CF	$28,941,636	$0	$29,443,376	$282,920	$278,217
	RF	$0	$0	$0	$0	$0
	FF	$444,806	$0	$444,806	$0	$0
05. Division of Parks and Wildlife, (B) Special Purpose -- Asset Maintenance And Repairs	Total	$2,606,880	$0	$2,606,880	$100,000	$100,000
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$2,606,880	$0	$2,606,880	$100,000	$100,000
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Requirec	Yes	X	No		**If Yes, see schedule 4 fund source detail.**
RF Letternote Text Revision Requirec	Yes		No	X	
FF Letternote Text Revision Requirec	Yes		No	X	
Requires Legislation?	Yes		No	X	
Type of Request?	Department of Natural Resources Prioritized Request				
Interagency Approval or Related Schedule	None				

Cost and FTE

- CPW is requesting 1.0 new FTE and $382,290 in increased cash spending authority to support expanded operations at State Forest State Park.

Current Program

- State Forest State Park is located within the 71,000-acre Colorado State Forest, a state-owned property managed by the State Land Board (SLB) and leased to Colorado Parks and Wildlife (CPW). The park is staffed with 5.0 FTE and about 20 temporary staff during peak season. Amenities include more than 180 primitive campsites, six cabins and ten yurts, and many miles of trails. State Forest State Park also contains the North Park Campground, a facility owned by SLB and operated by Western Parks Management.

Problem or Opportunity

- In April 2017 CPW and SLB signed a new 20 year lease taking effect July 1, 2017. The new lease will maintain CPW's ability to operate the existing park. The lease requires CPW to assume management of the North Park Campground by 2018 and to upgrade existing campground facilities. The lease also increases the annual rent for the park from $45,000 to $160,000 and requires CPW to expend annually $100,000 for preventative maintenance or authorized improvements.

Consequences of Problem

- The park's current staff cannot absorb the workload associated with managing a major amenity like the North Park Campground. In addition to increased lease costs and annual maintenance expenditures, managing the North Park Campground as a CPW facility will require additional spending authority for day-to-day operating costs, utilities, and staff. The required increase in expenditures for preventative maintenance and/or authorized improvements will also drive workload and require additional resources.

Proposed Solution

- To facilitate management of the campground, the increased lease costs, and increased maintenance and improvement costs, CPW is requesting 1.0 new FTE and $382,290 in increased spending authority. The FTE and $282,290 of this spending authority will be allocated to the State Park Operations line item. $100,000 of the requested spending authority will be allocated to the Asset Maintenance and Repairs line item and will be funded with Colorado Lottery funds.

Department Priority: R-03
Request Detail: Increased Operating and New FTE for State Forest State Park

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Increased operating and new FTE for State Forest State Park	$382,920	$0

Problem or Opportunity:

State Forest State Park is located within the 71,000-acre Colorado State Forest, which is state-owned property managed by the State Land Board (SLB) and leased to Colorado Parks and Wildlife (CPW). The park is staffed year-round with 5.0 FTE and employs about 20 temporary staff during peak season. Amenities at State Forest State Park include more than 180 campsites (located in four primary campgrounds and also dispersed throughout the park), six cabins and ten yurts, ten lakes and several river systems, and eleven established trail loops and many miles of other trails. State Forest State Park is the largest park in the Colorado state park system.

State Forest State Park also contains the North Park Campground, a facility owned by SLB and operated by Western Parks Management (and formerly operated by Kampgrounds of America or "KOA"). This campground includes 30 full hook-up RV sites, seven basic camper cabins, two deluxe cabins, tent sites, and a camper registration/administration building. The North Park Campground also has a stand-alone drinking water treatment facility and septic system.

Colorado Parks and Wildlife has leased the state park's land base from SLB for many years. Following the expiration of the original lease, CPW and SLB signed a short-term (three year) extension of the lease, to allow operations to continue and to give the two agencies time to develop a new long-term lease. In April 2017, both parties signed a new twenty-year lease taking effect July 1, 2017. The new lease will maintain CPW's ability to operate the existing park within the boundaries of the Colorado State Forest and also includes other provisions. Specifically, the new lease:

- Requires CPW to assume management of the North Park Campground by 2018 and to upgrade the existing facilities in the campground.
- Increases the annual rent for the park from $45,000 to $160,000.
- Requires CPW to encumber (or otherwise set aside) and expend annually $100,000 for preventative maintenance or authorized (by SLB) improvements within the park, and maintain auditable records of such expenditures.

CPW has extensive experience managing campgrounds, including campgrounds with RV sites, but the current park staff allocation cannot absorb the workload associated with a major amenity like the North Park Campground with its extensive mechanical infrastructure. In addition to increased lease costs and annual maintenance expenditures, managing the North Park Campground as a CPW facility will require additional spending authority for day-to-day operating costs, utilities, and staff. The required increased expenditures for preventative maintenance and/or authorized improvements will also drive workload and require additional resources.

Due to the somewhat unpredictable nature of negotiations over the new lease, CPW did not request additional spending authority and FTE resources prior to the FY 2018-19 budget cycle (as part of the FY 2017-18 request, for example).

Proposed Solution:

To facilitate management of the campground, the increased lease costs, and increased maintenance and improvement costs, CPW is requesting a total of 1.0 new FTE and $382,290 in increased spending authority. The 1.0 FTE and $282,290 of this spending authority will be allocated to the State Park Operations line item and funded by the State Parks Cash Fund. The State Park Operations line item supports the majority of day-to-day park operations system-wide. The State Parks Cash Fund is supported primarily with various park user fees. $100,000 of the requested spending authority will be allocated to the Asset Maintenance and Repairs line item and will be funded with Colorado Lottery funds.

The components of the overall spending authority request include:

New FTE: The addition of 1.0 new FTE, specifically a Park Resource Technician at the Technician IV classification. This position will manage the campground's infrastructure, including electrical hook-ups, plumbing and water, and gas hook-ups, and will assist with the required new maintenance and improvements. Estimated cost for this position, including benefits and operational expenses including one-time capital outlay, is $69,920 in FY 2018-19 and $65,217 in FY 2019-20 and following years.

CPW has considered using only additional temporary staff to manage the maintenance workload associated with the North Park Campground and the new annual maintenance work required by the lease, and indeed, temporary staff are probably a good fit for some of this work (see below). As such, CPW is also requesting increased spending authority for temporary staff as part of this request. The workload associated with the new maintenance and improvements required by the lease will likely be year-round and permanent in nature, however, making the use of temporary staff not sufficient by itself to successfully operate and maintain the North Park Campground.

Campground Costs: Management of the campground will result in new costs, including:

- Increased temporary support staff, including two temporary maintenance technicians for four months a year and two visitor services administrators for eight months a year, for a total estimated cost of $52,000.
- Increased general operating costs, including custodial supplies, trash collection, temporary staff uniform and other expenses, general repair and maintenance costs, fleet variable costs, and operating costs for the camper registration building, totaling an estimated $21,000 annually.
- Increased utilities expenditures for the RV sites and camper registration building, estimated at $25,000 per year.

Lease Costs: CPW is requesting $115,000 in cash spending authority to support the annual cost of the new lease. The increase to the base lease cost is primarily due to the age of the original lease, which was developed and signed in 1972. The State Land Board is statutorily required to receive fair market value for the investments it manages. In the case of the land base of the Colorado State Forest, the fair market value has increased significantly since the signing of the original lease. Receiving fair market value for SLB properties is an important fiduciary responsibility of the State Land Board and assures that K-12 Education and other beneficiaries of trust properties receive a reasonable return from properties held in trust for their benefit.

Maintenance and Improvements Costs: To meet the conditions of the new lease and cover annual maintenance expenditures, CPW also proposes an increase of $100,000 to the division's existing Asset Maintenance and Repairs line item. This line item exists specifically to cover preventative maintenance costs. These expenditures will be supported with funding from the Colorado Lottery, which is not subject to legislative approval but is included in CPW's budget as an information (I) item.

Anticipated Outcomes:

At the most basic level, the new lease agreement between CPW and SLB will allow CPW to continue to operate a state park within the boundaries of the Colorado State Forest, and to offer the park's amenities to visitors. State Forest State Park hosted more than 360,000 visitor days in fiscal year 2015-16 (FY 2016-17 numbers are still being calculated).

Management of the North Park Campground will allow CPW to bring its expertise with camping (and RV camping in particular) to this amenity and present an opportunity to increase revenue. The campground is the first facility that park visitors encounter when traveling to the popular North Michigan Reservoir area of the park, and contains the only full hook-up RV sites and deluxe cabins in the park. The campground's previous manager, Kampgrounds of America, grossed approximately $105,000 per month for a five-month (summer) operating season, or around $525,000 per year. (Please note that these revenue estimates are three years old; CPW does not have more current revenue estimates from the more recent manager, Western Parks Management.) CPW park staff feel that this can be improved with expansion to a longer season. The "shoulder seasons" slightly before and slightly after the summer are not as crowded as the prime summer months, but CPW could earn a moderate amount of revenue in these seasons. CPW will also upgrade existing facilities to include more amenities, adding to the campground's appeal. With an expanded season, additional amenities, and promotional work by the CPW Marketing section, CPW could earn sufficient revenue to make management of the North Park Campground a net positive revenue generator for the park and ultimately the division.

The new FTE position will directly benefit the park's customers in the form of safe, well-maintained facilities. Customer service and safe management of Colorado's state parks are an important component of the Colorado Parks and Wildlife 2015 Strategic Plan. Goal II of this plan (Manage state parks for world class outdoor recreation) contains the objective "Manage facilities and outdoor recreation amenities within state parks to provide positive experiences for Coloradans and visitors." The benchmarks for this objective include "Preserve high visitor satisfaction with state parks and ensure the natural values of parks are maintained."

Assumptions and Calculations:

Table 1 delineates the cost components for this decision item:

Table 1. Cost Components

Component	FY 2018-19	FY 2019-20
Personal Services	$64,267	$64,267
Standard Operating	$5,653	$950
Utilities and Park Operating	$46,000	$46,000
Temporary Staff	$52,000	$52,000
Annual Lease Costs	$115,000	$115,000
Maintenance and Improvement Costs	$100,000	$100,000
TOTAL	**$382,290**	**$378,217**

Personal services costs, including benefits, have been calculated using the FTE Calculations template provided by the Office of State Planning and Budgeting. Please see Attachment A for this template. Costs are calculated using the minimum salary for the Technician IV classification.

Standard operating expenses (phone, computer, etc.) have been calculated using the FTE Calculations template provided by the Office of State Planning and Budgeting. Please see Attachment A.

Utilities and general operating costs for the North Park Campground have been estimated using historical data from KOA and information from other RV campgrounds operated by CPW.

Temporary staff costs have been estimated based on historical temporary staff costs at State Forest State Park for similar positions.

Lease costs are calculated based on the required new annual lease cost ($160,000) minus the annual lease cost that was previously in effect at State Forest ($45,000).

CPW is not requesting fleet vehicles for the new FTE position or the temporary staff. The FTE and temporary will share existing vehicles at the park.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-04 Increased Spending Authority for Leased Space

Dept. Approval By: Will H. Lewi

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$83,174,293	$0	$85,030,358	$0	$0
	FTE	619.6	0.0	619.6	0.0	0.0
	GF	$625,463	$0	$656,063	$0	$0
	CF	$63,959,060	$0	$65,167,909	$0	$0
	RF	$18,000	$0	$7,144	$0	$0
	FF	$19,197,233	$0	$19,199,242	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Leased Space	Total	$1,452,960	$0	$1,494,941	$21,540	$21,540
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$625,463	$0	$656,063	$0	$0
	CF	$786,947	$0	$807,175	$21,540	$21,540
	RF	$18,000	$0	$7,144	$0	$0
	FF	$22,550	$0	$24,559	$0	$0
05. Division of Parks and Wildlife, (A) Colorado Parks and Wildlife Operations -- Wildlife Operations	Total	$82,346,796	$0	$83,535,417	($21,540)	($21,540)
	FTE	619.6	0.0	619.6	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$63,172,113	$0	$64,360,734	($21,540)	($21,540)
	RF	$0	$0	$0	$0	$0
	FF	$19,174,683	$0	$19,174,683	$0	$0

CF Letternote Text Revision Requirec	Yes	X	No		**If Yes, see schedule 4 fund source detail.**
RF Letternote Text Revision Requirec	Yes	X	No		
FF Letternote Text Revision Requirec	Yes		No	X	
Requires Legislation?	Yes		No	X	
Type of Request?	Department of Natural Resources Prioritized Request				
Interagency Approval or Related Schedule	Department of Personnel and Administration				

Cost and FTE

- Colorado Parks and Wildlife (CPW) is requesting $21,540 in increased cash spending authority to the Department of Natural Resources (DNR) Leased Space line item. CPW is requesting a corresponding decrease of $21,540 cash spending authority to the CPW Wildlife Operations line item, making this request overall budget-neutral.

Current Program

- CPW has leased office space in Brush for several years. This space has served as both the operational office for CPW Wildlife Area 3 and as the State Fish Health Laboratory. The Area 3 office provides customer service and sells hunting and fishing licenses, park passes, OHV and boat registrations and provides information to the public. The Fish Laboratory is CPW's statewide center for testing hatchery fish for whirling disease, among many other technical functions.

Problem or Opportunity

- The dual missions of customer service and technical lab work are not always a good fit. Area 3 staff need office space with a secure entry/exit point that allows controlled customer access. Fish Lab staff need clean laboratory space in which to conduct experiments and sample analysis.

Consequences of Problem

- Customer service is sometimes impacted by various activities and experiments conducted by Fish Lab staff. Fish Laboratory staff are forced to store equipment and supplies in external storage locations due to limited space.

Proposed Solution

- In December 2016 the Area 3 office was struck by a vehicle and a significant portion of the office was rendered uninhabitable. While repairs are being conducted, Fish Lab staff have remained in the building; Area 3 staff have been working out of their homes, using cell phones and laptops.
- Area 3 administrative staff need permanent space that will allow them to function day-to-day and meet the needs of the area. Rather than return to the previous office, with known issues, area staff are in the process of leasing modular space to serve as the Area 3 office, providing customer service to the public and office space for region administrative staff. This space is approximately 2,160 square feet. Estimated annual lease costs will be approximately $21,540 annually, and CPW is requesting an increase of this amount to the Departmental Leased Space line item for FY 2018-19. The Fish Health Laboratory will take possession of the entire existing office.

Department Priority: R-04
Request Detail: Increased Spending Authority for Leased Space

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Increased spending authority for leased space	$0	$0

Problem or Opportunity:

Colorado Parks and Wildlife (CPW) has leased office space in Brush for several years. A single structure has served as the area office for CPW Wildlife Area 3 and as the State Fish Health Laboratory. Rent for this space in FY 2016-17 was approximately $21,700.

These two very different work units initially ended up in the same office space for reasons of convenience, but the fit has proved to be awkward over time. The primary focus of the area office is customer service for the immediate geographic region; this office sells hunting and fishing licenses, park passes, OHV and boat registrations, and provides information to the public. The office also serves as working space for CPW staff. This customer service mission differs significantly with the mission of the Fish Health Laboratory, which performs work that is highly technical in nature and requires laboratory conditions. This has sometimes resulted in conflicting priorities within the office. As one example of this, the Fish Laboratory is CPW's statewide center for testing hatchery fish for whirling disease; samples from CPW's many hatcheries across the state are sent to the facility to ensure that CPW is releasing fish that are whirling disease-free. The testing process for whirling disease involves boiling fish heads for an extended period of time, which results in a pervasive and distinct odor. This in turn can have a negative impact on the customer service aspects of the office.

In December 2016 the Area 3 office was struck by a vehicle and suffered significant damage. A significant portion of the office was rendered uninhabitable because of this damage, primarily located in the portion of the building that was used by Area 3 administrative staff for customer service. While repairs are being conducted, Fish Lab staff have remained in the building; Area 3 staff have been working out of their homes, using cell phones and laptops. This has had a significant impact on the customer service aspect of the region. The nearest CPW facilities at which to buy hunting or fishing licenses or get information about CPW are Jackson Lake State Park, about 30 minutes away, and North Sterling State Park, 50-60 minutes away.

Area 3 administrative staff need permanent space that will allow them to function day-to-day and meet the needs of the area, including a secure entry allowing customer access to the service desk but not allowing access to the rest of the building. Rather than return to the previous office, with known issues, area staff are in the process of leasing modular space to serve as the Area 3 office, providing customer service to the public and office space for region administrative staff. This space is approximately 2,160 square feet. Estimated annual lease costs will be approximately $21,540 annually, and CPW is requesting an increase of this amount to the Departmental Leased Space line item for FY 2018-19. The Fish Laboratory will take possession of the entire existing office.

Proposed Solution:

From a legislative budget calendar perspective, the timing of the new leased space is not ideal. CPW must move to secure office space for Area 3 administrative staff during state fiscal year 2017-18, but a request for spending authority to support any new space probably does not rise to the level of an emergency supplemental or other budget amendment mechanism.

CPW proposes absorbing new leased space costs for FY 2017-18 in the Wildlife Operations line item of the agency's current operating budget, while requesting $21,540 in increased cash spending authority to the Departmental Leased Space line item for FY 2018-19. CPW also proposes reducing the division's Wildlife Operations line item by $21,540 cash funds in order to make the request overall budget-neutral. If this new spending authority is approved, CPW will cover the cost of the new lease using cash from the Wildlife Cash Fund.

The existing office is still partially habitable and is being used by Fish Lab staff while the damaged space is repaired. Once repairs are complete, Fish Lab staff will take occupancy of the entire existing office, expanding from their current space into the repaired space.

Anticipated Outcomes:

New office space for Area 3 administrative staff will allow CPW to resume customer service activities in Brush, with an improved customer service experience for CPW's customers and an improved working environment for CPW staff. Creating work space for two distinct work units will allow each to perform its duties more efficiently.

Assumptions and Calculations:

Lease costs are based on the lowest bidder for modular space, in response to a request for quotes issued by Area staff.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-05 Footnote for Plugging and Reclaiming Orphaned Wells

Dept. Approval By: Will H Li

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$445,000	$0	$445,000	$0	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$445,000	$0	$445,000	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation

CF Letternote Text Revision Requirec Yes ___ No X If Yes, see schedule 4 fund source detail.

RF Letternote Text Revision Requirec Yes ___ No X

FF Letternote Text Revision Requirec Yes ___ No X

Requires Legislation? Yes ___ No X

Type of Request? Department of Natural Resources Prioritized Request

Interagency Approval or Related Schedule None

Cost and FTE

- The Oil and Gas Conservation Commission (OGCC) seeks to add a Long Bill footnote that would provide two-year spending authority for the Plugging and Reclaiming Orphaned Wells (PROW) line item. This request requires no additional resources.

Current Program

- The OGCC's PROW program identifies, prioritizes, and addresses oil and gas wells and locations for which there are no known responsible parties or the financial assurance is insufficient.
- As of September 2017, the OGCC was tracking 244 known orphaned wells that require plugging and 300 associated locations that require reclamation. The rate of new orphaned wells has been accelerating in recent years with no sign of slowing down. Many of the recent additions have come from financially distressed operators affected by the recent downturn of the oil and gas industry.
- The PROW program includes but is not limited to the plugging of wells, removal of debris, soil remediation, installation of safety equipment such as fences and signs, and the reclamation of well pads and roads. These locations, when left unaddressed, can impact surface and ground water resources, impair a surface owner's farming or ranching activity, harm wildlife, and endanger the public.
- The PROW program's annual appropriation of $445,000 has historically been limited to one fiscal year, requiring staff to schedule projects they can complete by June 30 due to state procurement rules that can make it difficult for projects to cross fiscal years.

Problem or Opportunity

- The single year appropriation prevents projects from efficiently crossing fiscal years. For example, when staff cannot complete a project by fiscal year-end, due to weather delays, surface owner requests, or other unforeseen circumstances, state procurement rules, in some instances, require the OGCC's contractor to completely demobilize from the site by June 30 and remobilize on or after July 1, thus incurring additional charges of as much as $10,000. If the funding automatically rolled into the next fiscal year, the project could continue uninterrupted.
- Two-year spending authority would also give staff the ability to combine a portion of one year's appropriation with the next to undertake a large project that would otherwise consume most or more than the annual appropriation.

Consequences of Problem

- OGCC staff are hesitant to start projects they may not be able to complete by June 30. As such, they often divert unexpended funds near fiscal year-end to smaller, less complicated, or lower priority projects to avoid extra year-end costs or a reversion of funds. If an alternative project cannot commence quickly, due to procurement delays or other issues, then both it and the original project get pushed into the next fiscal year, leaving the annual appropriation under-utilized.

Proposed Solution

- Multi-year spending authority is common for DNR construction-related line items, as it allows for more effective and efficient use of resources. While most of these line items have footnotes authorizing the appropriation to remain available for three years, the OGCC believes a two-year appropriation would provide the flexibility it needs. Accordingly, the OGCC requests the addition of a Long Bill footnote that reads: "Department of Natural Resources, Oil and Gas Conservation Commission, Plugging and Reclaiming Orphaned Wells -- This appropriation shall remain available until it is fully expended or the close of FY 2019-20, whichever comes first."

Department Priority: R-05
Request Detail: Footnote for Plugging and Reclaiming Orphaned Wells

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Footnote for Plugging and Reclaiming Orphaned Wells	$0	$0

Problem or Opportunity

PROW Program Background

The Plugging and Reclaiming Orphaned Wells (PROW) program is responsible for ensuring that orphaned oil and gas sites — wells or facilities (collectively referred to as "locations") with no known responsible party or insufficient financial assurance — are properly plugged, reclaimed, and abandoned in accordance with OGCC rules. To accomplish this, the Oil and Gas Conservation Commission (OGCC) uses an annual appropriation of $445,000 from the Oil and Gas Conservation and Environmental Response Fund to plug wells, remove debris, remediate soil, install safety equipment such as fences and signs, and reclaim well pads and roads. If these sites are not addressed, they have the potential to impact surface and ground water resources, impair a surface owner's farming or ranching activity, harm wildlife, and endanger the public.

As of September 2017, the OGCC was tracking 244 known orphaned wells that require plugging and 300 associated locations that require reclamation. In addition, an estimated 400 undiscovered locations/wells are likely located in some of the old (historic) oil and gas fields around the state. The rate of new orphan wells has been accelerating in recent years with no sign of slowing down. This is partially due to the increase in the number of financially distressed operators affected by the recent downturn of the oil and gas industry. The OGCC initially responded to the large influx of new locations by conducting a LEAN process improvement event to ensure the division maximized the efficiency and effectiveness of its staff and financial resources. The multi-disciplinary LEAN work group made significant changes to the PROW program, including organizational changes, a new project prioritization process, and improved procurement strategies that achieve greater economies of scale with respect to vendor costs and staff time. Moreover, the team identified the current one-year appropriation as a major constraint on the program. Additional efficiencies could be gained by extending the spending authority to two years.

Problem/Opportunity

The PROW program's current one-year appropriation in the Long Bill creates two main issues for the program: (1) it can add cost to projects that need to be continued into the next fiscal year; and (2) it limits the program's ability to address high priority or large-scale projects.

Costs of Continuing Projects into the Next Fiscal Year

Given the constraints of the current appropriation, PROW project managers make every effort to schedule projects they are reasonably certain can be completed by June 30 each year. However, there are some circumstances beyond their control that can end up stretching the timeline of a project across two fiscal years. This includes situations such as requests by surface owners to postpone the project, unanticipated complications discovered as a project progresses, adverse weather conditions, and the availability of contractors. For example, a plugging project conducted in the spring of 2017 unexpectedly tripled in length after the contractor discovered that there was no casing in the well. Additional parts had to be procured and the contractor had to make two additional attempts to plug the well before the project was completed successfully, adding a considerable amount of time to the project. When these types of scenarios occur, a PROW project can quickly fall behind schedule. Since the construction season picks up in early spring, a delay can easily push work on these projects into the next fiscal year.

Unfortunately, State procurement rules occasionally make it difficult for projects funded by one-year appropriations to cross fiscal years. When funding for the project does not automatically roll into the next fiscal year, contractors have been required at times to completely demobilize and remove equipment from the site by June 30, then return to the exact same location on or after July 1 to finish the project in the new fiscal year. This demobilization/remobilization operation is highly inefficient and very expensive. Not only does it waste several days of work, it can cost up to $10,000 to move operations off of and back onto the same site, a 25 to 50 percent add-on to a typical project's original cost. This reduces resources available for the next year's projects because a portion of the new appropriation must be used to finish a project that had been budgeted for the previous year and for the remobilization costs associated with it.

Limited Ability to Address High-Priority and Large Scale Projects
If the start of a potentially complicated project is delayed to the point that it has a reasonable chance of sliding into the next fiscal year, staff usually defers the start of it until after July 1, rather than risk reverting the associated funds or spending extra money on the demobilization and remobilization process. In some years, staff is able to quickly substitute the planned project with one or more easier, lower priority projects that can be completed by June 30. This means lower priority projects "skip the line" so to speak, leaving higher priority projects unaddressed until the schedule and appropriation realign. The project list, which is ever-growing and frequently updated with new information, is prioritized based on a number of factors including risk to the environment and proximity to occupied buildings. Therefore, the PROW program maximizes its effectiveness and provides the most benefit to the state when it can focus its resources on the top of the list.

Moreover, the single year appropriation of $445,000 can limit the size of the projects the PROW program can undertake. There are several large multi-well projects on the horizon that are expected to exceed the annual appropriation for the PROW program. Staff does not currently have the flexibility to manage these types of projects within existing resources. However, this is a purely structural issue with the current appropriation for the program. If, for example, a portion of one year's appropriation could be combined with the next year's appropriation, staff could procure large multi-well projects without requiring more resources in a single year than the program already receives.

Proposed Solution

The Oil and Gas Conservation Commission seeks to add a Long Bill footnote that would provide two-year spending authority for the PROW program line item starting in FY 2018-19. Proposed language for the footnote is as follows:

"Department of Natural Resources, Oil and Gas Conservation Commission, Plugging and Reclaiming Orphaned Wells -- This appropriation shall remain available until it is fully expended or the close of FY 2019-20, whichever comes first."

The addition of this footnote would not affect the amount appropriated for the PROW program ($445,000 from the Oil and Gas Conservation and Environmental Response Fund). No statutory change is required.

A number of construction-related line items in the Department have multi-year spending authority through footnotes in the Long Bill. For example, the Division of Reclamation, Mining, and Safety has three-year funding for reclamation projects at forfeited mine sites. These projects are often at high altitude and take several seasons to complete between weather issues and the challenge of doing heavy construction in rough terrain. Colorado Parks and Wildlife also has multi-year spending authority for line items that fund the construction of trails and facilities for off-highway vehicles, habitat improvement projects, and other small capital and controlled maintenance projects. Similar to the PROW program, it is difficult or impossible to start and finish these projects within a single year, but CPW and DRMS have much more flexibility with the extended spending authority to manage these projects effectively and efficiently without running into year-end procurement issues. It is important to note that each of these Long Bill line items have footnotes authorizing the appropriation for three years. The OGCC believes that the PROW program would only require a two-year appropriation to achieve the flexibility it needs.

Consequences if Not Approved

As long as the OGCC administers the PROW program with a one-year appropriation, the efficiency and effectiveness of the program will continue to be sub-optimal. High priority or larger-scale projects that experience delays late in the fiscal year will routinely get bumped into the next fiscal year and replaced by smaller, easier projects that can be completed by June 30. When quick replacement projects are not available, the PROW program will continue to revert a portion of its appropriation, thus underutilizing its financial resources.

Anticipated Outcomes

A two-year appropriation would support the OGCC's effort to continuously improve the PROW program. The footnote would allow the program to adapt more easily to project delays that are beyond the control of the agency without incurring expensive penalties under State procurement rules. Furthermore, with an extension of spending authority, appropriations from two separate years could be leveraged to complete larger projects and maximize any unused funds from the prior fiscal year (i.e. minimize reversions).

Adding a footnote to the PROW line item would also allow the program to complete more of the highest priority plugging and reclamation projects and eliminate the risks they pose to the public and the environment, which will ultimately help increase public trust in the agency, a focus of the agency's first strategic policy initiative in the DNR Performance Plan.

The PROW program benefits the public and environment by restoring areas impacted by oil and gas when there are no known responsible parties or for which the financial assurance given to the State is insufficient. This request would ensure that staff and financial resources dedicated to the PROW program are used as efficiently and effectively as possible and align with the public interest.

Assumptions and Calculations:

This request does not change the amount of the requested appropriation for the line item.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-06 Colorado Water Conservation Board Dues Increase

Dept. Approval By:

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	**$478,547**	**$0**	**$473,844**	**$65,109**	**$65,109**
Total of All Line Items Impacted by Change Request	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$478,547	$0	$473,844	$65,109	$65,109
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	**$478,547**	**$0**	**$473,844**	**$65,109**	**$65,109**
06. Colorado Water Conservation Board, (A) Administration -- Operating Expenses	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$478,547	$0	$473,844	$65,109	$65,109
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Require(Yes X No ___ **If Yes, see schedule 4 fund source detail.**

RF Letternote Text Revision Require(Yes ___ No X

FF Letternote Text Revision Require(Yes ___ No X

Requires Legislation? Yes ___ No **X**

Type of Request? Department of Natural Resources Prioritized Request

Interagency Approval or Related Schedule None

Cost and FTE

- The Colorado Water Conservation Board (CWCB) requests an increase of $65,109 cash funds to pay for increasing membership dues to interstate water organizations. Funding will be from the CWCB Construction Fund.

Current Program

- Currently the CWCB maintains dues-paying memberships in the following interstate water organizations:
  1) Upper Colorado River Commission (UCRC)
  2) Colorado River Basin Salinity Control Forum (CRBSCF)
  3) Interstate Council on Water Policy (ICWP)
  4) Western States Water Council (WSWC)
  5) Arkansas River Compact Administration (ARCA)
- The CWCB works through these organizations to represent Colorado's interests in a variety of ways that include protecting the state's ability to develop its water, ensuring that the appropriate amount of water is delivered to downstream states, enhancing opportunities to bring federal funding to Colorado, and planning for future water projects.
- In FY 2017-18, membership dues to these organizations will be $387,470. Of this total, 76% is for the UCRC and ARCA, organizations for which Colorado is statutorily required to belong.
- The CWCB considers participation in these organizations critical to the mission of the agency.

Problem or Opportunity

- Membership dues for these interstate water organizations have increased by almost $100,000 since FY 2011-12, most of this total being organizations in which membership is required by law. Dues are generally paid out of the CWCB Operating Expenses line, which has been almost unchanged in this time. This budget, $478,547 in FY 2017-18, has been spent to within 0.1% in recent years. Staying within budget has forced the agency to defer computer and equipment replacements and move travel expenses and membership dues to other funding sources when available. Some alternative sources are no longer available, while others cannot be utilized without crowding out other agency priorities, making this practice neither sustainable nor ideal.

Consequences of Problem

- The daily activity of the agency entails operating costs, the largest of which is travel for participation in these and other water related gatherings. The CWCB cannot accommodate the increases in membership dues while maintaining its current level of activity.

Proposed Solution

- The CWCB proposes increasing the Operating Expenses budget line by $65,109. This amount is equal to the increases in membership dues between FY 2014-15 and FY 2018-19.

Department Priority: R-06
Request Detail: Colorado Water Conservation Board Dues Increase

Summary of Incremental Funding Change for FY 2018-19	Total Funds	Cash Fund
Colorado Water Conservation Board Dues Increase	$65,109	$65,109

Problem or Opportunity:

Summary
The Colorado Water Conservation Board (CWCB) requests additional cash funds in the amount of $65,109 from the CWCB Construction Fund to pay the increasing dues assessed for Colorado's participation in interstate water organizations, with the majority of the increase being attributable to the Upper Colorado River Commission.

Currently, the CWCB pays dues for membership in the following interstate water organizations:
- Upper Colorado River Commission (UCRC)
- Colorado River Basin Salinity Control Forum (CRBSCF)
- Interstate Council on Water Policy (ICWP)
- Western States Water Council (WSWC)
- Arkansas River Compact Administration (ARCA)

These organizations establish yearly operating budgets and the State of Colorado is assessed dues to cover its share. The dues are paid by CWCB on behalf of the state, primarily from the CWCB Operating Expenses line item in the Long Bill using funds from the CWCB Construction Fund.

Dues for membership in these organizations have been steadily climbing and the CWCB has been absorbing these increases within its fixed operating budget, which has been almost unchanged since FY 2011-12. These increasing dues began to strain the CWCB operating budget beginning in FY 2013-14 by crowding out other operating expenses, and the problem has escalated each year since. The remainder of this budget is primarily used to pay for Board and staff travel to and participation in meetings with water providers, federal partners, environmental groups, and other stakeholders in the water community. This includes the critical work of representing Colorado's interest in nine interstate compacts and other interstate and international agreements.

The CWCB uses these meetings to represent Colorado's interest by protecting Colorado's ability to develop its compact apportionments, monitor the use of appropriated water rights to assure the state remains within its apportionment, plan for future water projects and water rights to develop unappropriated water supplies, create and enhances opportunities to bring federal funding to Colorado, and ensure that the full amount of water to downstream states is delivered, thus avoiding possible multi-million dollar lawsuits. The agency also monitors water supply activities in other states to ensure that appropriations are not exceeded or that any of Colorado's appropriated water is not lost over time to downstream users. Continuing Colorado's full participation in interstate compact administration and related matters ensures the protection of allocations, enables Colorado to have a voice in compact activities while addressing any obstacles to water development projects, allows Colorado to work with fellow states to develop strategic plans for response to increasing population and severe drought, and keeps water available for development of the state's agricultural, municipal, recreational, and wildlife activities, all of which supports economic growth.

The mission of the CWCB is to develop, conserve, protect, and manage the state's water for present and future generations. In order to accomplish this, the CWCB must comply with – and enforce other states' compliance with – interstate compacts, Supreme Court decree entitlements and decisions, and multi-state agreements. All five of the interstate water organizations are important in that they provide the CWCB the opportunity to work closely with other states. The specific goals and mandates of these organizations vary, but CWCB's participation in interstate councils/commissions provides the state with a number of general benefits.

Background on Memberships and Dues
Upper Colorado River Commission
Colorado's obligation to share the expenses of the UCRC is statutorily required, in accordance with Sections 37-62-101 through 105, C.R.S, and its obligation is proportional to its share of the waters apportioned under the Upper Colorado River Compact (51.75%).

The UCRC is an essential forum that allows CWCB to protect Colorado's ability to develop, conserve, and manage the state's water while complying with the Colorado River Compact and the Upper Colorado River Basin Compact. The organization is established by federal and state laws, and has been enacted in Colorado and the other upper basin states. The UCRC has many enumerated authorities, including the authority to:(1) conduct research and studies of an engineering and hydrologic nature related to the operation of the Colorado River reservoirs; (2) collect and compile documents for the legal library relating to the utilization of waters of the Colorado River system; (3) provide legal analysis of associated laws, court decisions, reports and problems; (4) participate in activities and provide comments on proposals that would increase the beneficial consumptive uses in the upper basin; and (5) cooperate with water agencies of the Colorado River basin states on water and water-related problems.

Colorado River Basin Salinity Control Forum
Created in 1973, the CRBSCF is an organization of the seven Colorado River Basin states of Arizona, California, Colorado, Nevada, New Mexico, Utah and Wyoming. The purposes of the Forum are to coordinate salinity control efforts among the states, coordinate with federal agencies on the implementation of the CRBSCF, work with Congress on the authorization and funding of the program, act to disseminate information on salinity control, and otherwise promote efforts to reduce the salt loading to the Colorado River. This program achieves 1.3 million tons of reduced salt loading each year, far surpassing the federal requirements for salinity control.

Colorado's dues are calculated based on a formula that includes Colorado's total apportioned share under the Colorado River Compact and the Upper Colorado River Compact. Without fully engaging in the

CRBSCF, Colorado would not be fulfilling its responsibility to meet water quality standards and to help meet the United States' salinity commitments to Mexico. The threat of salinity is a major concern in the Colorado River – it affects agricultural, municipal, and industrial water users in the U.S. and Mexico. Salts dissolved in Colorado River water cause more than $300 million in damages each year. The program, a long-term interstate and interagency public/private partnership effort, is carried out to reduce the amount of salts in the river and the associated impacts in the basin.

Interstate Council on Water Policy
The purpose of the ICWP is to promote integrated water resources management to address water quantity and quality concerns, ground water and surface water management, and economic and environmental sustainability. This organization was founded in 1959 and it is the national organization of state, interstate, regional, and other water resources agencies and the nation's water managers. The Council provides the opportunity for its members to exchange information, ideas, and experiences in an effective, collective, and coordinated manner. Their scope of interest includes water data collection and management, watershed management, water infrastructure and dam safety, flood and drought preparedness, nonpoint source pollution control, water conservation, wetlands protection, state water laws, and endangered species and habitat.

ICWP membership dues are assessed based on state population, which has been in effect for ten years. Colorado's membership in this organization started in FY 2012-13 and the assessment for membership has been unchanged at $5,000 each fiscal year.

Western States Water Council
The WSWC is an organization chartered in 1965 consisting of representatives appointed by the governors of 18 western states. The Council has four general goals: (1) to accomplish effective cooperation among western states in the conservation, development, and management of water resources; (2) to maintain vital state prerogatives, while identifying ways to accommodate legitimate federal interests; (3) to provide a forum for the exchange of views, perspectives, and experiences among member states; and (4) to provide analysis of federal and state developments in order to assist member states in evaluating impacts of federal laws and programs as well as the effectiveness of state laws and policies.

The CWCB has paid $30,000 per year for membership in the WSWC since FY 2011-12. Failure to fully fund dues for the WSWC could result in reductions or elimination of federal dollars that may come to Colorado for water projects and water policy initiatives. Conversely, full participation significantly increases the chance of drawing federal funding to the state. WSWC is a strong advocate of federal investment in water data tools, including LandSat satellite data, the NASA Thermal Infrared Satellite System, the Natural Resources Conservation Service soil moisture monitoring network, or the maintenance of the United States Geological Survey's stream gages. The State of Colorado could not individually pay for the operations and maintenance of these important federal data collection systems – especially the satellite-based programs. WSWC's role as a trusted voice on water management helps ensure Congress and the Administration are informed about the importance of federal support for water data collection to keep these tools available in the future.

Arkansas River Compact Administration
The CWCB has a statutory obligation to pay Colorado's portion of dues assessed by the Arkansas River Compact Administration per Section 37-69-101 Article VIII E (1) and (2) and 37-69-105 C.R.S. The Administration's compact related expenses that are not paid by the United States are paid on the basis that

60% is covered by the state of Colorado and 40% is covered by the state of Kansas. Colorado's current assessment is $57,600.

Compact Article VIII established the Arkansas River Compact Administration as an interstate agency to administer the Compact provisions. The purposes of this Compact are to: (1) settle existing disputes and remove causes of future controversy between the states of Colorado and Kansas, and between citizens of one and citizens of the other state, concerning the waters of the Arkansas river and their control, conservation and utilization for irrigation and other beneficial purposes; and (2) equitably divide and apportion between the states of Colorado and Kansas the waters of the Arkansas river and their utilization as well as the benefits arising from the construction, operation and maintenance by the United States of John Martin Reservoir Project for water conservation purposes.

Impact on Budget

The growth in membership dues within the CWCB operating budget is creating a problem by crowding out other priorities for the division. In FY 2017-18, CWCB expects that membership dues will require 85% of the CWCB operating budget; up from 64% in FY 2011-12.

Between FY 2011-12 and FY 2018-19, the budget remaining for all other operating expenses after membership dues are accounted is expected to fall from $170,717 to $72,527, a decrease of 58%. This leaves CWCB with a sharply reduced and ever dwindling supply of funding to address all other day to day operating costs of the agency, including participation in statewide and interstate meetings with water stakeholders that CWCB considers essential to the mission of the agency. In both FY 2014-15 and FY 2015-16, CWCB finished the year with less than $500 remaining in this budget (that is, reversions were less than 0.1% of the appropriation). This is a near miss of an overspent budget. Beyond FY 2018-19, CWCB expects the general trajectory to continue, with inflating membership dues leaving less for other operating expenses. The chart below details how increasing membership dues have accounted for a growing share of the CWCB operating budget, which has been almost flat throughout the period in question (the budget increase beginning in FY 2017-18 is for annualized operating expenses for 1.0 FTE added in a FY 2017-18 decision item).

Management of CWCB Operating Expenses Budget from FY 2011-12 through FY 2018-19

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
CWCB Operating Expenses Line Item	$472,761	$472,761	$472,761	$472,894	$472,894	$472,894	$478,547	$473,844
Membership Dues	$302,044	$303,604	$316,450	$314,653	$297,563	$260,460	$387,470	$401,317
Budget remaining for all other operating expenses	$170,717	$169,157	$156,311	$158,241	$175,331	$212,434	$ 91,077	$ 72,527
Percent of CWCB operating budget spent on dues	64%	64%	67%	67%	63%	55%	81%	85%

In FY 2014-15, the problem reached a point where the potential to over-expend the budget became a concern, forcing difficult decisions in order to maintain these memberships. The CWCB managed this with a combination of deferring computer replacements, moving travel expenses and membership dues to other funding sources when available, and postponing the purchase of office equipment and other items. Another factor contributing to the strain on this budget is the November 2015 release of Colorado's Water Plan. The Plan is a roadmap that supports a strong economy, productive agriculture, sustainable cities, a healthy environment, and a notable recreation industry. Hundreds of meetings were held from small-town community centers to big-city water utilities and, in holding the meetings, additional expenses were incurred for travel, meetings, and other operating expenses. These travel demands continue as the state enters the Plan's implementation phase and staff members travel to meetings to discuss implementation of the Plan. The CWCB has increasingly relied on other funding sources to cover the assessments and operating expenses, but this is not a practice that can be maintained; some of the alternative funding sources are no longer available, while others cannot be utilized without crowding out other agency priorities. For these reasons, this practice is neither a sustainable nor an ideal solution.

Proposed Solution:

The CWCB proposes that the division's operating budget be increased by $65,109 to maintain membership and participation in these organizations on behalf of the State. The proposed figure is calculated based on increases observed between FY 2014-15 and FY 2018-19. This time-frame captures the growth of dues through the request year and beginning when the CWCB's operating budget became severely strained. It warrants noting that the majority of this growth is attributable to the statutorily required membership assessment for the UCRC. The chart below shows the assessments for the five interstate water organizations over time: UCRC, CRBSCF, ICWP, WSWC, and ARCA. No additional FTE are needed for this request.

CWCB Membership Dues FY 2011-12 to FY 2018-19

Organization	FY 2011-12	FY 2012-13	Increase FY12 to FY13	FY 2013-14	Increase FY13 to FY14	FY 2014-15	Increase FY14 to FY15	FY 2015-16	Increase FY15 to FY16	FY 2016-17	Increase FY16 to FY17	FY 2017-18	Increase FY17 to FY18	FY 2018-19	Increase FY18 to FY19
UCRC	$178,873	$178,873	$ -	$196,759	$17,886	$206,597	$ 9,838	$229,417	$ 22,820	$256,008	$ 26,591	$256,008	$ -	$269,855	$ 13,847
CRBSCF	$ 37,011	$ 37,011	$ -	$ 37,011	$ -	$ 37,011	$ -	$ 37,011	$ -	$ 37,011	$ -	$ 38,862	$ 1,851	$ 38,862	$ -
ICWP	$ -	$ 5,000	$ 5,000	$ 5,000	$ -	$ 5,000	$ -	$ 5,000	$ -	$ 5,000	$ -	$ 5,000	$ -	$ 5,000	$ -
WSWC	$ 30,000	$ 30,000	$ -	$ 30,000	$ -	$ 30,000	$ -	$ 30,000	$ -	$ 30,000	$ -	$ 30,000	$ -	$ 30,000	$ -
ARCA	$ 57,600	$ 57,600	$ -	$ 57,600	$ -	$ 57,600	$ -	$ 57,600	$ -	$ 57,600	$ -	$ 57,600	$ -	$ 57,600	$ -
TOTAL	$303,484	$308,484		$326,370		$336,208		$359,028		$385,619		$387,470		$401,317	
										Total Increase from FY 2011-12 to FY 2018-19					$ 97,833
										Total Increase from FY 2014-15 to FY 2018-19					$ 65,109

Alternatives Considered

CWCB has considered alternatives, but ultimately decided not to pursue them in favor of this proposal for the following reasons:

- ***Alternative 1* – Maintain participation in all organizations and accommodate dues increases within the existing operating budget:** The CWCB operating budget remaining after membership dues are paid has already dropped dramatically. Since FY 2011-12, the Operating Expenses line item has absorbed an increase of $85,426 in dues with further increases expected in FY 2018-19 and beyond. The primary use of these funds is for staff members to travel to interstate water meetings as well as to meet with water providers and other water interest groups in the state. Further decreases to this budget would be self-defeating by forcing decreased participation in the very organizations in which the CWCB is struggling to maintain membership. Fund reversions from this line item have been minimal. In FY 2014-15, the CWCB reverted only $380 and in FY 2015-16, the reversion amount was only $150.
- ***Alternative 2* – Drop one or more memberships:** CWCB could reduce some costs by leaving one or more of the organizations in question. There is limited flexibility in this basket of options due to statutory constraints, and CWCB considers the remaining options unappealing. Membership to UCRC and ARCA are statutorily required, and these two organizations are expected to make up 80% of membership dues and 66% of CWCB's operating expenses budget in FY 2017-18. Membership to

ICWP costs $5,000 per year, so savings potential here is insufficient to address the problem. This leaves CRBSCF and WSWC as opportunities to reduce costs, at about $38,000 and $30,000 per year respectively. The CWCB believes that the value of participation in these organizations far outweighs the cost of membership.

- ***Alternative 3* – Push back on organizations' intent to raise dues:** CWCB has advised the organizations that it may be difficult for Colorado to pay higher dues in the current fiscal environment. However, CWCB also recognizes the importance of allowing these organizations to keep up with the cost of inflation for their salary and operational expenses. CWCB is uncertain about its prospects for success if this alternative were to be pursued. Even if successful, this course of action can address only future increases, which are expected to be relatively small in upcoming years relative to what CWCB has absorbed already.

Anticipated Outcomes:

DNR's Performance Plan identifies one of the primary processes of the Colorado Water Conservation Board to be "Negotiating and protecting interstate compact agreements." While payments of membership dues cannot be directly measured against this performance measure, belonging to these interstate water organizations is an important element of being able to meet this goal. The spirit of this decision item is for Colorado to honor its commitments to these organizations and pay its fair share of the associated costs.

The requested solution to increase funds to pay for the dues increase also links to the Vision 2019 Environment and Energy Goal to *Ensure a Sustainable Water Future*. Paying the increase in assessments and belonging to the organizations are necessary to allow these organizations to continue to support Colorado's interests in the many legislative, legal, and technical negotiations related to water law and water policy. As states continue to carry out their traditional role with regard to water allocation and management, challenges posed by extreme drought and increasing populations are escalating. With changing and growing demands on limited water resources, complicated by an increasingly complex overlay of federal laws and regulations, the importance of cooperative efforts and exchanges by and among states has been magnified.

This relatively minor dues increase, which represents a 14% increase to the CWCB Operating Expenses line item, will provide CWCB the ability to meet its obligations, as it has for the past several years, and thus maintain and deepen interstate relationships. Success is difficult to quantify for intangibles such as interstate comity, would-be lawsuits averted due to strong partnerships, and a demonstrated record of meeting obligations. The outcome of increased federal dollars for water-related projects in Colorado, and ongoing avoidance of litigation, will demonstrate success.

Assumptions and Calculations:

The dues increases for the FY 2011-12 through FY 2018-19 time period are represented in the chart in the *Proposed Solutions* section.

UCRC

The UCRC bases state assessments on projected expenditures. This proposal is based on a budget that the UCRC has tentatively approved for FY 2018-19, which includes an increase in salary costs and additional funds for operating. Beyond that, the UCRC's standard procedure is to assume a 3% annual increase.

CRBSCF
The Forum announced a 5% increase from $37,011 in FY 2016-17 to $38,862 in FY 2017-18. Based on conversations with CRBSCF staff, no increases are expected for FY 2018-19, although dues increases beyond that are probable.

Other Organizations
Membership dues for ICWP, WSWC, and ARCA have not increased for at least five years, and no imminent increases are expected at this time.

No additional FTEs or equipment are required for this request.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-07 EDO Program Costs Line Item Consolidation

Dept. Approval By: Will H. Lei

OSPB Approval By:

___ Supplemental FY 2017-18
X Change Request FY 2018-19
___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$5,081,760	$0	$5,150,085	$0	$0
	FTE	41.3	0.0	41.3	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$1,057,006	$0	$1,057,006	$0	$0
	RF	$4,019,417	$0	$4,087,742	$0	$0
	FF	$5,337	$0	$5,337	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Personal Services	Total	$3,835,086	$0	$3,903,411	$184,331	$184,331
	FTE	41.3	0.0	41.3	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$0	$0	$0	$0	$0
	RF	$3,835,086	$0	$3,903,411	$184,331	$184,331
	FF	$0	$0	$0	$0	$0
01. Executive Director's Office, (A) Administration -- Operating Expenses	Total	$1,246,674	$0	$1,246,674	($184,331)	($184,331)
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$1,057,006	$0	$1,057,006	$0	$0
	RF	$184,331	$0	$184,331	($184,331)	($184,331)
	FF	$5,337	$0	$5,337	$0	$0

CF Letternote Text Revision Requirec	Yes	___	No	X	**If Yes, see schedule 4 fund source detail.**
RF Letternote Text Revision Requirec	Yes	___	No	X	
FF Letternote Text Revision Requirec	Yes	___	No	X	
Requires Legislation?	Yes	___	No	X	
Type of Request?	Department of Natural Resources Prioritized Request				
Interagency Approval or Related Schedule	None				

Cost and FTE

- The Department of Natural Resources requests: (1) a net-zero transfer of $184,331 reappropriated funds from the Executive Director's Office (EDO) Operating Expenses line item to the EDO Personal Services line item, converting it to a 'Program Costs' line item; and (2) that the existing EDO Operating Expenses line item be renamed 'Capital Outlay' to more accurately reflect the purpose of the remaining appropriation.

Current Program

- The Executive Director's Office is broadly responsible for providing leadership and support on public policy, budget, accounting, and human resources issues to all divisions in the Department.
- The EDO Personal Services line item supports the 41.3 FTE who provide these services with $3.8 million in reappropriated funds from departmental indirect cost recoveries.
- The EDO Operating Expenses line item currently covers both operating costs for EDO, with $184,331 in reappropriated funds from departmental indirect cost recoveries, and capital outlay by DNR divisions outside of EDO with $1.1 million in cash and federal funds.

Problem or Opportunity

- The EDO operating appropriation is adequate, but very lean, and is currently combined with the appropriation for department-wide capital outlay. This limits EDO's flexibility to accommodate even minor unanticipated operating costs without expenditures exceeding the appropriation. It also reduces transparency by separating appropriations with like purposes, i.e., supporting EDO personnel and operations, and merging EDO-specific operating costs with department-wide capital outlay expenditures in a single line item.

Consequences of Problem

- If the EDO Personal Services line item and the EDO portion of the Operating Expenses line item remain separate, EDO will inevitably encounter a situation where it will not be possible to pay its fair share of an unanticipated operating expense without over-spending its appropriation.

Proposed Solution

- Consolidating EDO personal services and operating appropriations into a single program line item and clearly identifying the Department's capital outlay appropriation will increase transparency and allow EDO enough flexibility to manage its budget for personnel and operating costs efficiently within existing resources.

COLORADO

Department of Natural Resources

John W. Hickenlooper
Governor

Robert Randall
Executive Director

FY 2018-19 Funding Request | November 1, 2017

Department Priority: R-07
Request Detail: EDO Program Costs Line Item Consolidation

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
EDO Program Costs Line Item Consolidation	$0	$0

Problem or Opportunity:

The $4.0 million in reappropriated funds supporting personal services and operating expenses in the Executive Director's Office (EDO) is currently separated into two different Long Bill line items:

- EDO Personal Services, which has an appropriation of $3.8 million reappropriated funds and an allocation of 41.3 FTE; and
- EDO Operating Expenses, which is comprised of two parts:
  - $184,331 reappropriated funds for EDO operating expenses; and
  - $1.1 million in cash and federal funds for capital outlay by DNR divisions outside of EDO, i.e., non-EDO capital expenses.

This separation causes two problems: (1) it limits EDO's flexibility to accommodate even minor unanticipated operating costs without expenditures exceeding the appropriation; and (2) it reduces transparency by separating appropriations with like purposes and combining EDO-specific operating costs with department-wide capital outlay in one line item.

EDO Operating Flexibility

The EDO piece of the operating expenses appropriation is currently adequate, but tends to be very lean. As shown in the following table, EDO has reverted 5.6% or less of its operating appropriation in four of the past six years. Reversions have been larger than average for the past two fiscal years, but they are the exception rather than the rule for the pattern of expenditures from this appropriation. In fact, the reversion in FY 2016-17 was somewhat unexpected. For most of the year, EDO was concerned about over-spending the appropriation to cover its share of emergency IT infrastructure replacements identified by the Office of Information Technology as critical to keeping the DNR online and functional. It only became clear later in the fiscal year that the initial estimates were much higher than the quotes received by OIT, which contributed to the large reversions in FY 2016-17.

While the actual cost of some of the emergency projects thankfully turned out to be significantly smaller than expected, OIT is now recommending EDO spend almost $47,000 on documented quotes for a variety of IT infrastructure maintenance projects starting in FY 2017-18, including upgrades to the server room at 1313 Sherman, firewall upgrades, and installing higher speed cabling inside 1313 Sherman. These expenditures are above and beyond money EDO will spend on regular computer replacements, which typically averages another $10,000 to $12,000.

Fiscal Year	Long Bill Appropriation	Actual Expenditures	$ Reverted	% Reverted
FY12	$174,927	$174,927	$0	0.0%
FY13	$184,124	$177,682	$6,442	3.5%
FY14	$184,124	$177,579	$6,545	3.6%
FY15	$184,331	$174,010	$10,321	5.6%
FY16	$184,331	$159,441	$24,890	13.5%
FY17	$184,331	$163,896	$20,436	11.1%

Emergency IT infrastructure replacement is not the only recent example of an unanticipated expense with the potential to stretch EDO's operating appropriation. The Department was also called on to provide financial support for the Governor's Task Force on State and Local Regulation of Oil and Gas Operations in FY 2014-15, a year when only $10,312 was reverted. The Department is an appropriate and willing partner in these sorts of expenditures, but has to use the EDO operating appropriation to cover the costs. EDO has been able to function within its existing appropriation thus far, but it will inevitably encounter a situation where it will not be possible to pay its fair share of an unanticipated operating expense without over-spending if the personal services and operating expenses appropriations remain separate.

Importantly, creating a Program Costs line item will allow EDO to operate within existing resources for longer than it would otherwise be able to, forestalling the need to submit requests for increased spending authority. This would benefit all of the other divisions in the Department. EDO personal services and operating costs are both supported by indirect cost assessments on DNR divisions. Any increase in EDO spending would require an increase in the indirect cost assessments to these divisions, many of which are dealing with their own financial challenges (e.g. falling severance tax and mill levy revenue, limited General Fund availability, achieving financial sustainability through fee increases, etc.). With a Program Costs line EDO will have the flexibility to manage its budget responsibly and creatively without increasing the burden on divisions.

Transparency Issues

The current EDO Operating Expenses line item combines the EDO operating appropriation ($184,331) with the appropriation for department-wide capital outlay ($1.1 million). The dynamics of expenditures from the two pieces of this line item are very different. While IT infrastructure might be a major driver of EDO spending, for example, revenue shortfalls in another division might lead to major cash reversions from the same Operating Expenses (and Capital Outlay) line item. . The current structure makes it challenging for JBC staff and the General Assembly to easily identify appropriations and spending in support of EDO and appropriations used for projects in other divisions. Establishing an EDO Program Costs line puts all EDO resources in once place and will ultimately provide a clearer picture of how the budget for the division is managed over time.

Proposed Solution:

To improve flexibility and transparency, the Department of Natural Resources requests that the personal services and operating appropriations for the Executive Director's Office (EDO) be consolidated into a single Program Costs line item, starting in FY 2018-19. This would require: (1) a net-zero transfer of $184,331 reappropriated funds from the EDO Operating Expenses line item to the EDO Personal Services line item, converting it to a 'Program Costs' line item; and (2) renaming the existing EDO Operating Expenses line item 'Capital Outlay' to more accurately reflect the purpose of the appropriation remaining in that line after the transfer. No statutory change is required.

Consequences if Not Approved

If the request is not approved, EDO will continue to manage its budget to the best of its ability with two separate appropriations for personal services and operating expenses. However, this will leave EDO with less budgetary flexibility to address unplanned expenses that regularly arise each year. For example, the Department will be less likely to come up with funds it is sometimes requested to provide towards Governor's task forces, attending legislative meetings outside of Denver, cost-sharing with partners to host public forums to talk about emerging natural resource issues, etc. Also, as mentioned, IT costs are likely to be ongoing and high for the foreseeable future. Lack of budgetary flexibility increases the likelihood that DNR will need to request a supplemental appropriation to address IT expenses in the future or that DNR will accidentally over-expend its appropriation for operating expenses.

It is important to note that there are also consequences for the EDO Personal Services budget if this request is not approved, which makes this request important to both parts of the EDO budget. While the EDO personal services appropriation is larger than the operating budget, obligations in that line item are not insignificant. More than 94% of the current EDO Personal Services budget is not discretionary and is primarily spent on the salaries and benefits of permanent staff. This high amount of obligated funding means resources cannot be easily reallocated to accommodate key Department priorities. For example, the Department currently has limited flexibility to hire consultants and experts, as might be needed or requested to address an emerging natural resource issue. Without the additional flexibility of a single Program Costs line item, it will become much harder for EDO to address these one-time needs. Overall, the margin is smaller on the operating side, but one-time choices to delay computer replacements become an option to fund an emergency personal service need. Today, that option doesn't exist when a one-time or emergency personal service need arises.

Anticipated Outcomes:

Although it is primarily a technical change, a single EDO Program Costs line item would be beneficial to a wide range of internal and external customers without requiring any additional resources. Combining EDO personal services and operating appropriations will provide the flexibility to improve internal budget management, benefiting employees and the other divisions within the Department, while allowing EDO to continue to serve the General Assembly, natural resources stakeholders, and the public with an increased level of transparency about its budget and operations.

Assumptions and Calculations:

The following table shows the requested Long Bill line item names and appropriations for the Executive Director's Office in FY 2018-19:

	Total	**GF**	**CF**	**RF**	**FF**
(1) Executive Directors Office, (A) Administration					
Personal Services	4,019,417			4,019,417	
Capital Outlay	1,062,343		1,057,006		5,337

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-08 Reclamation, Mining and Safety Coal Program Reduction

Dept. Approval By: Will H Ci

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	**$2,243,667**	**$0**	**$2,282,155**	**($189,276)**	**($189,276)**
	FTE	21.0	0.0	21.0	(1.0)	(1.0)
Total of All Line Items Impacted by Change Request	GF	$0	$0	$0	$0	$0
	CF	$480,496	$0	$488,579	($39,748)	($39,748)
	RF	$0	$0	$0	$0	$0
	FF	$1,763,171	$0	$1,793,576	($149,528)	($149,528)

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	**$2,243,667**	**$0**	**$2,282,155**	**($189,276)**	**($189,276)**
02. Division of Reclamation, Mining, and Safety, (A) Coal Land Reclamation -- Program Costs	FTE	21.0	0.0	21.0	(1.0)	(1.0)
	GF	$0	$0	$0	$0	$0
	CF	$480,496	$0	$488,579	($39,748)	($39,748)
	RF	$0	$0	$0	$0	$0
	FF	$1,763,171	$0	$1,793,576	($149,528)	($149,528)

CF Letternote Text Revision Require(Yes X No ___ **If Yes, see schedule 4 fund source detail.**
RF Letternote Text Revision Require(Yes ___ No X
FF Letternote Text Revision Requirec Yes ___ No X

Requires Legislation? Yes ___ No **X**

Type of Request? Department of Natural Resources Prioritized Request

Interagency Approval or Related Schedule None

Cost and FTE

- The Division of Reclamation, Mining, and Safety proposes to reduce the Coal Land Reclamation Program Costs line item by $189,276 total funds and 1.0 FTE starting in FY 2018-19. This reduction is comprised of $39,748 cash funds from the Severance Tax Operational Fund and $149,528 federal funds.

Current Program

- Regulation of coal mines originated under the Colorado Surface Coal Mining Reclamation Act (Section 34-33-101, C.R.S.) and through a state primacy cooperative agreement with the federal Department of the Interior/Office of Surface Mining. The Coal Land Reclamation Program (Coal Program) exists to regulate the coal mining industry by ensuring that coal mining is conducted in compliance with the Colorado Surface Coal Mining Act, and associated regulations of the Colorado Mined Land Reclamation Board for coal mining.
- This program ensures that the land disturbed by mining is reclaimed to beneficial use and that the environment and the health and safety of the people of the State are protected during and after mining.
- There are currently 6 producing coal mines out of 31 active permitted sites that in total cover over 167,000 permitted acres. Active coal mines are inspected monthly and numerous permit revisions continue to be submitted annually, requiring detailed staff review.

Problem or Opportunity

- Federal grant funding from the U.S. Department of the Interior/Office of Surface Mining for FY 2017-18 was reduced by 4.3 percent from the prior grant cycle in response to a nationwide retraction in the coal industry. Colorado's Coal Program had already prepared for a possible reduction in federal grant funds by keeping 2.0 FTE vacant since 2016. One of the two vacant FTE was reduced from the Long Bill in FY 2015-16 and the second is proposed for elimination in this request.

Consequences of Problem

- Regulatory compliance with the state's rules and regulations has been at 99.0 percent for several years even as the program held two positions vacant. This trend is expected to continue as the 1.0 FTE reduction is only aligning the Long Bill line to actual program staffing. The program will continue to protect the environment and the health and safety of landowners and the public in proximity of all existing mine sites

Proposed Solution

- This is an ongoing reduction in overall spending authority and total FTE that will not affect the continued regulation and reclamation of all remaining coal mines in Colorado. A major expansion of the industry is not anticipated.

Department Priority: R-08
Request Detail: Reclamation, Mining, and Safety Coal Program Reduction

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Reclamation, Mining, and Safety Coal Program Reduction	($189,276)	$0

Problem or Opportunity:

Background

Regulation of coal mines originated under the Colorado Surface Coal Mining Reclamation Act (Section 34-33-101, C.R.S.) and through a state primacy cooperative agreement with the federal Department of the Interior/Office of Surface Mining as allowed by the federal Surface Mining Control and Reclamation Act of 1977, PL 95-87. The Coal Land Reclamation Program (Coal Program) exists to regulate the coal mining industry by ensuring that coal mining is conducted in compliance with the Colorado Surface Coal Mining Act, and associated regulations of the Colorado Mined Land Reclamation Board for coal mining.

This program ensures that the land disturbed by mining is reclaimed to beneficial use and that the environment and the health and safety of the people of the State are protected during and after mining. The program issues permits to conduct coal mining and exploration including the acquisition of required financial warranty instruments, and inspects coal mining and exploration projects to ensure compliance with the permits and the Act and Regulations.

There are currently 6 producing coal mines out of 31 active permitted sites that in total cover over 167,000 permitted acres. Active coal mines are inspected monthly and numerous permit revisions continue to be submitted annually, requiring detailed staff review. Reclamation at coal sites is phased in over a 10 year liability period to ensure plant regrowth is complete, which requires continued inspection by program staff over that duration of time.

Reduction in Federal Funding for Coal Regulation

Reductions in federal funding levels for the Coal Program did not become significant until the 2017 grant cycle. Federal grant funding from the U.S. Department of the Interior/Office of Surface Mining for FY 2017-18 was reduced by 4.3 percent from the prior grant cycle in response to a nationwide retraction in the coal industry. Colorado’s Coal Program had already prepared for a possible reduction in federal grant funds by keeping 2.0 FTE vacant since 2016. One of the two vacant FTE was reduced from the Long Bill in FY 2015-16 and the second is proposed for elimination in this request.

Proposed Solution:

The Division of Reclamation, Mining, and Safety proposes to reduce the Coal Land Reclamation Program Costs line item by $189,276 total funds and 1.0 FTE starting in FY 2018-19. This reduction is comprised of $39,748 cash funds from the Severance Tax Operational Fund and $149,528 federal funds. This is an ongoing reduction in overall spending authority and total FTE that will not affect the continued regulation and reclamation of all remaining coal mines in Colorado. A major expansion of the industry is not anticipated.

Anticipated Outcomes:

Regulatory compliance with the state's rules and regulations has been at 99.0 percent for several years even as the program held two positions vacant. This trend is expected to continue as the 1.0 FTE reduction is only aligning the Long Bill line to actual program staffing. The program will continue to protect the environment and the health and safety of landowners and the public in proximity of all existing mine sites.

Assumptions and Calculations:

The total reduction was determined by calculating the cash match that corresponds to a decrease in federal grant funds to the program of $149,528 that has occurred since FY 2015-16. The 1.0 FTE associated with that reduction has been vacant and is not included in any total compensation calculations.

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

R-09 Interuptible Water Supply Agreements Reduction

Dept. Approval By: Will H. Le

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	**Total**	**$61,589**	**$0**	**$61,589**	**($61,589)**	**($61,589)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$61,589	$0	$61,589	($61,589)	($61,589)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
	Total	**$61,589**	**$0**	**$61,589**	**($61,589)**	**($61,589)**
07. Water Resources Division, (B) Special Purpose -- H.B. 03-1334 Temporary Interruptible Water Supply Agreements	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$61,589	$0	$61,589	($61,589)	($61,589)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Require(Yes X No ___ **If Yes, see schedule 4 fund source detail.**

RF Letternote Text Revision Require(Yes ___ No X

FF Letternote Text Revision Require(Yes ___ No X

Requires Legislation? Yes X No ___

Type of Request? Department of Natural Resources Prioritized Request

Interagency Approval or Related Schedule None

Cost and FTE

- The Department requests a the elimination of the Interruptible Water Supply Agreement line item in the amount of $61,589 CF.
- There is no FTE impact associated with the proposed change.

Current Program

- The Department's Interruptible Water Supply program (C.R.S. 37-92-309) allows water right holders to transfer historical consumptive use of an absolute water right for application to another type of use and/or place of use on a temporary basis without permanently changing the water right.

Problem or Opportunity

- The Department has administered this program since 2003.
- Since its inception, the program has had only to applications and both applications were retracted shortly after they were submitted.

Consequences of Problem

- The Department submits the Interruptible Water Supply program line item reduction to eliminate unused spending authority from the budget.

Proposed Solution

- The Department will eliminate the Interruptible Water Supply program line item in the amount of $61,589 CF due to low program usage.
- Legislation will be required to eliminate or amend C.R.S. 37-92-309.

John W. Hickenlooper
Governor

Robert Randall
Executive Director

Department Priority: R-09
Interruptible Water Supply Agreements Reduction

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Interruptible Water Supply Agreements Reduction	($61,589)	$0

Problem or Opportunity:

C.R.S. 37-92-309 enables water right holders to transfer historical consumptive use of an absolute water right for application to another type of use and/or place of use on a temporary basis without permanently changing the water right. Since 2003, the Department has implemented this legislation through the Interruptible Water Supply program. The Department will eliminate the Interruptible Water Supply program line in the amount of $61,589 CF given minimal program activity.

Proposed Solution:

The Department will eliminate the Interruptible Water Supply program line item in the amount of $61,589 CF due to low program usage. Since its inception, the program has had only two applications and both applications were retracted shortly after they were submitted. There is no FTE impact associated with this change.

Anticipated Outcomes:

Legislation will be required to eliminate or amend C.R.S.37-92-309. There is no FTE impact associated with the proposed change but the Department will no longer offer water right holders the services associated with the Interruptible Water Supply program.

Assumptions and Calculations:

The Interruptible Water Supply program funds of $61,589 come from the FY 2017-18 allocation from the Water Resources Cash Fund created in C.R.S. 37-80-111.7(1).

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

NP-01 Cybersecurity Liability Insurance Policy

Dept. Approval By: William H Levi

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$1,024,433	$0	$894,156	$13,840	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$86,349	$0	$64,104	$2,410	$0
	CF	$915,073	$0	$813,696	$10,725	$0
	RF	$13,247	$0	$9,178	$392	$0
	FF	$9,764	$0	$7,178	$313	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Payment To Risk Management And Property Funds	Total	$1,024,433	$0	$894,156	$13,840	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$86,349	$0	$64,104	$2,410	$0
	CF	$915,073	$0	$813,696	$10,725	$0
	RF	$13,247	$0	$9,178	$392	$0
	FF	$9,764	$0	$7,178	$313	$0

CF Letternote Text Revision Requirec Yes X No ___ **If Yes, see schedule 4 fund source detail.**

RF Letternote Text Revision Requirec Yes X No ___

FF Letternote Text Revision Requirec Yes ___ No X

Requires Legislation? Yes ___ No X

Type of Request? Department of Natural Resources Non-Prioritized Request

Interagency Approval or Related Schedule Department of Personnel and Administration

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

NP-02 Operating System Suite

Dept. Approval By: Will. H. Lo...

OSPB Approval By:

__ Supplemental FY 2017-18

X Change Request FY 2018-19

__ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	**Total**	**$62,288,173**	**$0**	**$66,357,573**	**$231,813**	**$256,230**
	FTE	513.9	0.0	512.8	0.0	0.0
	GF	$22,409,860	$0	$23,485,078	$34,010	$37,592
	CF	$31,424,113	$0	$34,147,561	$188,637	$208,507
	RF	$5,130,129	$0	$5,320,955	$5,246	$5,798
	FF	$3,324,071	$0	$3,403,979	$3,920	$4,333

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Personal Services	**Total**	**$3,835,086**	**$0**	**$3,903,411**	**($1,816)**	**($1,816)**
	FTE	41.3	0.0	41.3	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$0	$0	$0	$0	$0
	RF	$3,835,086	$0	$3,903,411	($1,816)	($1,816)
	FF	$0	$0	$0	$0	$0
01. Executive Director's Office, (A) Administration -- Payments to OIT	**Total**	**$11,466,417**	**$0**	**$14,590,628**	**$312,044**	**$336,461**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$1,802,797	$0	$2,413,753	$45,781	$49,363
	CF	$8,844,447	$0	$11,226,491	$253,924	$273,794
	RF	$704,084	$0	$816,944	$7,062	$7,614
	FF	$115,089	$0	$133,440	$5,277	$5,690

01. Executive Director's Office, (B) Special Programs -- Colorado Avalanche Information Center Program Costs	**Total**	**$1,065,956**	**$0**	**$1,085,238**	**($605)**	**($605)**
	FTE	10.9	0.0	10.9	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$456,026	$0	$465,667	($605)	($605)
	RF	$590,959	$0	$600,600	$0	$0
	FF	$18,971	$0	$18,971	$0	$0
02. Division of Reclamation, Mining, and Safety, (A) Coal Land Reclamation -- Program Costs	**Total**	**$2,243,667**	**$0**	**$2,282,155**	**($886)**	**($886)**
	FTE	21.0	0.0	21.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$480,496	$0	$488,579	($186)	($186)
	RF	$0	$0	$0	$0	$0
	FF	$1,763,171	$0	$1,793,576	($700)	($700)
02. Division of Reclamation, Mining, and Safety, (B) Inactive Mines -- Program Costs	**Total**	**$1,861,137**	**$0**	**$1,892,752**	**($717)**	**($717)**
	FTE	16.3	0.0	16.3	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$623,942	$0	$624,405	($60)	($60)
	RF	$0	$0	$0	$0	$0
	FF	$1,237,195	$0	$1,268,347	($657)	($657)
02. Division of Reclamation, Mining, and Safety, (C) Minerals -- Program Costs	**Total**	**$2,243,243**	**$0**	**$2,280,176**	**($971)**	**($971)**
	FTE	24.1	0.0	23.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$2,243,243	$0	$2,280,176	($971)	($971)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0
02. Division of Reclamation, Mining, and Safety, (D) Mines Program, (1) Mines Program -- Colorado And Federal Mine Safety Program	**Total**	**$539,837**	**$0**	**$545,232**	**($161)**	**($161)**
	FTE	4.0	0.0	4.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$350,192	$0	$355,587	($161)	($161)
	RF	$0	$0	$0	$0	$0
	FF	$189,645	$0	$189,645	$0	$0

03. Oil and Gas Conservation Commission -- Program Costs	**Total**	**$10,073,566**	**$0**	**$10,270,852**	**($4,889)**	**($4,889)**
	FTE	108.3	0.0	108.3	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$10,073,566	$0	$10,270,852	($4,889)	($4,889)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

04. State Board of Land Commissioners -- Program Costs	**Total**	**$4,538,235**	**$0**	**$4,613,074**	**($2,083)**	**($2,083)**
	FTE	41.0	0.0	41.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$4,538,235	$0	$4,613,074	($2,083)	($2,083)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

05. Division of Parks and Wildlife, (B) Special Purpose -- Information Technology	**Total**	**$2,659,223**	**$0**	**$2,659,223**	**($54,207)**	**($54,207)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$2,659,223	$0	$2,659,223	($54,207)	($54,207)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

06. Colorado Water Conservation Board, (A) Administration -- Operating Expenses	**Total**	**$478,547**	**$0**	**$473,844**	**($2,125)**	**($2,125)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$0	$0	$0	$0	$0
	CF	$478,547	$0	$473,844	($2,125)	($2,125)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

07. Water Resources Division, (A) Division Operations -- Water Administration	**Total**	**$21,283,259**	**$0**	**$21,760,988**	**($11,771)**	**($11,771)**
	FTE	247.0	0.0	247.0	0.0	0.0
	GF	$20,607,063	$0	$21,071,325	($11,771)	($11,771)
	CF	$676,196	$0	$689,663	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

CF Letternote Text Revision Requirec Yes X No ____ **If Yes, see schedule 4 fund source detail.**

RF Letternote Text Revision Requirec	Yes	___	No	X
FF Letternote Text Revision Requirec	Yes	___	No	X
Requires Legislation?	Yes	___	No	X

Type of Request? Department of Natural Resources Non-Prioritized Request

Interagency Approval or Related Schedule Office of Information Technology

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Natural Resources

Request Title

NP-03 Annual Fleet Vehicle Request

Dept. Approval By: William H Levi

OSPB Approval By:

___ Supplemental FY 2017-18

X Change Request FY 2018-19

___ Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
Total of All Line Items Impacted by Change Request	Total	$4,207,446	$0	$4,207,446	$229,841	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$270,766	$0	$270,766	$52,153	$0
	CF	$3,819,225	$0	$3,819,225	$184,146	$0
	RF	$46,367	$0	$46,367	$389	$0
	FF	$71,088	$0	$71,088	($6,847)	$0

Line Item Information	Fund	FY 2017-18 Initial Appropriation	FY 2017-18 Supplemental Request	FY 2018-19 Base Request	FY 2018-19 Change Request	FY 2019-20 Continuation
01. Executive Director's Office, (A) Administration -- Vehicle Lease Payments	Total	$4,207,446	$0	$4,207,446	$229,841	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$270,766	$0	$270,766	$52,153	$0
	CF	$3,819,225	$0	$3,819,225	$184,146	$0
	RF	$46,367	$0	$46,367	$389	$0
	FF	$71,088	$0	$71,088	($6,847)	$0

CF Letternote Text Revision Requirec Yes X No ___ If Yes, see schedule 4 fund source detail.

RF Letternote Text Revision Requirec Yes X No ___

FF Letternote Text Revision Requirec Yes ___ No X

Requires Legislation? Yes ___ No X

Type of Request? Department of Natural Resources Non-Prioritized Request

Interagency Approval or Related Schedule None