



Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0550

Date: February 7, 2011

Prime Sponsor(s): Rep. Wilson

Bill Status: House Agriculture

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TITLE: CONCERNING PROTECTION OF WATER QUALITY, AND, IN CONNECTION THEREWITH, REQUIRING THE COLORADO OIL AND GAS CONSERVATION COMMISSION AND THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT TO REVIEW THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S STUDY REGARDING HYDRAULIC FRACTURING FLUIDS AND REQUIRING THE COLORADO OIL AND GAS CONSERVATION COMMISSION TO REPORT TO THE GENERAL ASSEMBLY REGARDING COMPLAINTS ARISING FROM OIL AND GAS OPERATIONS.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill requires the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR), in cooperation with the Department of Public Health and Environment (DPHE), to review the U.S. Environmental Protection Agency's (EPA) study that investigates the possible relationships between hydraulic fracturing and drinking water and submit a report on the study to the General Assembly. The report is required to evaluate whether there is sufficient evidence that hydraulic fracturing fluids pose a risk to ground or surface waters and whether this potential risk justifies expenditures for additional monitoring or corrective actions. The report must be submitted to the House Agriculture, Livestock, and Natural Resources Committee, the Senate Agriculture and Natural Resources Committee, the House Health and Environment Committee, and the Senate Health and Human Services Committee by January 1, 2013, or 6 months after the completion of the EPA study.

Additionally, the COGCC is required to submit an annual report to the General Assembly on the number of complaints it received that relate to water quality and whether the complaint was found to be attributable to oil and gas operations.

Background

Hydraulic fracturing. Hydraulic fracturing is a well stimulation process used to maximize the extraction of underground resources, including oil and natural gas. The oil and gas industry uses hydraulic fracturing to allow oil or natural gas to move more freely from the rock pores to production wells that bring the oil or gas to the surface.

EPA study. The EPA will be conducting a scientific study to investigate the possible relationships between hydraulic fracturing and drinking water. The EPA held public meetings around the country in July through September 2010 to discuss the scope of the study and perspectives on risks, gather public data that may inform the study, and identify data gaps. Using the input from these meetings, the EPA plans to submit the draft study plan to the Science Advisory Board for peer review in early 2011. The EPA expects to initiate the study in early 2011 and to have the initial study results available by late 2012.

State Expenditures

This bill is expected to minimally increase workload for the COGCC and DPHE, but this fiscal note assumes that an additional appropriation will not be required.

Department of Public Health and Environment. DPHE already planned to review the EPA study and does not anticipate that consulting with the COGCC to produce a report will require additional expenditures.

Colorado Oil and Gas Conservation Commission, Department of Natural Resources. This fiscal note assumes that the reports required by this bill will create additional workload for the DNR. While it is not anticipated that this workload will require additional staff or resources, the exact impact to the department was not known at the time this fiscal note was written.

Departments Contacted

Natural Resources

Public Health and Environment