

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0899  
**Prime Sponsor(s):** Rep. Mitsch Bush

**Date:** March 27, 2013  
**Bill Status:** House Transportation and Energy  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING THE REPORTING OF OIL SPILLS.

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b>		
<b>State Expenditures</b>		
Cash Funds		
Oil and Gas Conservation and Environmental Response Fund	\$56,613	\$41,990
<b>FTE Position Change</b>	0.5 FTE	0.5 FTE
<b>Effective Date:</b> August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2013-2014:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

This bill requires an oil and gas operator to report, within 24 hours of discovery spills of oil or exploration and production waste of one barrel (31 U.S. gallons) or more, or the equivalent of one barrel or more. The spill must be reported to the Colorado Oil and Gas Commission (COGCC), the local jurisdiction responsible for emergency response, the surface owner, and owners of land adjacent to the spill. The COGCC may promulgate rules to implement these requirements.

**Background**

Spill response requirements for oil or exploration and production waste are included in the rules administered by the COGCC. Spills of any size which impact or threaten any waters of the state, a residence or occupied structure, livestock, or public byway, must be reported as soon as practicable to the COGCC, but not more than 24 hours after discovery. For spills that do not fall under the 24 hour time frame, only spills exceeding 5 barrels (157 gallons) are required to be reported to the COGCC.

**State Expenditures**

*This bill is expected to increase expenditures by \$56,613 and 0.5 FTE in FY 2013-14 and \$41,990 and 0.5 FTE in FY 2014-15 from the Oil and Gas Conservation and Environmental Response Fund.* The fiscal note assumes that the fund has sufficient reserves to fund this bill without an increase in the mill levy charged on the market value at the well of produced oil and gas. Costs are shown in Table 1 and detailed below.

Two provisions of this bill require an increase in expenditures. The first is the 2-day rulemaking hearing that will be required for the COGCC to conform its rules to the bill. Costs for the hearing are estimated at \$10,417 for travel and meeting expenses, plus \$1,854 for legal services provided by the Department of Law. These costs are incurred only in FY 2013-14.

The second provision is the new requirement for oil and gas operators to notify owners of land adjacent to the spill. Currently, adjacent landowners contact the COGCC with questions when they see clean-up operations underway. In FY 2011-12, 485 spills were reported. At an average of 2 hours per spill, the increase in time required to respond to adjacent landowners is 970 hours per fiscal year. This equates to 0.5 FTE of an environmental protection specialist. Should call volume be greater than this estimate, the COGCC can request additional staffing through the annual budget process.

<b>Table 1. Expenditures Under HB13-1278</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services	\$41,515	\$41,515
FTE	0.5	0.5
Operating Expenses and Capital Outlay	2,827	475
Board Meeting Expenses	10,417	
Legal Services	1,854	
<b>TOTAL</b>	<b>\$56,613</b>	<b>\$41,990</b>

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 3.

<b>Table 3. Expenditures Not Included Under SB 13-1278*</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,383	\$3,383
Supplemental Employee Retirement Payments	2,548	2,883
<b>TOTAL</b>	<b>\$5,931</b>	<b>\$6,266</b>

*\*More information is available at: <http://colorado.gov/fiscalnotes>*

### **Local Government Impact**

The bill will increase reporting of spills to local jurisdictions but does not require a response from those jurisdictions. If a local jurisdiction makes a policy decision to respond to reported spills, that will increase the workload for that jurisdiction will increase accordingly.

### **State Appropriations**

For FY 2013-14, the Department of Natural Resources requires an appropriation of \$56,613 and 0.5 FTE from the Oil and Gas Conservation and Environmental Response Fund. Of this amount, the Department of Law requires \$1,854 in reappropriated funds.

### **Departments Contacted**

Counties      Law      Municipalities      Natural Resources