

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0517	Date: April 29, 2013
Prime Sponsor(s): Sen. Carroll Rep. Hullinghorst	Bill Status: Senate Agriculture Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING STREAMLINING THE ENVIRONMENTAL PERMITTING OF OIL AND GAS DEVELOPMENT THAT MEETS ENHANCED ENVIRONMENTAL PROTECTION STANDARDS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
Cash Funds		
Stationary Sources Control Fund	\$222,291	\$208,652
FTE Position Change	2.9 FTE	2.9 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill establishes an expedited permit review process for air emissions produced by certain oil and gas operators subject to regulation by the Colorado Department of Public Health and Environment (CDPHE). The CDPHE is also authorized to establish an expedited review process for water discharges by oil and gas operators. An operator is not eligible for expedited permit review if the subject facility is out of compliance with state or federal pollution control standards.

An eligible oil and gas operator must certify that it will adhere to enhanced pollution control standards. The CDPHE may consult with the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources to develop enhanced pollution control standards.

Background

Air pollution controls. New oil and gas facilities generally require an individual air permit. The Air Pollution Control Division (APCD) in CDPHE currently processes approximately 2,000 oil and gas-related permits each year, with average growth of oil and gas permit applications exceeding 20 percent each year since 2008. A statutory schedule currently defines the review process for an individual air emissions permit, including completeness review, notice and comments, preliminary analysis, and issuance or denial. Based on current caseload, individual air emissions permits routinely take 140 days or longer to complete the review process.

Air Pollution Control Division funding. Air emissions permitting functions in the APCD are supported by the Stationary Sources Control Fund. Based on current budget projections, fee revenue to the Stationary Sources Control Fund is sufficient for permitting programs in the APCD.

General permits. Current practices in the APCD and CDPHE's Water Quality Control Division (WQCD) include general permits that cover certain common equipment and activities that emit or discharge pollutants. These general permits include stormwater construction permits covering oil and gas field operations, as well as air emissions general permits that cover certain engines and certain tanks, including condensate and produced water tanks with relatively low emissions volume. CDPHE typically issues facility certifications within the first week after it receives a complete application complying with general permit conditions.

Water pollution controls. New oil and gas facilities that follow standard practices generally comply with water pollution control standards and obtain a stormwater construction general permit prior to well development. These general permits may require that best technology or similar standard is incorporated into the engineering of oil and gas facilities. The WQCD typically issues certifications for facilities covered by a general permit within several days. Once the well begins commercial production, the construction permit expires and the facility becomes subject to COGCC reclamation standards (that seek to eliminate water pollutant discharges).

State Expenditures

The bill increases costs in the CDPHE by \$222,291 and 2.9 FTE in FY 2013-14, and by \$208,652 and 2.9 FTE in FY 2014-15 and future fiscal years. Table 1 shows costs for the APCD to implement an expedited air permit review process in several stages.

Table 1. Expenditures Under SB 13-284		
Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$205,897	\$205,897
FTE	2.9	2.9
Operating Expenses	2,755	2,755
Capital Outlay	13,639	0
TOTAL	\$222,291	\$208,652

Workload in the APCD will increase to develop new general air permits covering dehydrators, pumps, tanks, and other emissions sources. For each piece of equipment, development of a general permit will require approximately 2,025 hours of professional staff time. The fiscal note assumes that it is effective to develop 3 general permits per year, increasing personal services in the APCD by 2.9 FTE and substantially decreasing wait-time for an oil and gas air emissions permit.

In FY 2015-16 and future fiscal years, it is anticipated that the APCD will modify and update general permits to reflect changes in technology and other trends affecting oil and gas practice. As a result, workload for 2.9 FTE continues as a requirement to maintain expedited review.

The fiscal note assumes no increase of costs for the WQCD. Given the current coverage and prevalence of water discharge general permits, very few oil and gas field facilities would benefit from expedited water quality permits. The CDPHE may seek additional resources in the annual budget process if changes in technology, in caseload, or other factors warrant the development of an expedited water quality permit process.

The COGCC is expected to consult with APCD in the development of expedited review. This is consistent with current practice and will not require new appropriations.

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 2.

Table 2. Expenditures Not Included Under SB 13-284*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$19,561	\$19,561
Supplemental Employee Retirement Payments	12,638	14,298
Indirect Costs	44,014	41,313
TOTAL	\$76,213	\$75,172

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

State Appropriations

For FY 2013-14, the Colorado Department of Public Health and Environment requires a cash funds appropriation of \$222,291 from the Stationary Sources Control Fund, and an allocation of 2.9 FTE.

Departments Contacted

Natural Resources
 Law

Public Health and Environment
 Local Affairs

Municipalities