

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 14-0180 **Date:** March 19, 2014  
**Prime Sponsor(s):** Rep. Ginal **Bill Status:** House Health, Insurance, and Environment  
 Sen. Aguilar **Fiscal Analyst:** Alex Schatz (303-866-4375)

**SHORT TITLE:** ANALYZE HEALTH DATA REGARDING FRONT RANGE OIL GAS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
<b>State Revenue</b>			
<b>State Expenditures</b>	<b><u>\$191,394</u></b>	<b><u>\$218,576</u></b>	<b><u>\$156,644</u></b>
General Fund	170,316	190,538	133,311
Centrally Appropriated Costs**	21,078	28,038	23,333
<b>FTE Position Change</b>	2.1 FTE	2.6 FTE	2.2 FTE
<b>Appropriation Required:</b> \$170,316 - Department of Public Health & Environment (FY 2014-15)			

\* This summary shows changes from current law under the bill for each fiscal year.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

**Summary of Legislation**

Prior to repeal on September 1, 2017, this bill requires the Colorado Department of Public Health and Environment (CDPHE) to study and report on the health and quality of life effects of oil and gas operations for selected communities in Adams, Boulder, Larimer, and Weld Counties. The study will be conducted in two stages, as described below.

**Scientific oversight committee.** The study is conducted with input from a scientific oversight committee (SOC) composed of nine voting members, four of whom are appointed by legislative leadership, four of whom are appointed by the Governor, and the chief medical officer of CDPHE, or his or her designee, who will act as chair of the SOC. Four nonvoting members consist of one economist and one statistician appointed by the executive director of the Department of Higher Education, one representative from the oil and gas industry, and one representative of statewide environmental organizations. Members of the SOC must include at least two physicians, and others must possess subject matter expertise relevant to the study. SOC members are prohibited from having a conflict of interest and may be removed for cause. Following the completion of appointments no later than July 1, 2014, the SOC must meet by July 15, 2014.

**Study design.** In Stage 1 of the study, CDPHE reviews scientific literature on the effects of human exposure to oil and gas operations, identifies specific conditions of interest that the literature indicates may affect human health and quality of life, and summarizes relevant findings in a written report by December 1, 2014.

In Stage 2, the bill requires CDPHE to seek approval of study design and procedures by an institutional review board (IRB), as defined by federal law. The IRB reviews CDPHE's proposed Stage 2 study in two tiers, as follows:

- By December 31, 2014, the IRB must approve a Tier 1 proposal to collect health and quality of life data from selected communities. Based on geographically-indexed results of this survey, the SOC identifies conditions of interest that warrant further study, and an interim report is prepared by January 1, 2016.
- By February 1, 2016, the Tier 2 proposal must be approved by the IRB, including proposed case-control studies on at least two of the conditions of interest identified in Tier 1. A final report for Stage 2 is prepared by January 1, 2017, with findings concerning the significance of occurrences of conditions of interest and recommendations for any additional studies.

**Presentation of reports.** All reports required by the bill are delivered and presented to the relevant committees of reference in the General Assembly and published on the CDPHE website. The final report must be submitted to a peer-reviewed scientific journal.

**State Expenditures**

The bill results in increased expenditures by the CDPHE of **\$191,394 and 2.1 FTE in FY 2014-15, \$218,576 and 2.6 FTE in FY 2015-16, and \$156,644 and 2.2 FTE in FY 2016-17.** Table 1 summarizes costs associated with these CDPHE expenditures.

<b>Table 1. Expenditures Under HB 14-1297</b>			
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Personal Services	\$118,520	\$156,288	\$127,321
FTE	2.1	2.6	2.2
Standard Operating Expenses	2,090	2,470	2,090
SOC Meeting Expenses	3,900	3,900	3,900
Mailing Costs	36,400	0	0
Phone Interview Hourly Contract	0	27,880	0
Capital Outlay (computer, desk)	9,406	0	0
Centrally Appropriated Costs*	21,078	28,038	23,333
<b>TOTAL</b>	<b>\$191,394</b>	<b>\$218,576</b>	<b>\$156,644</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Assumptions.** The fiscal note incorporates the following assumptions regarding implementation of the bill:

- The SOC will meet quarterly over the course of three fiscal years, with 10 members receiving per diem and expense reimbursements to travel to meetings at CDPHE offices in southeast Denver.

- Appointments are made by July 1, 2014, but do not create a fiscal impact for affected agencies (e.g., legislative leadership, the Governor). Implementation of the bill begins on July 1, 2014, with the FY 2014-15 fiscal year.
- There is no direct cost associated with the IRB. The IRB for CDPHE studies will be able to meet deadlines in the bill within its current schedule.
- Stage 1 includes access to medical databases to ensure a comprehensive review of scientific findings related to human exposure to oil and gas operations.
- Stage 2 will include a mailed survey to one community in each of the four counties named in the bill. The survey will be translated into Spanish and disseminated widely enough to ensure a sample size of 600 persons in each community for Tier 1.
- Tier 2 of Stage 2 will include telephone interviews with persons affected by oil and gas operations and a control group. This telephone interview process will be conducted by a contractor.
- The involvement of the executive director and chief medical officer of the CDPHE does not require new appropriations, as the implementation of new legislation is within the budgeted scope of the position.

**CDPHE.** The bill increases workload for CDPHE and requires a total of \$494,165 in new appropriations to increase staff and associated operating and capital expenses, pay for SOC per diem and travel expenses, and cover other specific costs of the study. These costs are spread over the three fiscal years prior to the bill's repeal in 2017.

- In FY 2014-15, the CDPHE will incur costs for both Stage 1 and Stage 2 (Tier 1) of the study, including the literature search, identification of communities and conditions of interest, the initial report, formulation of a survey, and mailing costs for the survey.
- In FY 2015-16, Stage 2 will continue, including costs for the case-control studies and analysis of data.
- In FY 2016-17, Stage 2 is completed and final reports and recommendations are prepared. The CDPHE also prepares its report for submission to a scientific journal.

**Department of Natural Resources.** The Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources maintains records related to oil and gas operations, including location, dates of well drilling and completion activities, and other data that may be pertinent to the CDPHE study. The fiscal note assumes that the COGCC will provide such information as needed throughout the course of the study. This results in a minimal workload increase for the COGCC and will not require new appropriations.

**Centrally appropriated costs.** 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

<b>Table 2 . Centrally Appropriated Costs Under HB 14-1297*</b>			
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2016-16</b>	<b>FY 2016-17</b>
Employee Insurance (Health, Life, Dental, Disability)	\$12,847	\$15,924	\$13,464
Supplemental Employee Retirement Payments	8,231	12,114	9,869
<b>TOTAL</b>	<b>\$21,078</b>	<b>\$28,038</b>	<b>\$23,333</b>

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

Various CDPHE programs and positions involve indirect cost reimbursements. However, the fiscal note does not include CDPHE indirect costs, as the study under the bill is not associated with any CDPHE cash fund or federally-supported program with indirect cost requirements.

### Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

### State Appropriations

For FY 2014-15, the Department of Public Health and Environment requires a General Fund appropriation of \$170,316.

### Departmental Difference

The CDPHE submitted information supporting a total cost of \$570,171 in new appropriations to implement the bill over the next three fiscal years. The fiscal note estimates a total of \$494,165 in new appropriations. As summarized in Table 3, several factors contribute to the \$76,006 difference between these estimates.

<b>Table 3. Cost differences between CDPHE analysis and HB 14-1297 fiscal note.</b>				
	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>All fiscal years</b>
<b>Personal Services</b>				
Workload*	(\$30,560)	(\$33,744)	\$22,777	(\$41,527)
Salary level*	(5,707)	(10,686)		(16,393)
Job classification	(4,339)	(4,339)		(8,678)
Paydate shift	(5,518)			(5,518)
<b>Operating Costs</b>				
Standard operating	(760)	(380)	(950)	(2,090)
SOC meetings*	(1,950)	(1,950)	2,100	(1,800)
<b>Total Difference</b>	<b>(\$48,834)</b>	<b>(\$51,099)</b>	<b>\$23,927</b>	<b>(\$76,006)</b>

\* Workload, salary level, and SOC meeting calculations include both reduced costs and increased costs, as the fiscal note accounts for certain costs not included in the CDPHE fiscal analysis. Additional detail is provided in the discussion of these costs.

\*\* Parentheses indicate reduction of costs.

Calculation of the departmental difference is based on the following differences in assumed requirements to implement the bill:

- **Workload.** As shown in Table 4, in each fiscal year the fiscal note reduced the estimated workload of some positions, while increasing the estimated workload of other positions in FY 2015-16 and FY 2016-17. In general, management positions were involved more heavily and earlier in the CDPHE estimate than the fiscal note found necessary to implement the bill, and general work to complete the study, especially in FY 2016-17, requires more work than provided by the CDPHE estimate.

<b>Table 4. Workload differences between CDPHE and HB 14-1297 fiscal note.</b> (CDPHE estimated hours / Fiscal Note hours)			
<b>Position</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Study Coordinator			1,040 / 2,080
Study Manager	420 / 312	420 / 312	
Physician (Deputy CMO)	210 / 105	210 / 105	
Survey Manager	520 / 420	520 / 220	
Statistical Analyst III		410 / 700	410 / 700
Statistical Analyst IV	510 / 208	510 / 208	
Case Abstractor		830 / 500	
Administrative Assistant	2,080 / 1,200	2,080 / 800	256 / 800

- **Salary level.** The CDPHE estimate assumed that existing salaries would be used for six of ten positions with workload under the bill. For fiscal note purposes, where new legislation generates workload in sufficient amounts to drive FTE costs, these costs are generally assumed to be outside the scope of existing state personnel, requiring new personal services appropriations at the minimum salary range for the relevant job classification (Section 24-50-104 (1)(f), C.R.S.). Based on technical requirements of the bill, the fiscal note finds sufficient reason to assume that existing CDPHE personnel will be used for the Physician and Study Manager positions, but that salary levels for the remaining positions will be set in accordance with standard practices. The fiscal note also corrects for a lower-than-minimum salary assumed in the CDPHE analysis.
- **Job classification.** The CDPHE's current survey manager is classified a General Professional VI. Based on the description of duties to be assigned the Survey Manager under the bill, the fiscal note finds that a General Professional IV is the appropriate job classification for those duties under the bill.
- **Paydate shift.** At least four CDPHE positions will start work immediately in July 2014 and are therefore affected by the General Fund paydate shift. For these positions, the fiscal note accounts for the paydate shift where the CDPHE estimate did not.
- **Standard operating costs.** Adjustment of workload, as described above, results in changes in FTE levels used to calculate standard operating costs.

- **SOC meetings.** The CDPHE estimate assumes that the SOC will meet every other month (six times per year) from July 2014 through December 2016. The fiscal note assumes that the SOC meets quarterly (four times per year) from July 2014 through June 2017.

The overall effect of the departmental difference is to reduce personnel services costs by approximately 17 percent, with minimal differences in operating costs.

According to CDPHE, the increased funding described in its estimate is appropriate to ensure the quality of its study. For example, more upfront involvement of CDPHE management and the SOC allows for additional outreach to stakeholders. In addition, the scientific scope of the study is relatively unique, as justification for CDPHE's estimate of workload and salary levels for existing staff.

In accordance with common policy, the fiscal note is an estimate of the least-cost implementation of legislation. The total cost of \$494,165 and the allocation of workload in each fiscal year provided in this analysis is sufficient to achieve the bill's requirements. Additional appropriations may be warranted to the extent that the General Assembly desires the additional level of management and oversight provided in CDPHE's estimate.

**State and Local Government Contacts**

Public Health and Environment

Natural Resources

Local Affairs