

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0124

Date: January 28, 2013

Prime Sponsor(s): Rep. Coram

Bill Status: House Health, Insurance & Environment

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TITLE: CONCERNING THE BENEFICIAL USE OF PRODUCED WATER FOR DUST SUPPRESSION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
General Fund	\$23,772	\$177,006
FTE Position Change	0.4 FTE	2.2 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: See Local Government Impact section.		

Summary of Legislation

The bill gives the Solid and Hazardous Waste Commission (SHWC) in the Department of Public Health and Environment (DPHE) exclusive jurisdiction to regulate the beneficial use of groundwater produced during oil and gas operations (produced water) for dust suppression on unpaved roads in rural areas. The bill requires the SHWC to promulgate a regulation with standards for the use of such water. The standards must prevent the discharge of pollutants into state waters and minimize the public's exposure to naturally occurring radioactive material contained in produced water, the maximum concentration of which may not exceed the federal Environmental Protection Agency's standard for soil application.

State Expenditures

To develop and adopt rules and guidance concerning the use of produced water for dust suppression, DPHE will incur in FY 2013-14 expenditures of \$23,772 General Fund and 0.4 FTE, and for FY 2014-15 the amount increases to \$177,006 General Fund and 2.2 FTE

Rulemaking by the SHWC for dust suppression is not supported within the existing resources of DPHE. The process for the SHWC to develop and adopt a comprehensive produced water dust suppression regulation will begin in FY 2013-14, with implementation occurring in FY 2014-15. In FY 2013-14, the DPHE will assign staff to:

- hold stakeholder meetings throughout the state;
- collect and assess data;
- research technical information;
- bring issues to DPHE staff and/or the SHWC for discussion and resolution;
- draft regulations;
- review and revise regulations through the hearing process; and
- develop implementation guidelines.

This work will be conducted by a team of environmental protection specialists (0.3 FTE total) assisted by a general professional (0.1 FTE). The fiscal note assumes the stakeholder process will involve 8 overnight trips, incurring per diem, mileage, and hotel costs totaling \$4,856. In addition, the Department of Law will provide an estimated 98 hours of legal assistance to the DPHE and the SHWC throughout the regulatory process, requiring that \$7,571 be reappropriated to the Department of Law. Expenditures to implement the bill are summarized in Table 1 below.

Table 1. Expenditures Under HB 13-1018		
Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$11,345	\$139,215
FTE	0.4	2.2
Operating Expenses and Capital Outlay	0	11,871
Legal Services	7,571	13,905
Travel	4,856	12,015
TOTAL	\$23,772	\$177,006

In FY 2014-15, the focus is on implementation and enforcement of the new regulations. Activities will include:

- review of permit applications;
- water profile documentation;
- reports, correspondence, and communication;
- site and location inspections throughout the state (the fiscal note assumes one county road per week and 30 counties);
- program management; and
- program support.

Personnel will include 1.9 FTE at the environmental protection specialist II level, and 0.1 FTE each for an environmental protection specialist IV and general professional II. Legal services increase to 180 hours per year requiring that \$13,905 General Fund and 0.1 FTE be reappropriated to the Department of Law.

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 HB 13-1018*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,439	\$12,942
Supplemental Employee Retirement Payments	696	9,668
TOTAL	\$3,135	\$22,610

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

Local Government Impact

The Department of Local Affairs reports that counties are interested in using produced water. County revenue and expenditures associated with dust control permits are eliminated under the bill as the bill eliminates local oversight of dust abatement issues.

State Appropriations

The Department of Public Health and Environment requires a General Fund appropriation of \$23,772 for FY 2013-14. Of this amount, \$7,571 is reappropriated to the Department of Law.

Departments Contacted

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|-------------------------------|-------------------|
| Public Health and Environment | Natural Resources |
| Law | Judicial |
| Local Affairs | Municipalities |
| Counties | |