HB 22-1361

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 22-0067	**Date:**	April 11, 2022
Prime Sponsors:	Rep. Boesenecker	**Bill Status:**	House Energy & Environment
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Bill Topic: **OIL & GAS REPORTING**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill requires that the Office of State Auditor conduct a performance audit on oil and gas operations, reporting, and revenue. It also requires the Colorado Oil and Gas Conservation Commission to promulgate rules requiring annual meter certification and calibration and emissions reporting and increases civil penalties. The bill increases state expenditures in FY 2022-23 through FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 22-1361

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures[1]	General Fund	$4,170	$286,000
	Cash Funds	-	$61,500
	Total	**$4,170**	**$347,500**
Transfers		-	-
Other Budget Impacts		-	-

[1] *State expenditures for the Office of State Auditor do not require new appropriations. Expenses are paid from existing resources available to the office. The original source of these funds is the General Fund.*

Summary of Legislation

The bill requires that the Office of the State Auditor (OSA) select a random sample of oil and gas operators and prepare a performance audit of the random sample that:

- compares monthly production reports, quarterly conservation levies, and quarterly calibration reports submitted by the Colorado Oil and Gas Conservation Commission (COGCC), with the severance tax monthly withholding statements and annual severance tax reports submitted by the Department of Revenue (DOR);
- compares emissions data submitted by the COGCC with the oil and natural gas emissions inventory reports submitted by the Colorado Department of Public Health and Environment (CDPHE); and
- identifies gaps or inconsistencies in payments or reporting.

For both the random sample and the total population of oil and gas operators in the state, the audit must describe the total amount of missing, incomplete, or incorrect reports in 2023, and data on the total amount of penalties assessed in 2023. The OSA must begin the audit by May 1, 2025, and prepare a report and recommendations based on the results no later than March 1, 2026. The bill is repealed on July 1, 2026.

No later than January 1, 2023, the bill requires that the COGCC adopt rules that require an operator to conduct meter certification and calibration on an annual basis and report the results to the commission. Finally, this bill increases civil penalties for operators failing to comply with pollutant emission notices required by CDPHE.

State Revenue

The bill may increase revenue from penalties from oil and gas operators. This amount has not been estimated and any revenue received is subject to TABOR.

State Expenditures

The bill increases state expenditures in by $4,170 in FY 2022-23 and $347,500 in FY 2023-24 from the General Fund and the Colorado Oil and Gas Conservation Commission Cash Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 22-1361

	FY 2022-23	FY 2023-24
Office of the State Auditor	$4,170	$280,000
Department of Revenue	-	$6,000
Department of Natural Resources	-	$61,500
Total Cost	**$4,170**	**$347,500**

Office of the State Auditor. For FY 2022-23, new expenditures in the OSA are estimated at $4,170 to work with affected state agencies to generate a random sample of oil and gas operators that can be compared in the performance audit. For FY 2023-24, the bulk of the expense to conduct the audit is estimated at $280,000 inclusive of all costs including personnel, third-party contracts, report writing and presentation of results. It is assumed that existing appropriations to the OSA will be used for this work and that the bill does not require additional appropriations. Using existing appropriations for the work required in this bill will reduce funding available for other discretionary audits that may be requested by the Legislative Audit Committee.

Department of Revenue. The Department of Revenue (DOR) will require a General Fund appropriation of $6,000 for FY 2023-24 to provide the OSA with 2023 data sets for severance taxpayers. Because severance tax filings are not filed electronically, this information is stored via scanned PDFs of the paper filing, and retrieval by DOR staff is a manual task that will require temporary contract staff.

Department of Natural Resources. The Office of Information Technology (OIT) will assist the Department of Natural Resources to create and configure the database tables and entry forms necessary to provide the OSA with the specified data to conduct the audit. In FY 2023-24, the OIT will require $61,500 in reappropriated funds from the Colorado Oil and Gas Conservation and Environmental Response Cash Fund. The bill also increases workload for the COGCC to add new rules concerning meter certification and calibration but this increase can be accomplished within existing resources.

Judicial Department. The bill may increase workload in the Judicial Department to adjudicate civil cases brought against oil and gas operators. These efforts do not require new appropriations.

Effective Date

The bill takes effect July 1, 2022.

State and Local Government Contacts

Judicial	Law
Natural Resources	Public Health and Environment
Revenue	State Auditor