

PERFORMANCE REPORT CARD: Fourth Quarter, FY21 Energy, Minerals and Natural Resources Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

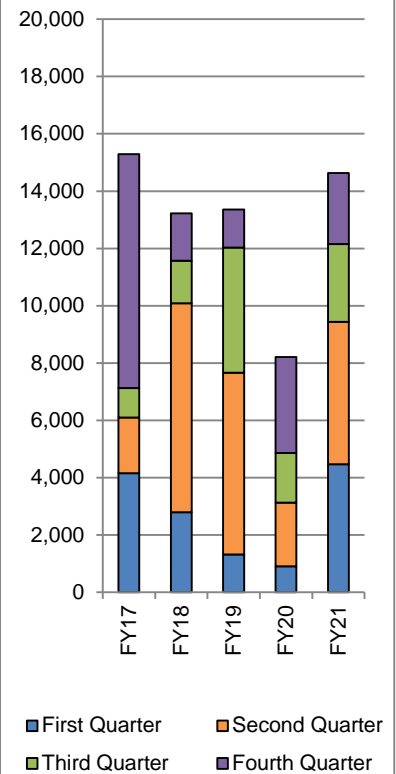
The Energy, Minerals and Natural Resources Department (EMNRD) pursued new initiatives in FY21 to improve performance in key areas, such as a modernization plan to increase State Parks visitation and a reorganization of the Oil and Gas Conservation Division (OCD) to address the agency's need to pay competitive salaries. The impact of these efforts, however, is yet to be seen. State parks have returned to normal operations following pandemic-related closures and capacity limits, but visitation continues to decline. Meanwhile, OCD inspections and abandoned well reclamations have not yet increased to meet expectations set by the program.

Healthy Forests

The Covid-19 pandemic inhibited the operations and performance of the Healthy Forests Program, also known as the State Forestry Division (SFD), in the first half of FY21, placing the program behind schedule in meeting its firefighter training target. SFD amended contracts to develop and expand online classroom trainings, which led to an increase in FY21 Q3. However, trainings decreased in the fourth quarter due to a number of wildfires requiring initial attack early in the season.

The number of forest and watershed acres treated was also affected by Covid-19 in early FY21, as prescribed burns were canceled to comply with the public health order. Some forest thinning operations were also halted until contractors received clarification that natural resource extraction is an essential business and work could resume within the safety guidelines. Improving pandemic conditions, however, have allowed SFD to return to a more typical pace. Furthermore, the court-ordered injunction on treatments in Mexican spotted owl habitat that was responsible for reduced treatment acres in FY20 was lifted, allowing SFD to move forward on high-priority U.S. Forest Service projects. Although third quarter numbers were lower than quarters one and two, acres treated in FY21 have already exceeded the FY20 total and the program is on track to meet its target.

**Forest and Watershed
Acres Treated**



Source: EMNRD

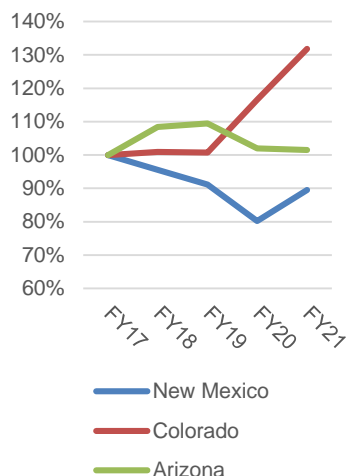
Budget: \$15,900.3 **FTE:** 77

	FY19 Actual	FY20 Actual	FY21 Target	FY21 Actual	Rating
Nonfederal wildland firefighters provided training	1,454	1,229	1,500	1,066	Y
Acres treated in New Mexico's forest and watersheds	13,358	8,213	14,500	14,637	G
Program Rating	Y	Y			Y

State Parks

For the first time in five years, state park visitation increased in FY21. Visitation was still lower than FY19, but by less than 2 percent, indicating at least a return to typical visitation after numbers dropped significantly due to the Covid-19 pandemic. Notably, despite severe drought conditions limiting opportunity for water recreation for most of the fourth quarter, visitation outperformed the fourth quarters of not only FY20, but FY19 and FY18 too. Self-generated revenue in the fourth quarter from

Regional State Parks Visitation: Percent Change from FY2017



Source: EMNRD, Colorado Parks & Wildlife, Arizona State Parks & Trails, Arizona Office of Tourism

day-use passes, camping permits, and annual passes also exceeded the revenue collected in the fourth quarters of the past three fiscal years. Still, total revenue and the average amount of revenue per visitor is still down compared to FY19 and FY20. The State Parks Division is recruiting for permanent and temporary employees to ensure adequate park services and management that support a positive visitor experience, but limited revenues may lead to additional deferred maintenance.

Budget: \$28,160.6 **FTE:** 242.4

	FY19 Actual	FY20 Actual	FY21 Target	FY21 Actual	Rating
Number of visitors to state parks, in millions*	4.5	3.9	N/A	4.4	G
Self-generated revenue per visitor, in dollars*	1.02	1.04	N/A	\$0.65	
Program Rating	Y	Y			G

*Measure is classified as explanatory and does not have a target.

Mine Reclamation

The Mining Act and the Surface Mining Act require that mines obtain a permit including an approved reclamation plan and financial assurance that would allow the state to complete reclamation if the company owning the mine fails to do so. At the end of FY21, 65 of the 66 mines managed by the program were in compliance with this requirement. The operator of the out-of-compliance mine has had its permit revoked and the agency is pursuing forfeiture of the financial assurance. Once the financial assurance is returned, the mine will be in compliance.

Budget: \$8,229.1 **FTE:** 32

	FY19 Actual	FY20 Actual	FY21 Target	FY21 Actual	Rating
Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	100%	100%	97.5%	99%	G
Program Rating	G	G			G

Oil and Gas Conservation

The Oil and Gas Conservation Division (OCD) is engaged in a reorganization effort to address inconsistencies across district offices and streamline processes to improve compliance and enforcement. Performance data will help determine the effectiveness of the reorganization. Specifically, the agency expects the quality of inspections and compliance to increase as a result of the restructuring and aggressive hiring efforts.

The division approved 87.6 percent of drilling permits within 10 business days in FY21, allowing most operators to conduct business without unnecessary delays, but fell short of the measure target. Performance on this measure was significantly lower in the fourth quarter than in the rest of FY21 – 73 percent versus an average of 93 percent in Q1-Q3 – due to a large uptick in the number of applications for permit to drill (APDs). According to agency data, OCD staff approved 1,127 APDs in the fourth quarter – a 201 percent increase in processing from quarter three.

OCD had a new procurement agreement for FY21 that allowed for additional approved well-plugging contractors, which substantially increased the number of

wells plugged in FY21 relative to the past three fiscal years. The division was just one well short of meeting its annual target.

The Environmental Bureau of OCD has the additional responsibility of overseeing the Carlsbad brine well remediation project, which is not captured in the division's performance measures. The southern void has been stabilized, but additional roof collapse was discovered in the northern portion of the cavern and additional filling material and work is needed to prevent potential groundwater contamination. A combination of special appropriations, local government contributions, and a transfer from the state road fund are covering the remaining costs.

Budget: \$13,148.7 **FTE:** 75

	FY19 Actual	FY20 Actual	FY21 Target	FY21 Actual	Rating
Inspections of oil and gas wells and associated facilities showing compliance with permits and regulations	31,043	36,852	31,000	35,757	G
Application to drill permits approved within 10 business days	92.9%	94.6%	95%	87.6%	R
Abandoned oil and gas wells properly plugged	31	36	50	49	G
Violations issued*	1,620	2,176	N/A	3,174	
Program Rating	G	G			Y

*Measure is classified as explanatory and does not have a target.

The Oil Conservation Commission adopted natural gas waste reduction rules proposed by EMNRD to reduce methane and other greenhouse gas emissions from the oil and gas sector. The rule, which prohibits routine venting and flaring and requires operators to capture 98 percent of their natural gas waste by the end of 2026. Beginning in October 2021, the rule will require detailed reporting of natural gas loss from oil and gas production and midstream operations.

Renewable Energy and Energy Efficiency

The purpose of the Renewable Energy and Energy Efficiency program, also called the Energy Conservation and Management Division (ECMD), is to develop and implement effective clean energy programs, renewable energy, energy efficiency and conservation, alternative transportation and fuels, and safe transportation of radioactive waste. ECMD also provides technical assistance and information to the renewable energy industry for ongoing, potential, and proposed projects.

ECMD administers six clean energy tax credit programs for renewable energy production, solar market development, sustainable buildings, agriculture biomass, biodiesel facilities, and ground-source heat pumps. Processing of applications slowed down significantly in the fourth quarter of FY21 despite the program receiving fewer applications than in previous quarters. ECMD reports the solar market development tax credit program has generated a strong interest in solar photovoltaic (PV) systems. This program generates the largest number of applications to ECMD and has issued roughly \$5.2 million in tax credits, representing statewide investment in PV systems of about \$51.7 million.

Budget: \$3,460.4 **FTE:** 21

	FY19 Actual	FY20 Actual	FY21 Target	FY21 Actual	Rating
Applications for clean energy tax credits reviewed within 30 days	90%	90%	90%	88%	Y
Number of clean energy projects to which the division provided information and technical assistance*	N/A	143	N/A	226	
Program Rating	G	G			Y

*Measure is classified as explanatory and does not have a target.