

## **Budget Narrative - Rocky Mountain Hydrogen Coalition**

The Rocky Mountain Hydrogen Coalition will establish an open, competitive procurement process to fund cost-effective clean hydrogen projects that reduce greenhouse gas emissions, provide co-benefits, particularly in disadvantaged communities, and create local jobs. First, through this competitive process, the Colorado Department of Natural Resources (DNR), the lead agency, will select third party consultants to manage the technical aspects of the program, including verifying emission reductions. DNR will also hire term-limited staff to administer the program, ensure compliance with federal requirements, and achieve the intended project outcomes. The Coalition partners will then collaborate to develop a competitive grant program that supports the most effective hydrogen projects in the Coalition states. This Budget Narrative outlines the planned use of CPRG funding to ensure efficient and effective administration of this program. Additional detail is included in the attached budget spreadsheet.

### **A. Budget Detail**

- Personnel: \$2,580,941

DNR will hire 6 term-limited FTE to administer the program in accordance with federal requirements. These positions will include a Program Manager, Program Administrator, and Program Assistant with responsibility for all programmatic functions of the project. These staff will report to DNR's Assistant Director for Energy Innovation, who will provide oversight and management direction for the program. DNR will also hire a Contracts Administrator to implement the planned competitive RFP processes and contracting under the supervision of DNR's Procurement Director, and two accounting staff to handle accounting and reporting requirements, under the supervision of DNR's Controller.

DNR's Assistant Director for Energy Innovation will provide overall program oversight and management of the Hydrogen Team within the DNR Executive Director's Office. The Assistant Director for Energy Innovation leads the transition from traditional to renewable energy sources across all of the Department of Natural Resources' Divisions, represents the Department on the Energy and Carbon Management Commission and Greening Government Leadership Council, and counsels the Executive Director on the requirements, responsibilities, and opportunities of the Department under state and federal statutes pertaining to the energy.

DNR's Hydrogen Program Manager will report to the Assistant Director for Energy Innovation and will be responsible for day to day program management, including overseeing contracts for technical consulting, federal compliance, and community outreach, engagement, and communications. DNR's Hydrogen Program Administrator will report to the Assistant Director for Energy Innovation and will assist the Hydrogen Program Manager and liaise with Accounting and Procurement staff. DNR's Hydrogen Program Assistant will report to the Assistant Director for Energy Innovation and will provide administrative support to the program.

DNR's Contract Administrator will report to DNR's Procurement Director and will assist the Hydrogen Program Manager with developing technical consulting contracts, Request for Applications (RFA) for any competitively awarded grants, and with the selection process. This position will also manage any solicitations for goods or services purchases needed by the Program; draft and manage any grant award documents and/or purchase agreements (PO, POGG1, Contracts, and Grant Agreements), including any modifications required for those documents over the lifetime of the Program; negotiate and draft any intergovernmental agreements with other States that may be required by the Program; ensure general compliance with Colorado Office of the State Controller (OSC) or Department of Personnel and Administration (DPA) requirements related to the purchasing and grant process; and provide ongoing support to Program staff for all purchasing and grant needs.

DNR's Grant Accountant will report to DNR's Controller and will update the comprehensive DNR Accounting Compliance Manual to include this grant; complete necessary professional training and research regarding compliance, recording, and reporting; train the program staff in financial policies; guide set up of grants in the accounting system; set up and monitor appropriations and spending authority; draw down the funds in accordance with the terms of the grant and federal regulations; track, record and reconcile the receipts of these funds and the related cash incoming to the State bank account; perform subrecipient monitoring from a financial perspective; review data for compliance with federal regulations and the grant; contribute to reporting to the federal government, attesting that the reporting is accurate and within the scope of the grant and federal regulations; prepare documents for audit by OSC and the federal government; and work with the above auditors by providing research and answers to questions and clarifications for the auditors.

DNR's Accounts Payable Accountant will report to DNR's Controller and will process approximately \$100 million in payments per year; process payments to Coalition partners; review payments and make sure they have the proper supervisor sign off authorizing that these are proper uses of the funds in accordance with federal guidelines and the grant; analyze all spreadsheets and invoice submitted, checking accuracy of the invoices and spreadsheets, proper accounting coding for accurate reporting, etc.; enter data into the State accounting system; ensure spending authority is not exceeded; issue payments to the grantees and other parties in a timely manner; and prepare financial statement adjustments moving the funds from a balance sheet account to the income (profit & loss) statement.

- Fringe Benefits: \$998,574

DNR's budget includes funding for fringe benefits associated with the newly hired staff including standard payments to the State's retirement fund, health, life, dental, and Medicare.

- Travel: \$24,600

As part of the Coalition's planned community outreach and engagement, DNR has budgeted for two in-person community meetings before the release of the RFP for grant funding, two in-person community meetings after award selection, and two in-person meetings during project implementation.

The cost of hosting those in-person meetings is built in the planned contract with an external partner to conduct community outreach and engagement. This travel budget will cover the cost of travel for DNR staff to participate in the in-person meetings.

- Equipment: \$0

DNR's budget does not include any funding for equipment as all items purchased will fall under the \$5,000 threshold for equipment.

- Supplies: \$63,750

DNR's budget includes annual funding of \$500 ongoing for each staff member for miscellaneous office supplies and ongoing software licenses for program staff. Software license purchases include standard software purchases such as Google licensing costs, Zoom licenses if necessary to host or participate in larger remote meetings, and standard Accessibility remediation tools to make published documents accessible to individuals with disabilities. DNR's budget includes funding for one-time purchases of cell phones, laptops/PCs, docking stations and monitors. This also includes a budget of \$2,000 for one-time purchases of miscellaneous furniture and fixtures to equip remote offices for term-limited staff.

- Contractual: \$3,297,430

DNR's budget also includes funding for three contracts with third-party consultants to support the program. DNR intends to contract with an external party to support verification of greenhouse gas emissions reductions. This contract would be in place for the duration of the program. DNR also intends to contract with an external party to provide support related to compliance with federal requirements and reporting. This contract would be in place for the duration of the program.

DNR intends to contract with an external party to provide support related to community outreach, engagement, and communications. This contract would be in place for the duration of program to include pre-RFP, post-award community engagement, and implementation. This contract would include planning and delivery of two in-person and two virtual community meetings prior to RFP release, development of communication materials, and recording and summarizing community feedback received. This contract would also include planning and delivery of two in-person and two virtual community meetings after award selection, development of communication materials, and recording and summarizing community feedback received. Finally, this contract would also include planning and delivery of two in-person and two virtual community meetings during implementation, development of communication materials, and recording and summarizing community feedback received.

DNR's budget includes funding to be provided to the Colorado Energy Office (CEO) through an interagency agreement to support CEO's participation in the Coalition. CEO intends to use these funds for the following purposes: to have 1 FTE provide strategic advisory services to DNR in the design and implementation of the program. This person will be able to leverage CEO's deep expertise in launching

competitive grant programs, as well as expertise in hydrogen policy, to ensure interagency coordination and support for DNR. This funding will also support a Community Engagement specialist to draw on CEO's experience designing programs that provide benefits to LIDAC communities. A small amount of travel for this FTE is provided to ensure adequate community engagement support before the launch of the grant program, after selection of awardees, and during implementation. Lastly, this budget anticipates some senior CEO leadership time to ensure coordination with broader regulatory and incentive efforts on hydrogen within the state.

- Other: \$400,000,000

The Coalition is requesting \$400 million to be distributed through a competitive grant program that supports the most effective hydrogen projects in the Coalition states. These clean hydrogen projects present the opportunity for significant GHG reductions, job development and economic growth. The Coalition will fund cost-effective clean hydrogen projects that reduce greenhouse gas emissions, provide co-benefits, particularly in disadvantaged communities, and create local jobs.

- Indirect Charges: \$103,238

DNR's budget includes funding for indirect expenses based on DNR's Negotiated Indirect Cost Rate Agreement (NICRA) rate of 4%.

See attached budget spreadsheet for additional detail.

#### **B. Expenditure of Awarded Funds**

DNR, as part of the state of Colorado infrastructure, has detailed procedures in place to distribute and deploy funds. A major aspect of this infrastructure is built and maintained in the state of Colorado's Office of the State Controller (OSC). Colorado Revised Statutes created the OSC. Part 2, Title 24, Article 30, C.R.S., lists the powers and duties of the State Controller and is incorporated as a reference into each of these Fiscal Rules. Section 24-30-202(13), C.R.S. provides the authority of the State Controller to issue binding Fiscal Rules and is specifically incorporated into each of these State Fiscal Rules as statutory authority. The purpose of the Fiscal Rules is to implement statutory provisions, set forth principles concerning internal controls, accounting policies, and financial reporting for the state of Colorado, and assist the State Controller in managing the finances and financial affairs of the state. This includes controller policies and procedures for general operations such as running a competitive bid process for subrecipients, travel guidance, and contract policies. DNR has significant experience in managing federal funds and has incorporated these guidelines into internal policies and procedures across the agency. . More information on the planned expenditure of funds is available in the attached budget spreadsheet.

As an existing state agency, DNR has robust internal controls in place that align with §200.303. In February 2016 the Office of State Controller issued a policy entitled "Internal Control System." The policy makes it mandatory that State agencies adopt and follow the U.S. Government

Accountability Office's (USGAO) Standards for Internal Control in the Federal Government (commonly referred to as the Green Book). As part of this, there is segregation of duties in the submission and approval process as well as procurement and accounting. The current structure is set up so that each expense is reviewed by multiple staff for compliance in alignment with federal statutes, regulations, and terms of the award. DNR utilizes the CGI CORE finance and accounting software system (Colorado Operations Resource Engine) for approval of purchases and accounting for its financial activity. If a staff member wants to make a purchase, an encumbrance document is submitted through contracting in CORE and reviewed for approval. After approval, and upon receipt of a valid invoice for the purchase, the purchase is processed with full backup stored in the CORE system by the accounting team. An invoice receives two unique levels of approval before being processed. When processing requests for reimbursement from federal agencies, the operations team reviews a summary of expenses, to ensure compliance and accurate chart of account elements. If an instance of noncompliance is identified, the issue is resolved promptly. DNR expects a similar level of internal controls from subrecipients. DNR requires a risk assessment form be completed during the contracting phase of the award. The risk assessment is a framework that was developed by the Colorado Office of the State Controller to assess risk based on a number of factors including: previous experience with similar subawards, previous audit findings/provide a copy of the latest audit, reporting of new personnel or systems in place at the agency and details of their accounting system to ensure they can maintain segregated accounts to manage the funds. This is documented in the OSC Guide for Monitoring Subrecipients. These procedures are consistent with §200.332(b). After award, in alignment with §200.332(d) DNR conducts monitoring based on assessed risk level, high risk grantees receive more comprehensive frequent monitoring and lower risk level grantees receive sampling style monitoring. This process ensures that all subrecipient spending is evaluated for compliance with the terms and conditions of the award. For both DNR and any subrecipient, waste, fraud, and abuse will not be tolerated and will be identified. DNR mitigates the risk of fraud, waste, and abuse by ensuring all expenditures are allowable via federal and state statute and rules, regulations and guidance, and with all of the reconciliations and approval processes as described above. DNR accounting also employs an internal auditor to monitor accounting throughout the year, and is audited by the Office of the State Auditor annually.

### **C. Reasonableness of Costs**

The proposed costs are estimated based on existing programs within the Colorado Department of Natural Resources and Colorado Energy Office and recent experience with similar projects. For example, DNR has recently established the Colorado Strategic Wildlife Action Program (COSWAP), a competitive grant program within the Executive Director's Office. The DNR has also recently scaled up multiple programs based on new federal awards under the Bipartisan Infrastructure Law (BIL), including the Colorado Orphaned Well Program (OWP) in the Energy and Carbon Management Commission (ECMC) and the Inactive Mines Program (IMP) in the Division of Reclamation, Mining, and Safety (DRMS). Details on these programs and their success administering federal funds are included in Section 6 of the

Workplan, Programmatic Capabilities and Past Performance. The staffing plan and budget developed for the CPRG Hydrogen program were based upon the State of Colorado's FY 2024-25 pay plan and align with costs and staffing levels to administer similarly scaled and structured programs. For example, DNR had recent experience creating and administering the COSWAP program as well as recent work as part of the State's outreach and engagement efforts associated with the development of the updated Greenhouse Gas Pollution Reduction Roadmap.

Office supplies costs are budgeted at \$500 per position annually, which is consistent with the State's budget process for funding new positions. Software costs are based upon actual costs incurred during the State's Fiscal Year 2023-24, which runs from July 1, 2023-June 30, 2024. Selected software packages are considered standard for positions of this nature. Specifically, the State utilizes Google in lieu of Microsoft Office, and Zoom and licenses that ensure accessibility of publicly available documents are required for State staff that publish general documentation online. No leased costs are anticipated or requested at this time, as staff are anticipated as remote staff with the capacity to hotel in DNR facilities as needed.

CEO's staffing and budget for the Hydrogen program were based largely on staffing costs. Personnel are based on actual salaries of existing employees where relevant, and otherwise are based on established employee salaries for similar positions. The annual three percent cost of living increase is typical for state employees in Colorado. Travel costs are based on CEO experience with conducting regional outreach and engagement trips, and reflect typical costs for lodging, vehicle rental, per diem, and conference registration. Costs for supplies are based on average cost of supplies per each new employee.