

# JOINT BUDGET COMMITTEE



## SUPPLEMENTAL BUDGET REQUESTS FY 2020-21

### DEPARTMENT OF NATURAL RESOURCES

(Executive Director's Office, Parks and Wildlife, Colorado Water  
Conservation Board, Water Resources)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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## CONTENTS

Department Overview .....	1
Requested Legislation.....	2
Wildfire Stimulus Package [Requires Legislation].....	2
Staff-initiated Supplemental Requests.....	7
Staff-initiated – Technical Letternote Adjustments .....	7
Statewide Common Policy Supplemental Requests.....	8

# DEPARTMENT OF NATURAL RESOURCES

## DEPARTMENT OVERVIEW

The Department of Natural Resources is responsible for developing, protecting, and enhancing Colorado's natural resources for the use and enjoyment of present and future residents and visitors. This briefing focuses on the following divisions:

- The **Executive Director's Office** (EDO) develops department-wide policies and provides administrative and technical support for Department divisions including: budgeting, accounting, financial management, human resources services, and the coordination of public information and environmental education. The EDO also contains the Colorado Avalanche Information Center (CAIC), which provides avalanche information and education, and promotes research for the protection of life and property.
- The **Division of Parks and Wildlife** (CPW) provides recreational opportunities at 42 state parks, manages more than 960 game and non-game wildlife species, issues hunting and fishing licenses, enforces wildlife regulations, and administers more than 350 state wildlife areas.
- The **Colorado Water Conservation Board** (CWCB) works to conserve, develop, and protect the state's water resources to ensure adequate water supply, maximize beneficial use, and reduce the impact of flooding and drought.
- The **Division of Water Resources** (State Engineer's Office) administers and enforces water rights, issues well permits, monitors streamflow and water use, regulates dam construction and safety, and represents Colorado in interstate water compact proceedings.

*Note: This document contains a technical letter note adjustment for the Division of Reclamation, Mining, and Safety.*

## REQUESTED LEGISLATION

### WILDFIRE STIMULUS PACKAGE [REQUIRES LEGISLATION]

*This request was not officially submitted as a supplemental request through the Department of Natural Resources. Rather, it was submitted through a supplemental request for the Department of Public Safety. Readers can find the DNR portion of that request in S01 Wildfire Stimulus Package for the Department of Public Safety.*

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b>	<b>YES and NO</b>
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	

**Explanation:** JBC staff believes part of the request meets supplemental criteria (unforeseen contingency), but another part does not.

**DEPARTMENT REQUEST:** The Department requests JBC-sponsored legislation to transfer a total of \$10.0 million General Fund to two cash funds in the following amounts: (1) \$6.0 million to the Forest Restoration and Wildfire Risk Mitigation (FRWRM) Grant Program Cash Fund administered by the Colorado State Forest Service (CSFS), and (2) 4.0 million to the Colorado Water Conservation Board (CWCB) Construction Fund for the Watershed Restoration Grant Program.

Staff reminds the Committee that there is a similar request for FY 2021-22; a transfer of \$5.0 million General Fund to the each of the cash funds described above. These transfers will be addressed during figure setting. If all transfers are approved, the total General Fund impact is \$20.0 million over two years; \$10.0 million in the current fiscal year, \$10.0 million in FY 2021-22.

#### STAFF RECOMMENDATION:

**\$6.0 MILLION GENERAL FUND TRANSFER TO FRWRM GRANT PROGRAM CASH FUND:** Staff does not think this part of the request meets supplemental criteria and therefore does not officially recommend this legislation. First, the FRWRM program supports wildfire mitigation efforts that are aimed at reducing the impact of *future* fires, not past fires. The state's wildfire mitigation needs were known before the 2020 wildfire season, so the request is not the result of an "unforeseen contingency."

Second, staff concludes that the stimulus part of the request—that it will create jobs—is the result of a higher-than-expected amount of available General Fund. Based on the criteria used to screen supplemental requests, JBC Staff do not consider changes in the amount of available General Fund "new data". Thus, staff concludes that this request does not fall under any of the criteria used to screen supplemental funding requests.

However, staff also believes that this transfer is, in principle, a good idea. Staff therefore encourages the Committee sponsor this legislation if it believes the state would benefit additional funding for wildfire mitigation efforts. **This legislation would be a statutory transfer of General Fund to a continuously-appropriated cash fund, so it does not require a corresponding appropriation.<sup>1</sup> It does not require any other statutory changes.**

<sup>1</sup> All money in the fund at the end of each fiscal year remains in the fund and does not revert to the general fund or any other fund.

**\$4.0 MILLION GENERAL FUND TRANSFER TO CWCB CONSTRUCTION FUND:** Staff believes this request meets supplemental criteria and recommends that the JBC sponsor this legislation. The requested funds would help local jurisdictions guard against flood risks and debris flows stemming from the 2020 wildfires, the largest of which did not occur until *after* the 2020 legislative session. This means the request is based on an “unforeseen contingency,” so it meets supplemental criteria.

**This legislation would be a statutory transfer of General Fund to an annually appropriated cash fund, so it would require a corresponding cash fund appropriations clause to provide the Department with the necessary spending authority. The bill would also include one-year roll-forward spending authority to allow disbursement of these funds after June 30, 2021.**

STAFF ANALYSIS:

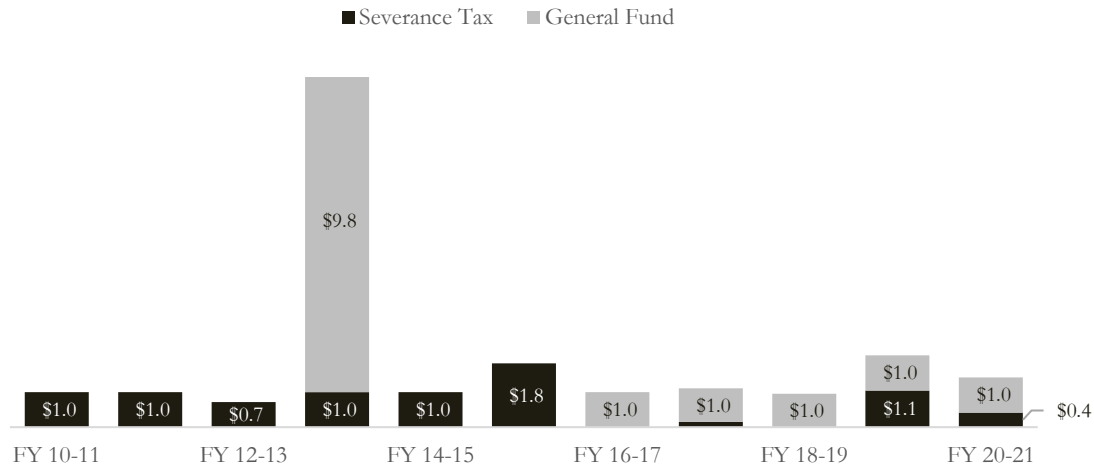
**FOREST RESTORATION AND WILDFIRE RISK MITIGATION (FRWRM) GRANT PROGRAM**

According to the Department, this \$6.0 million General Fund transfer would support several thousand acres of wildfire mitigation projects. These projects would aim to reduce hazardous fuels (e.g. dead or dying trees) through forest thinning, slash pile burning, and vegetation reduction around structures. This creates “defensible space” around homes, businesses, and infrastructure, which aids wildland firefighters in their efforts to protect these structures if a fire occurs.

*FRWRM FUNDING SOURCES AND HISTORY*

A \$6.0 million transfer would provide substantially more funding in FY 2020-21 than the program has received in recent years. The following chart shows consolidated revenue for the FRWRM Grant Program over the last ten years. The key funding challenge has been severance tax volatility.<sup>2</sup> In the last five years, there has been an average severance tax distribution of \$324,450; in two of those years, there was no distribution. Despite volatility in available funds, demand for these grants appears to be high; of the \$22.9 million in total revenue through FY 2019-20, \$22.7 million was awarded.

Forest Restoration and Wildfire Risk Mitigation Grant Revenue  
FY 2010-11 to FY 2020-21 (\$ millions)



*Note: Revenue prior to FY 2017-18 includes revenue for the two programs that were combined into the FRWRM Grant Program: the Wildfire Risk Reduction grant and the Colorado Forest Restoration grant. Amounts for FY 2020-21 do NOT include the proposed supplemental General Fund transfer.*

<sup>2</sup> These grant programs have historically received transfers from the Severance Tax Operational Fund, contingent on available revenue.

*DOES MITIGATION WORK?*

Mitigation is not 100.0 percent guaranteed to prevent damage from wildfires, but it can help. Extreme fire behavior in the larger fires of 2020, especially the East Troublesome Fire, meant that some structures were probably lost in spite of mitigation work. However, mitigation work proved to be effective in other instances. The Department cited the 2018 Buffalo Fire and the 2016 Cold Springs Fire:

The 2018 Buffalo Mountain Fire in Summit County, which burned in lodgepole pine forests similar to the large 2020 fires, was stopped because of a large fire break [created through mitigation work]. In the 2016 Cold Springs near Nederland, all 8 homes within the fire perimeter that participated in Boulder County’s Wildfire Partners home mitigation program survived. Mitigation work not only reduces the risk of a home igniting and burning, but can also make conditions safe for firefighters to perform structure protection.

Although staff is not recommending JBC sponsorship for technical reasons related to JBC Staff’s supplemental criteria, staff believes a \$6.0 million transfer would help some communities reduce the risk of damage from wildfires.

*WILL THE REQUESTED FUNDS CREATE JOBS?*

The Department’s request claims that wildfire mitigations projects supported by this funding will “create immediate work for Colorado timber industry workers...” It is difficult to say how many or for how long jobs will be supported by this request, but data from previous years suggests there will be a modest increase in jobs. According to the Department, FRWRM reporting data from the last few years suggests that approximately 22 jobs are created for every \$1.0 million granted. However, the Department noted that these jobs have likely been seasonal or short-term positions given variability in funding.

*IS \$6.0 MILLION THE RIGHT AMOUNT FOR FY 2020-21?*

JBC staff agrees that \$6.0 million is an appropriate amount of funding for the current fiscal year. During the JBC staff budget briefing for DNR, staff included a CSFS estimate that it would cost about \$762.8 million to do mitigation work in populated areas classified as “high risk” for wildfire impacts. However, even if the General Assembly wanted to provide more than \$6.0 million for the current request, the Department noted several constraints on the disbursement of additional funds. These constraints include private land ownership and a limited wood products industry.

- **Private land ownership:** Large-scale projects may require support from private landowners for treatments to be strategically viable (e.g. large enough to save a community, as opposed to a handful of homes or cabins). Getting buy-in from multiple landowners takes time.
- **Limited wood products industry:** Per the Department, most contractors that can do mitigation work have fewer than 10 employees. These contractors may be reluctant to build capacity for large-scale, longer-term work if baseline funding (whether from the state or other entities) is volatile, limited, and/or short-term. Additionally, the FRWRM program requires applicants to include a plan to utilize woody material, yet there are relatively few sawmills left in the state. This increases transportation costs and limits the amount and speed of processing.

Furthermore, historical precedent suggests there may be a limit on the amount of wildfire mitigation grants that can be awarded in a given year. During the 2013 legislative session, the General Assembly transferred \$9.8 million General Fund to a fund that eventually became the FRWRM Grant Program Cash Fund. That bill (S.B. 13-269 Wildfire Risk Reduction Grant Program) was signed into law in mid-May 2013; by the end of the fiscal year, \$3.9 million had been awarded. An additional \$5.4 million was awarded in the following year.

### **WATERSHED RESTORATION GRANT PROGRAM**

According to the Department, a \$4.0 million General Fund transfer to the CWCB Construction Fund would support grants for emergency protective measures related to the 2020 fire season. These measures would aim to reduce the risk of floods and debris flows, which could negatively impact people, property, infrastructure, and water resources. To achieve these aims, the Department would direct funds to: (1) Project evaluation and ranking capabilities for local jurisdictions and watershed groups, (2) Project management and engineering support, and (3) Cost sharing for federal recovery grants. The Department says CWCB staff and local fire recovery stakeholders are developing models that will help prioritize projects that could be supported by the grant program. They expect to complete these models in March 2021.

#### *WATERSHED RESTORATION FUNDING SOURCE AND HISTORY*

The Watershed Restoration Grant Program is usually supported by cash fund appropriations from the CWCB Construction Fund, which are typically provided in the annual CWCB Projects Bill. From FY 2015-16 to FY 2019-20, the program received \$14.0 million in appropriations. Of that amount, \$11.8 million has been awarded and \$5.8 million has been disbursed. However, post-fire recovery funding is not reflected in these numbers. The grant program typically sees higher demand for funding and a more rapid disbursement of grants for post-disaster recovery projects.

Executive orders issued by the Governor have reduced available cash within CWCB Construction Fund, leading to this request for General Fund.<sup>3</sup> In the current fiscal year, the Construction Fund makes up \$33.0 million of the state's emergency reserve. That entire amount has been transferred to the Disaster Emergency Fund for COVID-19 response. An alternative source of funding—the Severance Tax Perpetual Base Fund—similarly lacks available cash to support this request because the balance of the fund was transferred to the General Fund to help balance the FY 2020-21 budget.

#### *PROJECT TYPES*

Per the Department, potential project types include: (1) Engineering projects, such as hydrologic modeling that can identify problem areas within the burn zone, and (2) Implementation projects, such as debris removal or water diversion reconstruction. For example, after Spring Creek Fire in 2018, the CWCB granted \$1.0 million to the Huerfano County Water Conservancy District to develop engineering models, construct sediment ponds, re-seed hill slopes, and install flood warning systems.

#### *WHY PROVIDE FUNDS FOR POST-FIRE WATERSHED RESTORATION?*

Severe wildfires can alter landscapes in ways that increase the risk of flooding and negative impacts to water supplies. Areas affected by wildfires, also called “burn scars,” lack the vegetation necessary to soak up precipitation and curb the flow of sediment and debris into streams, rivers, and lakes. This can contribute to flooding, as seen during the 2013 floods along the Front Range. It can also contribute to water quality problems in reservoirs, which can cost tens of millions of dollars to fix, as seen in

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<sup>3</sup> Executive Orders D 2020-284 and D 2021-009.

Strontia Springs Reservoir following the 1996 Buffalo Creek Fire and Cheesman Reservoir following the 2002 Hayman Fire.

There are similar concerns about flooding and water quality following the 2020 wildfire season. These funds aim to help fire-affected communities deal with the fallout from those fires. It is worth noting that state funding is not the only funding source available to help these communities. For example, in 2017 the Watershed Restoration Grant Program was used to implement 67 flood-related projects totaling about \$50.0 million from federal, state, and local funding sources; the state contribution was less than \$2.5 million. With regards to the 2020 wildfires, the Federal Emergency Management Agency (FEMA) has authorized funding for post-fire recovery efforts, but it is not clear at this time exactly how much is (or will be) available specifically for post-fire watershed restoration.<sup>4</sup>

*Is \$4.0 MILLION THE RIGHT AMOUNT FOR FY 2020-21?*

Staff is less confident about this figure than the FRWRM figure, but believes it is reasonable. First, it is within the range of normal appropriations for this program. Second, it is staff's understanding that post-fire recovery efforts will be supported by other funding sources, including federal funds. Staff cannot say at this time what the total need is and how much of that need will be met with federal and local funding, in part because stakeholders (including the CWCB) are still gathering information about the scope of the problem. Consequently, this transfer is best viewed as a starting point that can be supplemented with additional funds at a later date if necessary.

**CONCLUSION**

Staff views both transfers as a good idea, even though one (FRWRM) does not meet supplemental criteria. Wildfire mitigation efforts facilitated by FRWRM will help some communities reduce wildfire risks. Post-fire recovery efforts facilitated by the Watershed Restoration Grant Program will help fire-affected communities reduce risks related to floods and water quality. It makes sense for both of these transfer to happen earlier in the legislative session so the Department can solicit applications, determine awards, and distribute funds in a timely fashion.

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<sup>4</sup> <https://www.fema.gov/press-release/20201019/fema-authorizes-funds-fight-colorados-east-troublesome-fire>  
<https://www.fema.gov/disaster/4581>



## STAFF-INITIATED SUPPLEMENTAL REQUESTS

### STAFF-INITIATED – TECHNICAL LETTERNOTE ADJUSTMENTS

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Federal Funds	0	0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff is correcting a technical error made in the original Long Bill.

**DEPARTMENT REQUEST:** The Department did not formally request this adjustment. However, this staff-initiated correction is the result of conversations with the Department and is consistent with the Department's understanding.

**STAFF RECOMMENDATION:** Staff recommends that the Committee make two letternote adjustments in the Long Bill. The first adjustment is to letternote “a” for the Colorado Avalanche Information Center, which is housed in the Executive Director’s Office. The adjustment increases the amount from the Severance Tax Operational Fund by \$53,989, which is equal to amount shown in the Indirect Cost Assessment line item. This change matches letternote totals with the Long Bill.

<sup>a</sup> Of these amounts, ~~\$653,840~~ \$707,829 shall be from the Severance Tax Operational Fund created in Section 39-29-109 (2)(b), C.R.S., \$121,227 shall be from the Colorado Avalanche Information Center Fund created in Section 24-33-116 (2)(c)(I), C.R.S., and \$2,000 shall be from the Snowmobile Recreation Fund created in Section 33-14-106, C.R.S. The appropriation from the Severance Tax Operational Fund is made in accordance with allocations specified in Section 39-29-109.3 (1)(b.5), C.R.S.

The second adjustment is to the Inactive Mines-Program Costs line item in the Division of Reclamation, Mining, and Safety. House Bill 20-1372, *Operational Fund Mined Reclamation Repeal*, was a Long Bill package bill that repealed the two transfers from the Severance Tax Operational Fund, effective July 1, 2020, included in this letter note, and repealed the Abandoned Mine Reclamation Fund. As of July 1, 2020, funding for these appropriations issue directly from the Severance Tax Operational Fund. This letter note correction will make the Long Bill consistent with the statutory provisions repealed pursuant to H.B. 20-1372. The adjustment below makes the necessary corrections.

<sup>a</sup> ~~Of these amounts, \$641,647~~ THESE AMOUNTS shall be from the Severance Tax Operational Fund created in Section 39-29-109 (2)(b)., C.R.S., ~~\$523,757~~ shall be from the Abandoned Mine Reclamation Fund created in Section 34 34-102 (1), C.R.S., and ~~\$121,162~~ shall be from the Reclamation Warranty and Forfeiture Fund created in Section 34 32-122 (1)(a), C.R.S. The ~~appropriation~~ APPROPRIATIONS from the Severance Tax Operational Fund is ARE made in accordance with allocations specified in 39-29-109.3 (1)(c), C.R.S.

## STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
NPS-1 Fleet true-up	(\$126,331)	(\$870)	(\$131,253)	\$728	\$5,064	0.0
<b>DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS</b>	<b>(\$126,331)</b>	<b>(\$870)</b>	<b>(\$131,253)</b>	<b>\$728</b>	<b>\$5,064</b>	<b>0.0</b>

**STAFF RECOMMENDATION:** The staff recommendation for this request is pending Committee action on common policy supplementals. Staff will include the corresponding appropriation in the Department's supplemental bill based on Committee action on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.