

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2019-20

DEPARTMENT OF NATURAL RESOURCES

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

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

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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. The Department is comprised of 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 houses the Colorado Avalanche Information Center (CAIC) that provides avalanche information, education and promotes research for the protection of life and property.
- The **Division of Parks and Wildlife** (CPW) provides recreational opportunities at 41 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.

The three remaining divisions (the Division of Reclamation, Mining, and Safety, the Oil and Gas Conservation Commission, and the State Board of Land Commissioners) were discussed in a separate staff briefing on November 28, 2018.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 *
General Fund	\$28,742,941	\$30,864,532	\$32,005,418	\$33,326,757
Cash Funds	202,967,586	230,795,872	238,857,665	223,394,936
Reappropriated Funds	7,703,225	6,932,593	7,933,687	7,483,247
Federal Funds	26,641,222	26,699,468	26,568,474	26,683,622
TOTAL FUNDS	\$266,054,974	\$295,292,465	\$305,365,244	\$290,888,562
Full Time Equiv. Staff	1,462.7	1,458.6	1,464.5	1,475.5

*Requested appropriation.

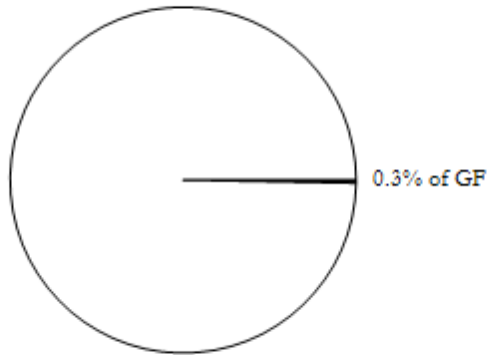
SELECT DIVISIONS: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 *
General Fund	\$28,742,941	\$30,864,532	\$32,005,418	\$33,326,757
Cash Funds	181,318,674	209,101,326	211,449,002	195,080,403
Reappropriated Funds	7,478,225	6,707,593	7,708,687	7,258,247
Federal Funds	23,023,785	23,109,547	23,076,347	23,109,082
TOTAL FUNDS	\$240,563,625	\$269,782,998	\$274,239,454	\$258,774,489
Full Time Equiv. Staff	1,243.5	1,239.4	1,240.4	1,246.4

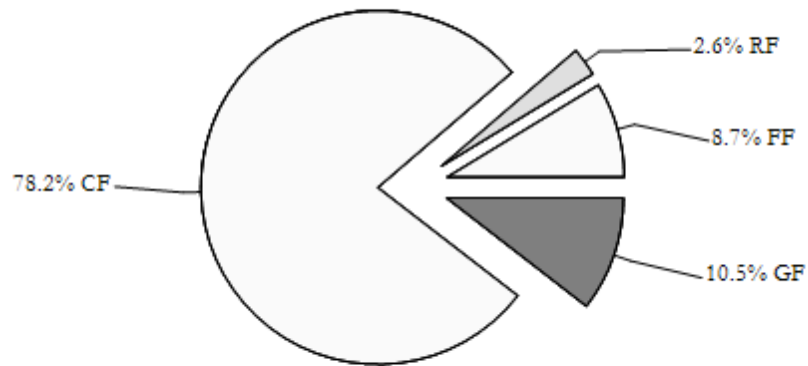
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

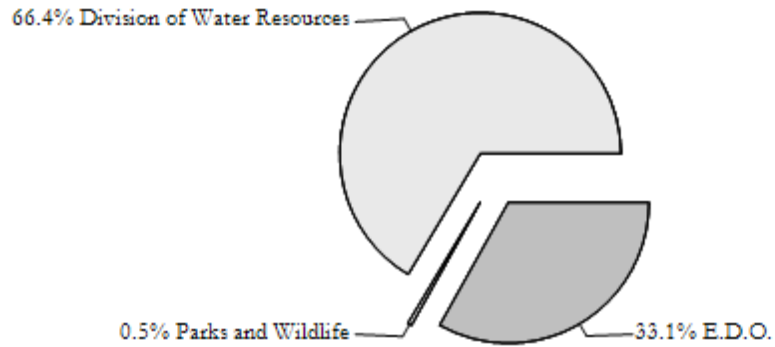


Department Funding Sources

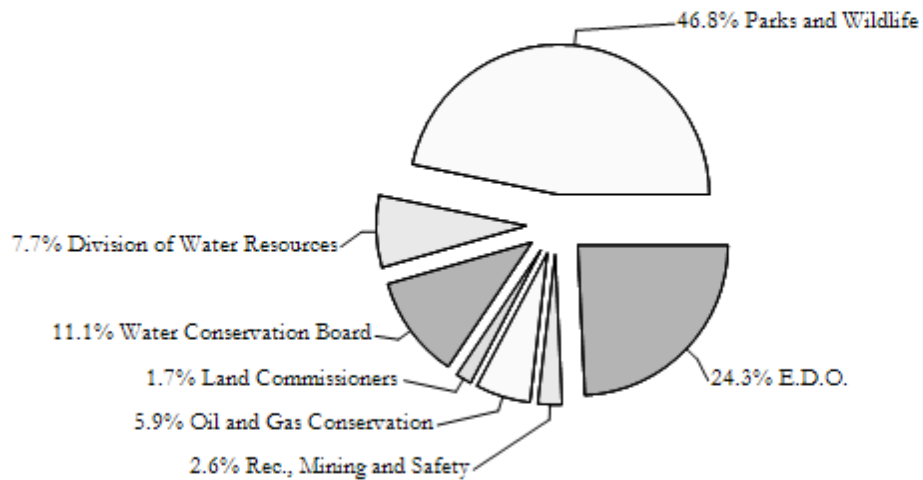


All charts are based on the FY 2018-19 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2018-19 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

DIVISION OF PARKS AND WILDLIFE

The Division, also known as Colorado Parks and Wildlife (CPW), makes up just over 46.8 percent of the Department's total budget and, with the exception of a small General Fund appropriation to cover the cost of free park entrance for disabled veterans and free park entrance for all veterans on Veterans Day (Section 33-12-106, C.R.S.), is completely supported by cash and federal funds. CPW was formed by S.B. 11-208, which merged the Division of Parks and Outdoor Recreation and the Division of Wildlife. The bill did not merge the appropriations of the two former divisions or provide any consolidation of line items. In 2014, the General Assembly approved a reorganization of the Division's Long Bill section to more accurately reflect the post-merger organizational structure.

The Colorado Parks and Wildlife Commission has approved a number of fee changes initiated by S.B. 18-143 (Hunting, Fishing, and Parks for Future Generations Act), including changes to hunting licenses, fishing licenses, and park passes. At this time, CPW is projecting flat revenue in FY 2018-19. Changes to hunting license fees will not result in additional revenue until the fall of FY 2019-20 because of the way that CPW manages hunting license revenue. Changes to fishing license fees and park passes will result in new revenue in the second half of FY 2018-19 and CPW is finalizing new revenue projections. Factors including price elasticity and spring and early summer weather could cause significant variability in these projections. The Division will be able to provide revised FY 2018-19 revenue estimates later in this fiscal year.

STATE PARKS

The State Parks section of CPW manages 41 state parks and several special purpose programs including: the snowmobile program, the off-highway vehicle program, river outfitters regulation, aquatic nuisance species control and prevention, and the distribution of grants. Workload and some revenue for park operations (e.g. park passes, camping fees etc.) are driven by visitation. The increases shown in the following table are indicative of the long-term trend in visitation, which is driven by population growth and access.

State Parks Visitation				
	FY 2015-16 ACTUAL	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE
State Parks Visitation	13,635,112	14,823,153	15,321,417	14,593,227
<i>Percent Change</i>	<i>9.4%</i>	<i>8.7%</i>	<i>3.4%</i>	<i>-4.8%</i>

The two largest sources of revenue for State Parks are lottery funds (\$24.6 million, 26.7 percent) and from usage fees (\$28.8 million, 31.3 percent), followed by other state and federal funds including severance tax. These revenues are detailed in the table below:

State Park Revenues				
	FY 2015-16 ACTUAL	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE
Licenses, passes, fees, and permits	\$24,364,158	\$28,793,086	\$28,839,784	\$28,839,784
Registrations	9,261,437	9,361,656	9,192,703	9,192,703
Federal and state grants	6,202,454	6,575,143	10,818,299	10,818,299
Lottery and Great Outdoors Colorado	28,852,271	26,543,314	24,597,636	24,597,636
Sale of goods, services, and assets	2,109,164	2,387,000	2,218,685	2,218,685
Donations	0	55,249	15,429	15,429

State Park Revenues				
	FY 2015-16 ACTUAL	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE
Interest income	399,187	545,905	819,243	819,243
Other revenues	4,154,115	3,424,831	3,654,355	3,654,355
General Fund and Severance Tax	5,309,836	2,869,670	5,089,609	5,089,609
Revenues Before Transfers	\$80,652,622	\$80,555,854	\$85,245,743	\$85,245,743
Intra-agency, Inter-fund transfers	13,483,874	12,721,180	6,748,208	6,748,208
Total Revenues	\$94,136,496	\$93,277,034	\$91,993,951	\$91,993,951

WILDLIFE

The Wildlife section of CPW manages the state's more than 960 game and non-game wildlife species by issuing fishing and hunting licenses, enforcing wildlife regulations, protecting habitat and native wildlife populations, and managing more than 350 state wildlife areas. Funding for Wildlife operations and programs is a mixture of cash funds from usage fees, federal funds, grants from Great Outdoors Colorado, and various other sources. Approximately 1.8 million hunting and fishing licenses were sold in FY 2017-18, which provided \$80.7 million in revenue. In the same fiscal year, non-resident big game license sales account for just 5.0 percent of all hunting and fishing licenses sold; however, revenue from non-resident big game hunting licenses sales account for 59.3 percent of the total revenue generated by all hunting and fishing license sales. Roughly, 70.0 percent of total hunting license sales are for big game species (mainly elk and deer). The following table shows Wildlife revenues by category:

Wildlife Revenues				
	FY 2015-16 ACTUAL	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE
Licenses, passes, fees, and permits	\$89,655,303	\$92,750,800	\$96,224,160	\$96,224,160
Registrations	0	92,025	208,890	208,890
Federal and state grants	24,588,048	25,855,415	27,190,953	27,190,953
Lottery and Great Outdoors Colorado	10,783,201	12,015,621	9,635,343	9,635,343
Sale of goods, services, and assets	380,085	326,705	397,387	397,387
Donations	1,134,258	1,266,850	1,522,343	1,522,343
Interest income	674,038	1,013,990	1,300,022	1,300,022
Other revenues	917,896	2,793,173	3,045,199	3,045,199
General Fund and Severance Tax	3,639,255	2,033,625	7,054,726	7,054,726
Revenues Before Transfers	\$131,772,084	\$138,148,204	\$146,579,023	\$146,579,023
Intra-agency, Inter-fund transfers	10,370,511	10,474,711	13,158,321	13,158,321
Total Revenues	\$142,142,595	\$148,622,915	\$159,737,344	\$159,737,344

LOTTERY PROCEEDS AND GREAT OUTDOORS COLORADO (GOCO) BOARD GRANTS

Approximately 13.6 percent of total revenue for CPW comes from lottery proceeds and annual GOCO grants. State Parks currently receives 10.0 percent of net lottery proceeds to develop, maintain, and improve state park properties and facilities. Another 50.0 percent of net lottery proceeds are allocated to the Great Outdoors Colorado Trust Fund, which is split between grants for State Parks and Wildlife.¹ Grants for State Parks are used for developing new parks (capital) as well as enhancing and maintaining existing parks (operating). Wildlife grants are used for species protection, habitat development, watchable wildlife, and wildlife education. Pursuant to Article XXVII of the Colorado Constitution, GOCO grants are not subject to legislative appropriation. The following table shows recent GOCO awards:

¹ Please note the remaining 40.0 percent of net lottery proceeds goes to the Conservation Trust Fund administered by the Department of Local Affairs.

Great Outdoors Colorado (GOCO) Board Grants					
	FY 2015-16 AWARD	FY 2016-17 AWARD	FY 2017-18 AWARD	FY 2018-19 AWARD	FY 2019-20 ESTIMATE
Parks Capital Budget	\$13,954,544	\$10,144,985	\$11,227,434	\$12,431,795	\$12,798,707
Parks Operating Budget	5,056,500	5,105,500	5,381,500	5,920,000	5,920,000
Total GOCO Grants - State Parks	\$19,011,044	\$15,250,485	\$16,608,934	\$18,351,795	\$18,718,707
Wildlife Base Capital Budget	\$4,319,500	\$7,660,085	\$7,220,000	\$7,900,000	\$7,970,000
Wildlife Operating Budget	7,480,500	7,590,500	7,965,000	8,440,500	8,440,500
Total GOCO Grants - Wildlife	\$11,800,000	\$15,250,585	\$15,185,000	\$16,340,500	\$16,410,500

COLORADO WATER CONSERVATION BOARD

The Colorado Water Conservation Board (CWCB) is responsible for administering two major cash funds—the CWCB Construction Fund and the Severance Tax Perpetual Base Fund—both used for water project loans and grants.

COLORADO WATER CONSERVATION BOARD CONSTRUCTION FUND

The CWCB Construction Fund (Section 37-60-121 (1)(a), C.R.S.) provides loans and grants for projects that will increase the beneficial consumptive use of Colorado's waters. Section 37-60-121 (1)(b)(IV), C.R.S., limits participation to projects that can repay the CWCB's investment, unless specifically authorized by the legislature, and authorizes the CWCB to approve loans of less than \$10.0 million without legislative approval. The Construction Fund also pays for the administrative expenses of the CWCB, approximately \$3.9 million in FY 2018-19.

Revenues for the Construction Fund are from interest earnings, transfers from the Severance Tax Operational and Perpetual Base Funds, and Federal Mineral Lease revenues. For FY 2018-19, S.B. 18-218 (CWCB Construction Fund Projects) appropriated \$24.7 million for various water-related projects and authorized the following transfers:

- \$30,000,000 from the Loan Guarantee Fund to the Severance Tax Perpetual Base Fund;
- \$4,000,000 from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund to support appropriations made in other sections of the bill;
- \$2,000,000 from the CWCB Construction Fund to the Water Supply Reserve Fund to support water basin roundtable approved projects;
- \$2,000,000 from the CWCB Construction Fund to replenish the continuously-appropriated Litigation Fund;
- \$500,000 from the CWCB Construction Fund to replenish the continuously-appropriated Flood and Drought Response Fund; and
- \$500,000 from the CWCB Construction Fund to replenish the continuously-appropriated Feasibility Study Small Grant Fund.

An estimated \$25.0 million will be available for new loans from the Construction Fund in FY 2019-20. The following table outlines fund activity from FY 2016-17 through estimates for FY 2018-19 and FY 2019-20:

Colorado Water Conservation Board Construction Fund

(Cash Flow Summary Report Based on September 2018 Legislative Council Staff Revenue Estimate)

	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE	FY 2019-20 ESTIMATE
Interest (Loans, Treasury, Miscellaneous)	\$9,566,358	\$11,389,593	\$9,861,375	\$9,920,210
Federal Mineral Lease (FML) Revenues	9,041,071	8,576,056	9,877,992	10,001,817
Other Revenues (including pass-through)	12,634,122	30,342,456	3,657,518	3,657,516
Water Plan Implementation	0	15,000,000	10,000,000	10,000,000
Chatfield Reservoir Reallocation Project	27,851,358	4,000,000	4,000,000	0
Windy Gap Reservoir Bypass Channel Project	0	200,000	0	0
Watershed Grants	0	6,500,000	0	0
Statewide Water Supply Initiative	0	1,000,000	0	0
Bear Creek Reservoir Reallocation Study	0	2,500,000	0	0
Rio Grande Cooperative Project	0	10,000,000	0	0
Transfers from other sources	1,068,887	778,887	0	0
State Gov't Grant – Other State Depts	2,075,839	4,670,482	0	0
Operating Transfer	0	2,894,439	0	0
Governor's Executive Order for Forest Fires	352,679	0	736,770	0
Total Revenues	\$62,590,313	\$97,851,913	\$38,133,655	\$33,579,543
Cash Expenditures/CWCB Operating Costs ¹	\$12,000,018	\$11,303,206	\$12,772,945	\$12,611,376
Non-Reimbursable Expenditures	10,666,177	9,113,951	7,716,894	25,000,000
Transfer to Other CWCB Funds	564,873	5,971,638	1,125,614	3,548,625
Transfer to CDPHE	0	260,000	0	0
Water Plan Implementation	0	375,156	7,000,000	10,000,000
Flood Emergency Funds	1,249,431	6,482,599	0	0
Rio Grande Cooperative Project Expense	44,529	104,605	9,850,866	0
Windy Gap Reservoir Bypass Channel	0	0	2,200,000	0
Transfer to Water Supply Reserve Fund	0	0	2,000,000	0
Chatfield Reservoir Reallocation Project	3,649,913	12,443,768	15,000,000	0
Republican River Matters	0	0	8,000,000	0
Governor's Executive Order for Forest Fires	352,679	282,054	454,716	0
FEMA Federal Grants	0	25,476,848	5,000,000	5,000,000
Watershed Grants	575,083	954,789	2,000,000	0
Total Expenditures	\$29,102,703	\$72,768,614	\$73,121,035	\$56,160,001
Net Cash Flow	\$33,487,610	\$25,083,299	(\$34,987,380)	(\$22,580,458)

¹Includes cash expenditures for all Long Bill line items less non-reimbursable expenditures.

SEVERANCE TAX PERPETUAL BASE FUND

The *Severance Tax Perpetual Base Fund* receives 50.0 percent of moneys in the Severance Tax Trust Fund (25.0 percent of total severance tax revenues) and provides loans or grants for construction, rehabilitation, enlargement, or improvement of water projects. This fund is a revolving loan account, and as such no permanent programs depend on this fund. The Department estimates \$30.0 million will be available in FY 2018-19 for new loans. The table below outlines recent fund activity:

Severance Tax Perpetual Base Fund

(Cash Flow Summary Report Based on September 2018 Legislative Council Staff Revenue Estimate)

	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE	FY 2019-20 ESTIMATE
Severance Tax Revenues	\$15,762,201	\$33,106,715	\$52,875,902	\$45,424,966
Interest (Loans and Treasury)	6,128,353	7,197,033	5,612,929	5,930,109
Transfer from Loan Guarantee Fund	0	30,000,000	0	0
Total Revenues	\$21,890,554	\$70,303,748	\$58,488,831	\$51,355,075

Severance Tax Perpetual Base Fund				
(Cash Flow Summary Report Based on September 2018 Legislative Council Staff Revenue Estimate)				
	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ESTIMATE	FY 2019-20 ESTIMATE
Agriculture Emergency Drought Grants	\$0	\$0	\$1,000,000	\$1,000,000
Transfer to Const. Fund for Water Plan Implementation	0	15,000,000	10,000,000	10,000,000
Transfer to Const. Fund for Watershed Grants	0	6,500,000	0	0
Transfer to Const. Fund for Water Supply Reserve Fund	0	10,000,000	0	0
Transfer to Const. Fund for Rio Grande Coop Project	0	10,000,000	0	0
Transfer to Const. Fund for Windy Gap Project	0	200,000	0	0
Transfer to Const. Fund for Statewide Water Supply Initiative	0	1,000,000	0	0
Transfer to Const. Fund for Bear Creek Res Reallocation Study	0	2,500,000	0	0
Transfer to Const. Fund for Chatfield Res Reallocation Project	0	4,000,000	0	0
Transfer to Loan Guarantee Fund	0	30,000,000	0	0
Transfer to Augment General Fund	0	11,425,000	0	0
Governor's Energy Office	0	0	30,814	30,814
Chatfield Res Reallocation Project (2013 & 2018 Proj Bills)	27,640,163	0	0	0
Other Real Property	0	0	0	0
Misc. Fines and Fees	0	0	0	0
Total Expenditures	\$27,640,163	\$90,625,000	\$11,030,814	\$11,030,814
Net Cash Flow	(\$5,749,609)	(\$20,321,252)	\$47,458,017	\$40,324,261

The CWCB also receives funding from the Severance Tax Operational Fund. Pursuant to Section 39-29-109.3 (1) (d), C.R.S., the CWCB is a Tier I program authorized to receive up to 5.0 percent of Operational Fund revenues for programs within the division. The CWCB's projected FY 2018-19 appropriation of \$1.3 million from Tier I of the Operational Fund equals 2.1 percent of total available Operational Fund revenue.

COLORADO WATER PLAN

The CWCB released a final draft of the Colorado Water Plan on November 19, 2015. To implement aspects of the Colorado Water Plan, the Department has requested the JBC sponsor legislation totaling \$30 million General Fund for the Water Plan Grant Program (\$10 million) and for a demand management program (\$20 million). This bill request is discussed in further detail in the briefing issue titled Colorado Water Plan Implementation.

DIVISION OF WATER RESOURCES (STATE ENGINEER'S OFFICE)

The Division of Water Resources (DWR) is responsible for the supervision and control of water resources in the state of Colorado (Section 37-80-102 (1)(h), C.R.S.), including the administration of over 154,000 surface and ground water rights, nine compacts, two U.S. Supreme Court decrees, and other interstate water allocation agreements. Approximately, 91.4 percent of the FY 2018-19 appropriation for the DWR is General Fund, and the division accounts for almost three quarters of the Department's total General Fund appropriation. Cash funds for special programs (e.g. the Water Resources Cash Fund, the Well Inspection Cash Fund, and the Satellite Monitoring System Cash Fund) and federal grants make up the remaining 8.6 percent of the DWR's total appropriation.

SUMMARY: FY 2018-19 APPROPRIATION & FY 2019-20 REQUEST

DEPARTMENT OF NATURAL RESOURCES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
HB 18-1322 (Long Bill)	\$246,522,560	\$32,005,418	\$183,732,108	\$7,708,687	\$23,076,347	1,240.4
Other legislation	27,716,894	0	27,716,894	0	0	0.0
TOTAL	\$274,239,454	\$32,005,418	\$211,449,002	\$7,708,687	\$23,076,347	1,240.4
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	\$274,239,454	\$32,005,418	\$211,449,002	\$7,708,687	\$23,076,347	1,240.4
R1 Increase State Parks spending authority	3,661,298	0	3,661,298	0	0	0.0
R2 Additional staffing to address oil and gas backlogs	77,740	0	77,740	0	0	0.0
R3 Wildlife small capital program	2,043,120	0	2,043,120	0	0	0.0
R4 Capital development resourcing	401,653	0	401,653	0	0	3.0
R5 Cameo State Recreation Area resourcing	351,025	0	351,025	0	0	3.0
R6 Increase Wildlife Council spending authority	1,100,000	0	1,100,000	0	0	0.0
Non-prioritized request items	809,072	158,955	618,059	24,792	7,266	0.0
Centrally appropriated line items	4,395,503	975,896	3,786,537	(349,059)	(17,871)	0.0
Technical adjustments	87,315	0	87,315	0	0	0.0
Annualize prior year legislation	(27,442,382)	50,742	(27,503,168)	9,573	471	0.0
Indirect cost assessment	(419,192)	135,747	(547,773)	(135,747)	128,581	0.0
Annualize prior year budget action	(530,117)	(1)	(444,405)	1	(85,712)	0.0
TOTAL	\$258,774,489	\$33,326,757	\$195,080,403	\$7,258,247	\$23,109,082	1,246.4
INCREASE/(DECREASE)	(\$15,464,965)	\$1,321,339	(\$16,368,599)	(\$450,440)	\$32,735	6.0
Percentage Change	(5.6%)	4.1%	(7.7%)	(5.8%)	0.1%	0.5%

R1 INCREASE STATE PARKS SPENDING AUTHORITY: The request includes an increase of \$3,661,298 cash funds from the Parks and Outdoor Recreation Cash Fund intended to cover increased operational costs associated with increased parks visitation and inflation that State Park Operations has experienced since FY 2009-10.

R2 ADDITIONAL STAFFING TO ADDRESS OIL AND GAS BACKLOGS: *This request was discussed during the JBC Staff briefing for the Department of Natural Resources held on November 28, 2018. The amount shown in this table represent the centrally appropriated costs associated with this request.*

R3 WILDLIFE SMALL CAPITAL PROGRAM: The request includes an increase of \$2,043,120 cash funds from the Wildlife Cash Fund for the implementation of a Wildlife Small Capital Program to address health, fire, and safety issues and to enact minor repairs at the states 574 wildlife facilities.

R4 CAPITAL DEVELOPMENT RESOURCING: The request includes an increase of \$401,653 cash funds and 4.0 FTE for the Division of Parks and Wildlife's Capital Development Program. The additional resources will be used to increase staffing levels in three areas: dam operations and maintenance, central design, and regional field staff.

R5 CAMEO STATE RECREATION AREA RESOURCING: The request includes an increase of \$351,025 cash funds and 3.0 FTE from the Parks and Outdoor Recreation Cash Fund for staffing and operations at the new Cameo State Recreation Area (SRA) in Mesa County. The Division will hire a park manager, a technician, and an administrative assistant.

R6 INCREASE WILDLIFE COUNCIL SPENDING AUTHORITY: The request includes an increase of \$1.1 million cash funds from the Wildlife Management Public Education (WMPE) Fund for the Wildlife Council to expand its media-based education programs.

NON-PRIORITIZED REQUEST ITEMS: The request includes an increase of \$809,072 total funds, including \$158, General Fund, for items requested by other agencies that impact this department. The table below itemizes each requested non-prioritized item for FY 2019-20. *These request items will be addressed in separate staff briefings for the Department of Personnel and Administration and the Governor's Office.*

NONPRIORITIZED REQUEST ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
OIT Securing IT operations	\$577,094	\$94,732	\$456,800	\$14,797	\$10,765	0.0
OIT Essential database support	190,453	55,136	124,966	9,256	1,095	0.0
OIT Application refresh and consolidation	98,988	16,249	78,355	2,538	1,846	0.0
DPA IDS Increased Input Costs	18,307	397	17,843	67	0	0.0
OIT Optimize self-service capabilities	16,228	2,664	12,845	416	303	0.0
DPA Annual fleet vehicle request	(91,998)	(10,223)	(72,750)	(2,282)	(6,743)	0.0
TOTAL	\$809,072	\$158,955	\$618,059	\$24,792	\$7,266	0.0

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following line items. This request item will be addressed in separate staff briefings for the Department of Personnel and Administration and the Governor's Office.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Merit pay adjustment	\$3,411,741	\$594,820	\$2,630,847	\$108,797	\$77,277	0.0
PERA Direct Distribution	3,072,937	485,063	2,491,857	91,512	4,505	0.0
Salary survey adjustment	1,273,280	3,584	1,269,297	399	0	0.0
Health, life, and dental adjustment	828,209	847,488	642,122	(672,833)	11,432	0.0
AED adjustment	324,495	39,750	282,098	1,550	1,097	0.0
SAED adjustment	324,495	39,750	282,098	1,550	1,097	0.0
Leased space adjustment	63,131	10,369	52,748	14	0	0.0
Short-term disability adjustment	9,409	4,527	3,985	549	348	0.0
ALJ adjustment	59	0	59	0	0	0.0
CORE adjustment	(2,558,105)	(482,476)	(1,892,040)	(104,369)	(79,220)	0.0
Payments to OIT adjustment	(1,525,639)	(237,835)	(1,553,055)	291,705	(26,454)	0.0
Legal services adjustment	(324,419)	(18,430)	(275,693)	(34,404)	4,108	0.0
Payment to risk management / property funds adjustment	(208,780)	(2,922)	(207,606)	1,645	103	0.0
Capitol Complex leased space adjustment	(181,341)	(34,077)	(92,110)	(35,376)	(19,778)	0.0
Workers' compensation adjustment	(107,677)	(273,715)	158,222	202	7,614	0.0
Shift differential adjustment	(6,292)	0	(6,292)	0	0	0.0
TOTAL	\$4,395,503	\$975,896	\$3,786,537	(\$349,059)	(\$17,871)	0.0

TECHNICAL ADJUSTMENTS: The request includes an increase of \$87,315 cash funds for technical adjustments to various line items.

TECHNICAL ADJUSTMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Colorado Healthy Rivers Fund	\$60,000	\$0	\$60,000	\$0	\$0	0.0
Annual Depreciation-lease Equivalent Payment	15,315	0	15,315	0	0	0.0
South Platte River alluvial aquifer monitoring	12,000	0	12,000	0	0	0.0
Combine Parks and Wildlife Aquatic Nuisance Species Funds (S.B. 18-143)	0	0	0	0	0	0.0
TOTAL	\$87,315	\$0	\$87,315	\$0	\$0	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB 18-200 (PERA)	\$274,512	\$50,742	\$213,726	\$9,573	\$471	0.0
SB 18-218 (CWCB Projects Bill)	(24,716,894)	0	(24,716,894)	0	0	0.0
HB 18-1338 (Sev Tax OP Fund Transfers)	(3,000,000)	0	(3,000,000)	0	0	0.0
TOTAL	(\$27,442,382)	\$50,742	(\$27,503,168)	\$9,573	\$471	0.0

INDIRECT COST ASSESSMENT ADJUSTMENT: The request includes a decrease of \$419,192 total funds, including an increase of \$135,747 General Fund, to the Department's indirect cost assessments to its various divisions.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second year impact of prior year legislation.

ANNUALIZE PRIOR YEAR BUDGET ACTION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY19 Additional FTE for PROW program	\$10,542	\$0	\$10,542	\$0	\$0	0.0
FY19 R1 (Additional staffing and equipment for flowline safety)	4,296	0	4,296	0	0	0.0
FY19 Salary survey	(540,252)	(1)	(454,540)	1	(85,712)	0.0
FY19 R3 (SFSP additional resources)	(4,703)	0	(4,703)	0	0	0.0
TOTAL	(\$530,117)	(\$1)	(\$444,405)	\$1	(\$85,712)	0.0

ISSUE: DIVISION OF PARKS AND WILDLIFE FINANCES AND BUDGET REQUESTS COMPENDIUM

The Department of Natural Resources submitted several decision items for increased appropriations for the Division of Parks and Wildlife (CPW). This briefing issue is a compendium of these requests and background information providing context for the financial health of CPW.

SUMMARY

- S.B. 18-143 (Hunting, Fishing, and Parks for Future Generations Act), which addressed many aspects of CPW's operations, increased fees for CPW for most hunting and fishing licenses and park passes. It is estimated that the increased fees will increase revenue by approximately \$19.4 million in FY 2019-20.
- The Department requests a \$7.5 million increase in cash funds and 6.0 FTE in FY 2019-20 and ongoing for the Division of Parks and Wildlife. The requested increase is split between two cash funds: \$5.5 million from the Parks and Outdoor Recreation Cash Fund and \$2.0 million from the Wildlife Cash Fund.

RECOMMENDATION

Staff will make a recommendation regarding the decision items affecting the Division of Parks and Wildlife during the Department's figure setting hearing.

DISCUSSION

Pursuant to Section 33-9-105 (1), C.R.S., the Division of Parks and Wildlife and the Parks and Wildlife Commission are established as an enterprise for the purposes of Section 20 of Article X of the State Constitution. As such, CPW can receive no more than 10.0 percent "of its total annual revenues" from both state and local governments. In the FY 2018-17 Long Bill, the Division was appropriated \$150,000 General Fund, well below the statutory and constitutional threshold. To generate revenue, CPW assesses fees for hunting and fishing licenses, the registration of recreational vehicles, and for entry into state parks and wildlife areas. These fees, particularly those for hunting and fishing licenses are set in statute, primarily in Section 33-4-102 (1), (1.4), and (2), C.R.S.

Overall, CPW revenue has increased by 7.5 percent from FY 2014-15 to FY 2017-18. In the same period, expenditures have increased by 1.5 percent. The increase in revenue is primarily driven by population growth and an increase in the use of the State's outdoor recreational resources by residents and visitors. Expenditures have risen slowly primarily due to efforts by CPW to control costs. In the last 10 years, CPW has reduced wildlife expenditures by approximately \$40 million through a reduction of almost 60.0 FTE, the reduction or elimination of targeted programs, park closures, and deferring capital projects and maintenance.

Division of Parks and Wildlife Revenue and Expenditures, FY 2014-15 to FY 2017-18				
REVENUE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Parks	\$81,327,532	\$94,219,755	\$93,277,034	\$91,993,951
Wildlife	152,947,967	142,142,594	148,622,914	159,737,344
Total Revenue	\$234,275,499	\$236,362,349	\$241,899,948	\$251,731,295
EXPENDITURES				
Parks	\$79,392,434	\$90,071,465	\$88,180,135	\$90,800,117
Wildlife	150,727,548	140,680,996	136,592,665	142,765,093
Total Expenditures	\$230,119,982	\$230,752,461	\$224,772,800	\$233,565,210
Net Surplus/(Deficit)	\$4,155,517	\$5,609,888	\$17,127,148	\$18,166,085

CPW FINANCIAL SUSTAINABILITY

During the 2018 legislative session, the General Assembly passed and the Governor signed S.B. 18-143 (Hunting, Fishing, and Parks for Future Generations Act). This bill, which addresses many aspects of CPW's operations, increased fees for CPW for certain hunting and fishing licenses and park passes. The Division is now required to ensure individuals entering state parks by means other than motor vehicle purchase an entrance pass. The bill allows the Parks and Wildlife Commission to apply a the Denver-Aurora-Lakewood consumer price index for any fee or surcharge increase, per Section 33-4-102 (1.6)(b), C.R.S., which the Commission will consider beginning in 2020. The Division is required to submit an annual report on the impact of fee and surcharge increases starting to its committees of reference in the General Assembly starting November 1, 2019.

The Parks and Wildlife Commission, on November 15, 2018, approved the increase of license, camping, and park fees to the statutory maximum. Most resident wildlife license fees have been increased by \$8.00. The Commission also approved the creation of a new \$8.00 resident youth fishing license for persons age 16 and 17 years old. The Commission approved modest price increases for daily and annual park passes, with the largest increase being a \$10 increase for annual vehicle affixed park passes. A new annual hang tag park pass, which is issued to individuals instead of vehicles, was created by the Commission and will cost \$120. Additionally, the Commission changed the camping fee structure by eliminating the reservation fee charged for camping permits, choosing to increase the base price of campsites statewide; the price increase is \$8-\$13, depending of the campsite.²

The Final Fiscal Note for S.B. 18-143, published on August 15, 2018, estimates that the increases to fees will increase CPW revenue by approximately \$19.4 million in FY 2019-20. It is in this context of a substantial revenue increase that the Department and CPW have submitted five decisions items for cash fund spending authority increases to the Joint Budget Committee for its consideration.

FY 2019-20 DIVISION OF PARKS AND WILDLIFE DECISION ITEMS

The Division's mission is to "perpetuate the wildlife resources of the state, to provide a quality state parks system, and to provide enjoyable and sustainable outdoor recreation opportunities that educate and inspire current and future generations to serve as active stewards of Colorado's natural resources."³ As such, CPW continues to seek additional appropriations to fund those parks and

² Additional details on specific fee increases can be found on the Division of Parks and Wildlife's "2019 Fee Changes" website: <https://cpw.state.co.us/aboutus/Pages/Our-Story-2019-Changes.aspx>.

³ More details about the Division of Parks and Wildlife can be found here: <http://cpw.state.co.us/aboutus/>.

wildlife programs that it deems necessary. CPW's goal is to manage the state's outdoor recreational resources for the beneficial and sustainable use by the people of Colorado.

The Department is requesting a \$7.5 million increase in cash funds and 6.0 FTE in FY 2019-20 and ongoing for the Division of Parks and Wildlife. The requested increase is split between two cash funds: \$5.5 million from the Parks and Outdoor Recreation (Parks) Cash Fund, created in Section 33-10-111 (1), C.R.S.; and \$2.0 million from the Wildlife Cash Fund, created in Section 33-1-112 (1)(a), C.R.S. These decision items will be funded by the increased revenue CPW will realize as a result of S.B. 18-143. The five decision items making up the requested increase are summarized in the table below and discussed in the following sub-sections.

FY 2019-20 Division of Parks and Wildlife Decision Items				
DECISION ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
R1 Increase State Parks spending authority	\$3,661,298	\$0	\$3,661,298	0.0
R3 Wildlife small capital program	2,043,120	0	2,043,120	0.0
R4 Capital development resourcing	401,653	0	401,653	3.0
R5 Cameo State Recreation Area resourcing	351,025	0	351,025	3.0
R6 Increase Wildlife Council spending authority	1,100,000	0	1,100,000	0.0
Total	\$7,557,096	\$0	\$7,557,096	6.0

R1 INCREASE STATE PARKS SPENDING AUTHORITY

The Department is requesting an increase of \$5,036,298 cash funds from the Parks Cash Fund and a decrease of \$1,375,000 cash funds from the Wildlife Cash Fund. The decrease from the Wildlife Cash Fund is a result of a rebalance of the cost allocation methodology used by CPW to split centralized expenses that are not exclusive to either the State Park or Wildlife. This rebalance calls for a greater share of these expenses to be covered by the Parks Cash Fund than are currently covered. The additional \$3,661,298 increase from the Parks Cash Fund is intended to cover increased operational costs associated with parks visitation and inflation since FY 2009-10.

The table below shows the 10-year appropriation history for the State Park Operations line item, which has not kept pace with inflation. From FY 2009-10 to FY 2018-19, inflation adjusted appropriations show a decrease of \$5.6 million in general purchasing power. As a result, to maintain operations within the current level of spending authority, CPW has reprioritize and utilized non-appropriated funding (e.g., lottery money and federal funds) to balance expenditures and revenue. As shown in the General Factors section of this briefing document, intra-agency and inter-fund transfers have totaled \$39.7 million since FY 2015-16.

State Park Operations Line Item 10-year Appropriation History					
FISCAL YEAR	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	TOTAL FUNDS	INFLATION ADJUSTED TOTAL FUNDS (FY19 \$s)
FY 2009-10	\$1,704,815	\$26,145,901	\$440,980	\$28,291,696	\$35,927,976
FY 2010-11	1,630,733	22,369,459	445,389	24,445,581	30,240,190
FY 2011-12	0	22,886,470	438,708	23,325,178	28,016,154
FY 2012-13	0	27,321,315	438,708	27,760,023	32,602,938
FY 2013-14	0	26,765,073	438,708	27,203,781	31,073,140
FY 2014-15	0	27,505,281	441,741	27,947,022	31,283,892
FY 2015-16	150,000	28,234,238	444,806	28,829,044	31,539,105
FY 2016-17	150,000	28,936,786	444,806	29,531,592	31,419,525
FY 2017-18	150,000	28,941,636	444,806	29,536,442	30,383,403
FY 2018-19	\$150,000	\$29,719,308	\$444,806	\$30,314,114	\$30,314,114

The Department reports that operational expenditures (i.e., expenses other than personal services) out of the State Park Operations line item have increased from \$10.0 million in FY 2009-10 to \$14.3 million in FY 2017-18, the last full fiscal year. In the same time period, park visitation has increased by 24.6 percent, from 12.3 million visits to 15.3 million visits. The Department uses park visitation as an indicator of how expenditures will trend because park operations will need to account for the costs associated with increases or decreases in utilization. The increase in operational expenditures and park visitations were used by CPW and the Department in assessing their FY 2019-20 anticipated expenditures. They assert that the requested \$5.0 million increase in cash fund spending authority will be sufficient for their operational needs.

CPW conducted a cost allocation methodology analysis this year to determine the correct split of centralized costs between State Park and Wildlife operations. The current cost allocation methodology was implemented in FY 2013-14 after the merger of the Division of Parks and Outdoor Recreation and the Division of Wildlife was completed. This methodology splits centralized costs assuming that 75.0 percent of the costs are associated with Wildlife operations and 25.0 percent are for Parks operations. As a result of the 2018 analysis, the new methodology indicates a 65:35 ratio of Wildlife to Parks cost allocations. This new ratio is the basis for the Department’s request to shift \$1,375,000 cash fund spending authority from the Wildlife Operations line item to the State Parks Operations line item.

R3 WILDLIFE SMALL CAPITAL PROGRAM

The Department is requesting an increase of \$2,043,120 cash funds from the Wildlife Cash Fund for the implementation of a Wildlife Small Capital (WSC) Program to address health, fire, and safety issues and to enact minor repairs at the states 574 wildlife facilities. The request also includes a \$350,000 transfer of cash fund spending authority from the Wildlife Operations line item to the Asset Maintenance and Repairs line item, which will fund the WSC Program. The Program, which is in its first year, is a companion to a similar program designed to focus on State Parks small capital projects that has operated for about 15 years and addressed about 120 projects per year.

The WSC Program is currently funded through various sources of appropriated and non-appropriated funds. The Program’s FY 2018-19 budget is approximately \$3.2 million, including a \$2.0 million Great Outdoors Colorado (GOCO) grant, about \$1.1 million appropriated cash funds, and \$135,120 federal funds. The Department is requesting that the WSC Program be funded through the Asset Maintenance and Repairs line item in FY 2019-20 with only Wildlife Cash Fund money.

Wildlife Small Capital Program Budget		
LINE ITEM/FUNDING SOURCE	FY 2018-19 APPROPRIATED	FY 2019-20 REQUESTED
Asset Maintenance and Repair	\$606,880	\$3,000,000
Wildlife Operations	350,000	0
Capital Outlay	103,000	0
FY 2018-19 GOCO grant*	2,000,000	0
Federal funding*	135,120	0
Total	\$3,195,000	\$3,000,000

* Non-appropriated funds.

Program spending is spread across six allocation categories based on existing capital assets. Hatcheries, of which there are 19 in the state that breed, hatch, rear, and stock over 90 million fish

per year, account for the highest allocation (30.8 percent) of the WCS Program’s FY 2018-19 budget. Each region receives a roughly equal share, with the variance attributable to the number of Wildlife Areas and capital assets in each region. The smallest portion of the budget goes to Administration, which includes projects such as building and grounds maintenance, fencing and animal facility upgrades, and equipment purchases. The Administration category includes the Denver Headquarters, the Foothills Wildlife Research Center, the Aquatic Toxicology Lab, the Parvin Lake Research Center, and the Bellvue Fish Research Hatchery. The Department anticipates a similar budget allocation in FY 2019-20 and are in the processes of evaluating projects for the upcoming fiscal year.

FY 2018-19 Wildlife Small Capital Program Allocations		
ALLOCATION CATEGORY	AMOUNT BUDGETED	% OF BUDGET
Northeast Region	\$472,000	14.8%
Northwest Region	530,000	16.6%
Southeast Region	490,000	15.3%
Southwest Region	520,000	16.3%
Hatcheries	983,000	30.8%
Administration	200,000	6.3%
Total	\$3,195,000	100.0%

Project work will be absorbed by existing staff at the Wildlife Areas and regional offices. Each administrative regional office has at least one staff member dedicated to capital development and maintenance. The projects are generally small in scope and can be completed by Wildlife Area staff members. For those projects that require contractors, area staff provide oversight. The Division has developed internal guidance for the types of projects that are allowed under the WSC Program. Personal services costs and operational costs, such as travel and utilities, are excluded from the Program.

R4 CAPITAL DEVELOPMENT RESOURCING

The Department requests an increase of \$401,653 cash funds and 4.0 FTE for the Division of Parks and Wildlife’s Capital Development Program. Funding for this request will be split, with approximately \$134,795 and 1.0 FTE funded by the Parks Cash Fund and \$266,858 and 3.0 FTE funded by the Wildlife Cash Funds. The additional resources will be used to increase staffing levels in three areas: dam operations and maintenance, central design, and regional field staff. The Department assumes that each of the planned FTE will be engineers with project design and management experience. The additional staff will add capacity for project design and management, project implementation and construction, and ongoing safety inspections. The table below summarizes the requested appropriation by personal services and operating expenses.

R4 Capital Development Resourcing		
PERSONAL SERVICES	FY 2019-20	FY 2020-21
Professional Engineer I salary	\$251,928	\$335,904
PERA	26,201	34,934
AED	12,596	16,795
SAED	12,596	16,795
Medicare	3,653	4,871
STD	479	638
Health-Life-Dental	23,782	31,709
Subtotal	\$331,235	\$441,646
	<i>FTE</i>	
	3.0	4.0
OPERATING EXPENSES	FY 2019-20	FY 2020-21
Regular operating expenses	\$1,500	\$2,000

R4 Capital Development Resourcing		
OPERATING EXPENSES	FY 2019-20	FY 2020-21
Telephone	1,350	1,800
PC	4,920	0
Office furniture	13,892	0
Supplies	16,000	0
Overnight travel	12,000	16,000
Licensing/Certification and Training	4,000	4,000
Vehicle variable mileage	11,556	15,408
Vehicle lease costs	5,200	15,600
Subtotal	\$70,418	\$54,808
Total	\$401,653	\$496,454

The Department will assign one FTE to its central design office to assist with project design, coordination, and evaluation, as well as managing design consultants. This position will be based in the Department's Denver Headquarters, but will travel frequently. The primary focus of this position will be on CPW's hatcheries. There are 19 in the state that breed, hatch, rear, and stock over 90 million fish per year, and most of these facilities are 70-100 years old. With aging infrastructure, regular maintenance and replacement of components (e.g., water collection systems, pipelines, raceways, etc.) is necessary to ensure their continuing operation. Technological improvements and innovations in hatchery practices have been developed in the years since the construction of many of these facilities, which means they are antiquated and inefficient compared to newly constructed facilities. CPW is developing a plan to overhaul and modernize their entire hatchery system in order to meet the needs of the state's anglers and to continue efforts for the recovery of threatened and endangered aquatic species.

The Department will allocate one of the new FTE to dam operations and maintenance, which is responsible for statewide planning, monitoring, maintenance, and construction work on CPW's inventory of 110 dams. This position will be based in the Department's Denver Headquarters, but will travel frequently. The dams in CPW's inventory are fairly old, with most ranging in age from 50-100 years old. From FY 2016-17 through FY 2018-19, CPW funded and initiated 15 dam projects in state parks and wildlife areas at a cost of approximately \$27.8 million. These efforts have focused on those dams with the greatest need and those in the most critical areas. Despite this work, the Division's Dam Safety Program reports a maintenance and repair backlog of approximately \$44.8 million.

The remaining two FTE will be assigned to regional offices to help with project planning, design, and construction management. These positions will help in addressing the maintenance, rehabilitation, and general capital projects at the regional level. CPW is geographically dispersed across the whole state. As such, it employs a hub-and-spoke model for locating capital development staff. This request follows that model by splitting the requested engineer positions between its central and regional offices. The table below shows the capital development budget for CPW starting in FY 2016-17.

Division of Parks and Wildlife, Capital Development Budget						
	ACTUAL			PROJECTED		
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Wildlife						
Dam projects/maintenance	\$1,400,000	\$1,420,000	\$2,600,000	\$1,670,000	\$6,920,000	\$6,920,000
Hatchery projects	765,000	771,000	697,000	812,000	2,812,000	2,812,000
Regional projects	1,634,502	1,017,200	3,537,315	876,000	2,876,000	2,876,000
Central projects	0	425,000	25,000	170,000	170,000	170,000
Cameo SRA shooting range	0	0	0	0	750,000	750,000
Subtotal	\$3,799,502	\$3,633,200	\$6,859,315	\$3,528,000	\$13,528,000	\$13,528,000
Parks						
Dam projects/maintenance	\$9,550,000	\$8,000,000	\$4,800,000	\$970,000	\$1,770,000	\$1,770,000
Regional projects	9,033,320	6,707,200	7,881,130	14,836,240	14,836,240	14,836,240
Central projects	0	100,000	250,000	150,000	150,000	150,000
Trails in State Parks	1,254,000	800,000	1,209,100	800,000	800,000	800,000
New park acquisition/development	0	1,000,000	2,364,795	0	1,875,000	1,875,000
Cameo SRA shooting range	0	0	0	0	1,000,000	1,000,000
Subtotal	\$19,837,320	\$16,607,200	\$16,505,025	\$16,756,240	\$20,431,240	\$20,431,240
Total	\$23,636,822	\$20,240,400	\$23,364,340	\$20,284,240	\$33,959,240	\$33,959,240

R5 CAMEO STATE RECREATION AREA RESOURCING

The Department requests an increase of \$351,025 cash funds and 3.0 FTE from the Parks Cash Fund for staffing and operations at the new Cameo State Recreation Area (SRA) in Mesa County, which provides shooting sports amenities. The Division will hire a park manager, a technician, and an administrative assistant. The park ranger will be responsible for over-all facility management and day-to-day operations; this position will be a POST-certified law enforcement officer. The technician will be responsible for maintaining the facilities equipment, which will be specialized or relatively uncommon from the rest of the CPW system (e.g., clay target throwers). The administrative assistant will manage front-desk operations, including reservations, payments, tours and educational activities, and volunteer coordination. The additional staff will supplement and replace current CPW staff on temporary assignment to the Cameo SRA. The Cameo State Recreation Area has already hired a Shooting Range Program Manager. The following table summarizes the requested personal services and operating expenses.

R5 Cameo State Recreation Area Resourcing		
PERSONAL SERVICES	FY 2019-20	FY 2020-21
Staff salary	\$154,524	\$154,524
PERA	16,070	16,070
AED	7,727	7,727
SAED	7,727	7,727
Medicare	2,240	2,240
STD	293	293
Health-Life-Dental	23,781	23,781
Subtotal	\$212,362	\$212,362
<i>FTE</i>	<i>3.0</i>	<i>3.0</i>
OPERATING EXPENSES	FY 2019-20	FY 2020-21
Regular operating expenses	\$1,500	\$1,500
Telephone	1,350	1,350
PC	3,690	0
Office furniture	10,419	0
Supplies	22,500	22,500
Vehicle variable mileage	6,164	6,164
Vehicle lease costs	3,440	10,320
Temporary staff	72,000	72,000

R5 Cameo State Recreation Area Resourcing		
OPERATING EXPENSES	FY 2019-20	FY 2020-21
Utilities	9,600	9,600
Training	2,000	2,000
Purchased services	6,000	6,000
Subtotal	\$138,663	\$131,434
Total	\$351,025	\$343,796

Temporary staff support is a common and essential aspect of CPW’s business model. It allows facility managers to increase staffing during high volume periods, typically in the summer and fall, while being able to easily scale staffing levels back when no longer needed. The Division assumes that they will need 6,000 temporary staff hours at an hourly rate of \$12.00. Given that the Cameo SRA is a shooting range, staff training will be required to ensure that all those working and volunteering at this facility are properly informed of basic firearm safety and first aid.

The buildout of the Cameo SRA will take place over several years, perhaps even decades. Phase 1A of construction began in 2017, with the grand opening of the facility occurring August 25, 2018. Phase 1A built essential infrastructure (e.g., rifle and pistol bays, archery lanes, toilets, etc.) to ensure the facility could open. However, while the facility is open, it is operating at a limited capacity and there several more phase of construction to build it out. Phase 1B commenced in early FY 2018-19 and will add more basic amenities, such as: 3,000 linear feet of fencing, the placement and installation of 54 clay target throwers, shooting benches, and point of sale equipment. The Phase 1A budget is \$1.7 million and Phase 1B budget is \$1.6 million. Funding for these phases has been provided by local and federal grants. Future funding will likely be a mix of federal grants, Great Outdoors Colorado grants, and Colorado Lottery funds.

R6 INCREASE WILDLIFE COUNCIL SPENDING AUTHORITY

The Department requests an increase of \$1.1 million cash funds from the Wildlife Management Public Education (WMPE) Fund (Section 33-1-112 (3.5)(a), C.R.S.) for the Wildlife Council to expand its media-based education programs. The Wildlife Council, created in 1998 and authorized by Section 33-4-102, C.R.S., is tasked with designing a “comprehensive media-based public information program” that educates the public about the “benefits of wildlife, wildlife management, and wildlife-related recreational opportunities in Colorado, specifically hunting and fishing.” Perhaps the most well-known of the Council’s outreach campaigns is the “Hug a Hunter/Hug an Angler” campaign that is designed to demonstrate that sportspersons and non-sportspersons share the same concerns for Colorado’s wildlife resources.

The FY 2018-19 Long Bill (H.B. 18-1322) appropriates \$1.1 million in cash fund spending authority from the WMPE Fund to the Wildlife Operations line item for expenditures by the Council. This request would double that appropriation to \$2.2 million cash funds. The WMPE Fund receives revenue from a \$0.75 surcharge on each hunting and fishing license sold in the state. This surcharge will increase to \$1.50 beginning January 1, 2019, due to the enactment of S.B. 18-143 and approval by the Parks and Wildlife Commission. Since FY 2012-13, this surcharge has generated an estimated \$7.7 million, though it should be noted that the FY 2019-20 revenue shown in the table below is underestimated due to the upcoming surcharge increase. The Council maintains a \$400,000 reserve fund balance. The fund is exempt from the uncommitted fee reserve balance pursuant to Section 24-75-402 (5)(c), C.R.S., because the surcharge is set by the Parks and Wildlife Commission which is an enterprise.

Wildlife Council Revenue and Expenditure History				
Fiscal Year	Surcharge Revenue	Total Revenue	Total Expenditures	Net Cash Flow
FY 2012-13	\$859,337	\$864,588	\$740,904	\$123,684
FY 2013-14	890,279	894,616	1,027,126	(132,510)
FY 2014-15	927,268	932,377	864,344	68,033
FY 2015-16	978,017	982,711	1,096,939	(114,228)
FY 2016-17	1,009,706	1,011,992	864,768	147,224
FY 2017-18	998,743	1,000,433	1,015,690	(15,257)
FY 2018-19*	998,743	1,505,373	1,100,000	405,373
FY 2019-20*	998,743	1,952,933	2,200,000	(247,067)
Total	\$7,660,836	\$9,145,023	\$8,909,771	\$235,252

* Estimated figures from WMPE Fund Schedule 9 submitted Nov. 1, 2018.

The Council has, in recent years, experienced cost increases in both traditional and digital advertising. Traditional advertising includes broadcast television, radio, and “out-of-home” media (e.g., billboards, bus shelters, etc.). These advertising methods have experienced an across the board cost increase since 2010. Measured in cost per point (CPP), a ratio based on how much it costs to buy one rating point, the inflation adjusted CPP has increase by a range of 28.6 percent to 96.8 percent, depending on the segment type. As a result, the Council has limited its Hug a Hunter/Hug an Angler campaign to two 8-week time frames, running ads exclusively on broadcast television.

Denver Cost Per Point Change, 2010-2018			
CPP SEGMENT	2010*	2018	PERCENTAGE INCREASE
Prime time	\$675	\$1,329	96.8%
Daytime	313	588	87.8%
Late fringe	367	682	85.8%
Early news	349	596	71.0%
Prime access	449	741	64.9%
Late news	506	747	47.7%
Early Fringe	394	512	29.9%
Early morning	\$335	\$431	28.6%

*Shown in 2018 inflation adjusted dollars.

Digital media has become the preferred way consumers get their information and the Council has allocated more paid media funds to digital platforms in an effort to keep pace. Digital media advertising cost are increasing due to the demand for such tools, but there is also attendant backend costs. The digital media industry is experiencing cost increases in order to ensure advertisements are serving in brand safe environments, not being clicked on by bot fraud, and are using the highest quality data to ensure accurate audience targeting. All these factors are driving a cost increase in digital media advertising.

The requested \$1.1 million cash fund spending authority increase will allow the Wildlife Council to increase its media placements, allocate a greater share of its revenue to creative production, and to conduct more research and planning to ensure its message is compelling and resonates with the target audience. With more money for creative production, the Council will be able to diversify its campaign material and to tailor its work products to specific media platforms. Audiences are more interested and engaged when the same message is presented in different manners and using different methods. Increased spending on research and planning will allow the Council to double the sample size, from 400 to 800 individuals, used for tracking studies that assess the effectiveness of their campaigns.

ISSUE: COLORADO WATER PLAN IMPLEMENTATION

The Department of Natural Resources requests that the Joint Budget Committee sponsor legislation appropriating \$30 million General Fund for the implementation of the Colorado Water Plan. The \$30 million would be split between the Colorado Water Conservation Board's Water Plan Grants Program (\$10 million) and a demand management program under consideration as part of Upper Colorado River Basin Drought Contingency Plan (\$20 million).

SUMMARY

- As a signatory to the 1922 Colorado River Compact and the 1948 Upper Colorado River Compact, the State of Colorado is obligated to manage the state's water in a fashion that ensures compliance with these multi-state, multi-jurisdictional agreements.
- The Colorado Water Plan, published in 2015, calls for the state to take proactive measures to ensure and protect the long-term beneficial and consumptive use of the state's water for water rights holders and the residents of Colorado.

RECOMMENDATION

Staff recommends the Committee consider the Department's request for legislation and advises the following:

- The creation of a stand-alone, statutorily authorized Water Plan Grant Program with its own cash fund.
- The creation of a sub-account in the CWCB Construction Fund for the Upper Basin Demand Management Program that sequesters appropriated funds for the specific purpose of addressing Colorado River Compact compliance.

Staff requests permission to engage the Department on the specific requirements of this legislation.

DISCUSSION

The Colorado River Basin is currently experiencing a decades long drought. Historical analysis of precipitation and other drought indices show that drought is a frequent occurrence in Colorado. Short duration drought, as defined by the three-month Standardized Precipitation Index, occur somewhere in Colorado in nearly nine out of every ten years. However, severe, widespread multiyear droughts are much less common. Since the 1893, Colorado has experienced six droughts that are widely considered "severe." These droughts affected most of the state, involved record-breaking dry spells, and lasted for multiple years.

On May 2, 2018, in response to persistent and prolonged precipitation deficits in portions of the state, Governor Hickenlooper activated the Colorado Drought Mitigation and Response Plan for the agricultural sector in 34 counties.⁴ All of these counties are experiencing severe, extreme, or

⁴ These counties are: Montezuma, La Plata, Archuleta, Conejos, Costilla, Las Animas, Baca, Prowers, Bent, Otero, Huerfano, Alamosa, Rio Grande, Mineral, Hinsdale, San Juan, Dolores, San Miguel, Ouray, Montrose, Saguache, Custer, Pueblo, Crowley, Kiowa, Cheyenne, Lincoln, El Paso, Elbert, Gunnison, Mesa, Delta, Garfield, and Rio Blanco.

exceptional drought as classified by the U.S. Drought Monitor, and many have already received some level of drought designation from the U.S. Department of Agriculture. If present trends continue, other regions and sectors of the state's economy may also be affected.

The Colorado Water Conservation Board (CWCB) published the Colorado Water Plan on November 19, 2015. The Plan provides an extensive discussion on the current state of water supply and demand in Colorado, an assessment of the future water needs and availability of the State, and a roadmap for addressing critical water needs. Since the FY 2016-17, the General Assembly has appropriated \$17.0 million cash funds through the annual CWCB projects bills for the implementation of the Plan specifically. The 2016 CWCB Projects Bill (S.B. 16-174) established an annual transfer of \$5.0 million from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund. This transfer established a baseline level of annual funding for implementing the Water Plan. The 2017 CWCB Projects Bill (H.B. 17-1248) appropriated \$10.0 million from the CWCB Construction Fund and the 2018 CWCB Projects Bill (S.B. 18-218) appropriated an additional \$7.0 million from the Fund. These appropriations have mostly been utilized to administer the Water Plan Grant Program, which has been annually authorized by the CWCB Projects Bill.

WATER PLAN GRANT PROGRAM

The Water Plan Grant (WPG) Program is intended to fund projects, programs, and activities that address the critical actions identified in the Colorado Water Plan. The WPG Program was authorized by H.B. 17-1248 but does not have specific statutory authorization as a standalone program. In FY 2017-18 and FY 2018-19, the WPG Program was appropriated \$9.0 million and \$10.0 million, respectively. In FY 2017-18, \$8.8 million was awarded across all categories.

Eligible applicants for the WPG Program are governmental entities and private entities, including mutual ditch companies, non-profit organizations, and partnerships. Grants fund technical assistance, water project studies and analyses, project structural design, and outreach. There are five separate grant categories, with applicants able to qualify for funding under more than one category. These categories are:

- water storage and supply projects;
- conservation and land use projects;
- engagement and innovation activities;
- agriculture projects; and
- environmental and recreation projects.

WPG Program grants require the applicant to provide at least 50% matching funds, with in-kind matches not to exceed half of that match. The Department reports that during FY 2017-18 this matching requirement leveraged over \$40 million in total project funds. Grant applications are evaluated on how well it conforms to the Framework for State of Colorado Support for Water Projects, as set forth in Section 9.4 of the Colorado Water Plan⁵, and how well it meets the applicants Basin Implementation Plan's goals and measurable outcomes. Applicants must provide a letter of support from their Basin Roundtable. There are two grant cycles per year.

⁵ Colorado Water Conservation Board, Colorado Department Natural Resources. November 15, 2015. *Colorado's Water Plan*. <https://www.colorado.gov/pacific/cowaterplan/plan>.

STAFF RECOMMENDATION

The Department has indicated an interest in growing the size and scope of the WPG Program. While their legislative request only seeks to create a stable funding foundation, JBC staff believes it advisable to consider the long-term goals and lifespan of this grant program.

Staff recommends that the WPG Program be created in statute as a standalone program with its own cash fund. This will provide greater budgetary transparency by allowing the General Assembly to directly appropriate funding for the Program, while not precluding future transfers into the Program's cash fund from the General Fund or other cash funds. Creating a standalone program will afford greater stability in program operations, as it would no longer be authorized on a yearly basis.

UPPER BASIN DEMAND MANAGEMENT PROGRAM

The State of Colorado is a signatory to the 1922 Colorado River Compact (CRC) and the 1948 Upper Colorado River Compact (Sections 37-61-101 et seq. and 37-62-101 et seq., C.R.S., respectively). These compacts are multi-state, multi-jurisdictional agreements that ensure the proper and equitable use of the water in the Colorado River System and Basin. The Colorado River System and Basin as defined by the CRC are the "portion of the Colorado River and its tributaries within the United States of America" and "all of the drainage area of the Colorado River System and all other territory within the United States of America to which the waters of the Colorado River System shall be beneficially applied." There are seven states that are signatories to the Colorado River Compact, they are: Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming. The "Upper Division" states are Colorado, New Mexico, Utah, and Wyoming. The "Lower Division" states are Arizona, California, and Nevada.

In December 2017, the Bureau of Reclamation instructed the signatory states to the Colorado River Compact to continue developing Drought Contingency Plans (DCPs)⁶ in response to ongoing historic drought conditions in the Basin. These DCPs are intended to address the need to reduce the likelihood of Colorado River reservoirs further declining to critical elevations, especially those of Lake Mead and Lake Powell. As of October 5, 2018, all seven Colorado River Basin states have submitted Final Draft DCP agreements that would implement Drought Contingency Plans in the Upper and Lower Basins. Approval of the DCPs is ongoing.

The Upper Basin DCP is designed to protect critical elevations at Lake Powell, assure continued compliance with the CRC, and authorizes storage of conserved water in the Upper Basin that could help establish the foundation for a future demand management. Per the Final Draft Upper Basin DCP, the Upper Basin Demand Management (UB-DM) Program is intended to allow the state to:

"...temporarily reduce Consumptive Uses in the Upper Basin or augment supplies with Imported Water, if needed in times of drought, to help assure continued compliance with Article III of the Colorado River Compact without impairing the right to exercise existing Upper Basin water rights in the future."

⁶ U.S. Bureau of Reclamation. October 5, 2018. *Agreement Concerning Colorado River Drought Contingency Management and Operations*. <https://www.usbr.gov/dcp/>.

The UB-DM Program allows states to “conserve” and store water at one of several designated storage sites,⁷ also known as CRSPA Initial Units. These sites were designed as storage by the Colorado River Storage Project Act of 1956⁸ (CRSPA). CWCB intends to compensate water users for the intentional and voluntary reduction of their use of Colorado River water; thereby, allowing that water to be conserved and stored to avoid, delay, or mitigate a Colorado River Compact curtailment. Mandatory consumptive use curtailments are considered a last resort to maintaining CRC compliance and a demand management program is a means to avoid that scenario.

The idea of demand management has been actively pursued for the Colorado River System and Basin for years. The Upper Colorado River Commission (URCR), created by the Upper Colorado River Compact, administers the System Conservation Pilot Program that has tested the implementation of a demand management program in the Upper Colorado River Basin. Beginning in 2015, the Pilot Program engaged water rights holders in an effort to assess whether a “voluntary, temporary and compensated” consumptive use reduction program could be feasible in the Upper Basin. The results of this Pilot Program have been promising: 45 conservation projects funded, a 22,116 acre-feet reduction in consumptive use, and \$4.6 million spent. The average cost per acre-foot reduction is \$206. However, as part of URCR’s analysis, several program deficiencies were identified. Administratively, the Pilot Program has highlighted the need for a more detailed and selective application process, as well as the need for more robust staffing resources if a large scale program is established. Operationally, the URCR found that data collection and verification, project type and flexibility, and the ability to legally protect conserved water from downstream use must be addressed for any large scale demand management program to be successful. The Pilot Program had participants from all four Upper Basin States and received funding from both Upper Basin and Lower Basin municipal water providers, include Denver Water.⁹

The implementation of a demand management program must be done on a regional level, with consensus and buy-in from our Colorado River Compact partners. When dealing with the consumptive use of water from the Colorado River System and Basin, no state can act unilaterally. In order to for CWCB to implement a statewide demand management program, the following must first occur (in order):

- 1 The approval of the Upper Basin Drought Contingency Plan;
- 2 The approval of the Upper Basin Demand Management Agreement;
- 3 A feasibility study conducted by the Upper Colorado River Commission;
- 4 The design of the UB-DM Program based on the criteria set out in the Demand Management Storage Agreement, which includes agreement and consultation between the Commission and the Secretary of the Interior;
- 5 The Commission must approve the UB-DM Program; and
- 6 Each Upper Division State, acting through its Commission representative, must approve the UB-DM Program.

⁷ These storage sites are: Glen Canyon Dam, Flaming Gorge, Curecanti (a.k.a., Aspinall Unit), and Navajo Reservoir.

⁸ This federal act authorized construction of the Colorado River Storage Project (CRSP) which allowed for comprehensive development of the water resources of the Upper Basin states by providing for long-term regulatory storage of water for purposes including: regulating the Colorado River, storing water for beneficial use, allowing Upper Basin States to utilize their Colorado River Compact apportionments, providing for the reclamation of arid lands, control of floods, and generation of hydroelectric power.

⁹ Upper Colorado River Commission. February 2018. *Final Report: Colorado River System Conservation Pilot Program in the Upper Colorado River Basin*. http://www.ucrccommission.com/RepDoc/SCPPDocuments/2018_SCPP_FUBRD.pdf

The required completion of these steps means that any CWCB demand management program is at least a year away from implementation, if not more. As such, the Department's request for \$20 million General Fund should be considered in the context of making financial preparations for a water resources scenario that is likely to occur. The Department argues that setting aside some funding now, while the state's economy is strong, is prudent. It shows the state's commitment to proactively addressing water compact issues and is a clear signal of intent to compact stakeholders that the state intends to pursue a robust demand management program.

STAFF RECOMMENDATION

While staff agrees with the premise of taking steps to financially prepare for future constrained water resources, it is advised that any funds appropriated for this purpose are sequestered. Setting aside funding for future compact compliance needs is noble, but establishing proper triggers and guidelines for when and how the Department and CWCB can access and utilize those funds is important. As such, staff recommends that a sub-account be created in the CWCB Construction Fund into which money can be transferred. Access to the fund in this sub-account should be restricted for use only to address Colorado River Compact and Upper Colorado River Compact compliance issues. These restrictions should be as specific as possible to ensure the responsible and purposeful use of any funds.

ISSUE: AQUATIC NUISANCE SPECIES FUNDING

The Department of Natural Resources, through the Division of Parks and Wildlife, administers the states Aquatic Nuisance Species Program. The Program is designed and intended to prevent the introduction and spread of invasive species into the waters of the State.

SUMMARY

- House Bill 18-1008 (Mussel-free Colorado Act) created an Aquatic Nuisance Species stamp to be purchased by boaters in the State, which will provide a revenue stream for the Aquatic Nuisance Species Program that will partially cover expenses. This bill also consolidated two cash funds used by the Division of Parks and Wildlife to fund the Program.
- Pursuant to Section 33-10.5-108 (1)(a)(I), C.R.S., the Division of Parks and Wildlife Aquatic Nuisance Species Fund (ANS Fund) is granted continuous spending authority for all money in the Fund.

RECOMMENDATION

Staff recommends the Committee consider legislation to:

- strike Section 39-29-109.3 (m), C.R.S., eliminating the transfer of Severance Tax Operational Fund money to the ANS Fund; and
- appropriate \$2,200,000 General Fund to the ANS Program as an adjustment to the FY 2019-20 Long Bill.

Staff assumes the \$2.2 million General Fund appropriation is ongoing and a direct appropriation to the ANS Program, not a transfer to the Division of Parks and Wildlife Aquatic Nuisance Species Fund.

Staff requests permission to engage the Department on the specific requirements of this legislation.

DISCUSSION

The Aquatic Nuisance Species (ANS) Program was established in 2008 by S.B. 08-226 (Aquatic Nuisance Species Prohibition) to prevent, control, contain, monitor and eradicate ANS, both wildlife and plants, from state waters. The program coordinates a network of state, federal, local, and private watercraft inspection and decontamination stations. Watercraft on trailers are required to be inspected for ANS and decontaminated, if needed, prior to entering Colorado waters. The Program has operated with an average of \$4.2 million in expenditures annually since 2008. The ANS Program was originally funded with Tier II severance tax funding and a transfer of \$1,250,000 cash funds transferred from the Wildlife Cash Fund.

Aquatic Nuisance Species are aquatic plants and animals that invade lakes, reservoirs, rivers, and streams. The ANS most concerning to the Division of Parks and Wildlife (CPW) are: zebra and quagga mussels, New Zealand mudsnails, rusty crayfish, and waterfleas. In 2017, the ANS Program intercepted 26 boats infested with adult mussels coming from out of state. A total of 144 boats

contaminated with adult mussels have been intercepted since 2008. The Program includes mandatory watercraft inspection and decontamination by professional inspectors, who are trained and authorized by CPW. These mandatory inspections are for all boats coming into Colorado from out of state, those leaving waters in Colorado that are known to be positive for the presence of ANS, and those entering a high risk water where inspections and decontaminations are required by the managing agency.

The State of Colorado benefits from the ecological protection that is afforded by the ANS Program. CPW has a network of approximately 72 boat inspection and decontamination stations that are operated by state, local, federal and private entities. These stations are all certified by CPW and conduct over 450,000 inspections annually. These inspections emphasize face-to-face educational contact with sportspeople or boaters. Healthy water ensures Colorado can support a thriving outdoor recreation industry, which creates 229,000 direct jobs, \$9.7 billion in wages and salaries, \$28.0 billion in consumer spending, and \$2 billion in state and local tax revenue.¹⁰ Protecting the water of Colorado from ANS also protects the state's water infrastructure. Aquatic nuisance species like zebra and quagga mussels attach to, clog, and impair water storage, treatment, and distribution systems.

ANS PROGRAM FUNDING

With the passage of H.B. 18-1008 (Mussel-free Colorado Act), the Aquatic Nuisance Species Program is now partially funded through a stamp assessed on motorboats and sailboats in Colorado. (Section 33-10.5-104.5, C.R.S.) Beginning January 1, 2019, residents must register their motorboat or sailboat with CPW and are charged \$25 for the stamp. Non-residents must purchase a \$50 stamp for boats that are in Colorado waters for more than 60 consecutive days. The price of the stamp can be increased to account for inflation based on the Denver-Boulder-Greeley¹¹ consumer price index. Pursuant to Section 33-10.5-108 (1)(a)(I), C.R.S., the Division of Parks and Wildlife Aquatic Nuisance Species Fund (ANS Fund) is granted continuous spending authority for all money in the Fund.

The following table summarizes the cash flow of the ANS Program since its inception in FY 2008-09. ANS Program revenue includes: Tier II severance tax transfers, federal and state grants, intra-agency and inter-fund transfers, and interest. The Program's average revenue in the five fiscal years starting in FY 2015-16 is approximately \$3.0 million, excluding recent General Fund appropriations. In the same time period, the average expenditures are about \$4.5 million. In the last two fiscal years starting in FY 2017-18, the ANS Program has been appropriated \$7.2 million General Fund. The ANS Fund anticipates a FY 2019-20 year beginning cash balance of approximately \$11.0 million, which is a result of recent annual surpluses and the combination of the Parks' and the Wildlife's ANS cash funds, pursuant to H.B. 18-1008.

Aquatic Nuisance Species Program Cash Flow History				
	GENERAL FUND	REVENUE	EXPENDITURES	NET CASH FLOW
FY 2008-09	\$0	\$5,956,636	\$2,888,506	\$3,068,130
FY 2009-10	0	4,029,489	4,037,758	(8,269)
FY 2010-11	0	4,062,676	3,791,992	270,684
FY 2011-12	0	4,556,284	3,884,058	672,226

¹⁰ Outdoor Industry Association: <https://outdoorindustry.org/state/colorado/>.

¹¹ Please note that this CPI has been replaced by the federal Bureau of Labor Statistics with the Denver-Aurora-Lakewood consumer price index.

Aquatic Nuisance Species Program Cash Flow History

	GENERAL FUND	REVENUE	EXPENDITURES	NET CASH FLOW
FY 2012-13	0	4,102,221	4,144,425	(42,204)
FY 2013-14	0	4,474,784	4,428,173	46,611
FY 2014-15	0	4,513,537	4,436,221	77,316
FY 2015-16	0	3,822,112	5,006,472	(1,184,360)
FY 2016-17	0	1,431,399	4,200,080	(2,768,681)
FY 2017-18	3,636,364	3,386,364	4,194,373	2,828,355
FY 2018-19 ¹	3,636,364	7,046,116	4,412,402	6,270,078
FY 2019-20 ¹	0	6,468,368	4,412,402	2,055,966
Total	\$7,272,728	\$53,849,986	\$49,836,862	\$11,285,852
	Program average ²	3,881,438	4,153,072	
	5-year average ²	\$2,976,326	\$4,449,910	

1 Projected cash fund revenue.

2 Excludes General Fund appropriations.

The revenue from the sales of stamps is not anticipated to cover the annual expenditures of the ANS Program, resulting in an ongoing annual deficit. In FY 2018-19, the ANS Program anticipates \$2.3 million in revenue from the sale of stamps. In FY 2019-20, the Program anticipates \$2.4 million in revenue. These revenue projections are based on the assumption that 85,327 resident stamps and 5,200 non-resident stamps will be sold each full year. In each of the aforementioned fiscal years, the Program anticipates \$4.4 million in expenditures. This results in an annual deficit of approximately \$2.15 million.

STAFF RECOMMENDATION

The annual deficit is the basis for Staff's recommendation that the JBC sponsor legislation to change the structure of annual funding for the ANS Program. Currently, the ANS Program receives a maximum of \$4,006,005 from Tier II transfers from the Severance Tax Operational Fund. (Section 39-29-109.3 (m)(II), C.R.S.) However, as the table below shows, the amount of money actually transferred is highly variable. The average annual Severance Tax transfer to the ANS Program since 2008 is about \$3.2 million. The five-year average starting in FY 2015-16 is \$1.8 million, which is the result of two years (FY 2016-17 and FY 2017-18) of no funds being transferred because proportional reductions of Tier II transfers were required. The variable and volatile nature of severance tax has filtered down into the ANS Program's funding.

Severance Tax Operational Fund Tier II Transfers	
FISCAL YEAR	TRANSFER FUNDS
FY 2008-09	\$5,956,636
FY 2009-10	4,006,005
FY 2010-11	3,980,046
FY 2011-12	4,006,005
FY 2012-13	2,867,387
FY 2013-14	4,042,714
FY 2014-15	4,006,005
FY 2015-16	3,646,903
FY 2016-17	0
FY 2017-18	0
FY 2018-19*	2,974,071
FY 2019-20*	2,580,424
Total	\$38,066,196
Program Average	3,172,183
5-year average	\$1,840,280

* Projected cash fund revenue

