

DEPARTMENT OF NATURAL RESOURCES  
FY 2024-25 JOINT BUDGET COMMITTEE HEARING AGENDA

**Friday, December 8, 2023**

**9:00 am – 10:30 am**

**9:00-9:20      INTRODUCTIONS, OPENING COMMENTS, AND COMMON QUESTIONS**

Presenter: Dan Gibbs, DNR Executive Director

Supporting Presenters:

- Windi Padia, DNR Chief Operating Officer
- Carly Jacobs, DNR Chief Budget Officer

Topics:

- One-time State and Federal Stimulus Funds: Pages 1-4, Question 1 in the packet, Slides 8-9
- Fiscal Impacts of the Partnership Agreement: Pages 4-5, Question 2 in the packet
- Ten percent General Fund Reduction: Page 6, Question 3 in the packet

**9:20-9:35      PARKS & WILDLIFE**

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Windi Padia, DNR Chief Operating Officer
- Jeff Davis, Director, Colorado Parks and Wildlife

Supporting Presenters:

- Carly Jacobs, DNR Chief Budget Officer

Topics:

- Filling Requested FTE: Page 6, Question 4 in the packet
- Salary Increases for Recruitment and Retention: Pages 6-7, Question 5 in the packet
- Sustainability of FTE Additions: Pages 7-8, Question 6 in the packet

**9:35-9:50      CASH FUNDS**

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Carly Jacobs, DNR Chief Budget Officer

- Lauren Ris, Director, Colorado Water Conservation Board

Topics:

- Current Cash Fund Balances: Pages 8-10, Question 7 in the packet
- CWCB Construction Fund and Water Plan Implementation Cash Fund Grants: Pages 11-14, Question 8 in the packet

## **9:50-10:10 SEVERANCE TAX SWEEPS**

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Lauren Ris, Director, Colorado Water Conservation Board

Supporting Presenters:

- Carly Jacobs, DNR Chief Budget Officer

Topics:

- Stakeholder Communications: Page 14, Question 9 in the packet
- Water Plan Update and Impacts: Pages 14-15, Question 10 in the packet

## **10:10-10:25 STATE LAND BOARD**

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Bill Ryan, Director, State Land Board

Supporting Presenters:

- Carly Jacobs, DNR Chief Budget Officer

Topics:

- State Land Board Ecosystem Services Leasing: Pages 15-16, Question 11 in the packet

DEPARTMENT OF NATURAL RESOURCES  
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Friday, December 8, 2023

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COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

- 1 *Please describe one-time state and federal stimulus funds that have been allocated to the Department but are not expended as of September, 30, 2023, by bill, budget action, executive action, or other source that allocated funds. The description should include but is not limited to funds that originate from one-time or term-limited General Fund or federal funds originating from the American Rescue Plan Act (ARPA)/ State and Local Fiscal Recovery Funds/ Revenue Loss Restoration Cash Fund. Please describe the Department's plan to obligate or expend all allocated funds that originate from ARPA by December 2024.*

*Please further describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:*

- a. Original fund source (General Fund, ARPA, other), amount, and FTE;*
- b. Original program time frame;*
- c. Original authorization (budget decision, legislation, other);*
- d. Requested ongoing fund source, amount, and FTE; and*
- e. Requested time frame (one-time extension or ongoing).*

**Response:** The Department has been the beneficiary of significant investments of stimulus and recovery funds across numerous divisions, including one-time allocations of General Fund (\$114M) and ARPA funding (\$77M). All funds were appropriated to the Department on a one-time basis via legislation. DNR does not have any budget requests that replace one-time stimulus-funded programs with ongoing appropriations at this time.

The following table (Table 1) details the status of each DNR stimulus program as of September 30, 2023:

Table 1. DNR Stimulus Appropriations, Encumbrance, and Expenditures by Bill (millions)

Fund Type	Bill Number	Program Name	Appropriation	Encumbered	Expended	Unencumbered (\$)	Unencumbered (%)
General Fund / State Stimulus	SB21-112	Access to State Parks	\$20.000	\$8.942	\$10.543	\$0.515	2.58%
	HB21-1260	State Water Plan Projects	\$20.000	\$10.880	\$8.549	\$0.571	2.86%
	SB21-240	Watershed Restoration Grant Program	\$30.000	\$7.938	\$21.898	\$0.164	0.55%
	SB21-054	Transfers for Wildfire Mitigation and Response	\$4.000	\$0.000	\$3.987	\$0.013	0.32%
	SB21-258	Wildfire Recovery and Risk Mitigation Grants	\$17.500	\$11.644	\$4.959	\$0.897	5.13%
	HB21-1326	Keep Colorado Wild Pass and the Outdoor Equity Fund	\$22.750	\$10.170	\$8.068	\$4.512	19.83%
<b>Subtotal</b>			<b>\$114.250</b>	<b>\$49.574</b>	<b>\$58.004</b>	<b>\$6.672</b>	<b>5.84%</b>
American Rescue Plan Act	SB22-028	Groundwater Sustainability in Rio Grande and Republican River Basins	\$60.000	\$52.933	\$6.165	\$0.902	1.50%
	HB22-1379	Technical Assistance for Federal Water Project Grants	\$5.000	\$1.316	\$0.039	\$3.645	72.90%
	HB22-1379	Watershed Restoration and Flood Mitigation Grants	\$10.000	\$0.664	\$0.023	\$9.313	93.13%
	HB22-1379	Colorado Strategic Wildfire Action Program (COSWAP)	\$2.000	\$0.000	\$0.004	\$1.996	99.80%
<b>Subtotal</b>			<b>\$77.000</b>	<b>\$54.913</b>	<b>\$6.231</b>	<b>\$15.856</b>	<b>20.59%</b>
<b>Total</b>			<b>\$191.250</b>	<b>\$104.487</b>	<b>\$64.235</b>	<b>\$22.528</b>	<b>11.78%</b>

The Department's plans for the stimulus funds that remain unobligated are outlined below by bill:

**S.B. 21-112: Access to State Parks**

Of the \$20.0 million total capital construction appropriation in this bill, 2.58% remains unencumbered. Based on the three year spending authority provided by the bill, any unexpended or unencumbered funds will revert to the Capital Construction Fund at the end of FY 2023-24. The current remaining balance is planned to be utilized to cover additional construction costs associated with the projects outlined in the bill.

**H.B. 21-1326: Keep Colorado Wild Pass and Outdoor Equity Fund**

Of the \$22.75 million total transferred and appropriated to the Department under this bill, 19.83% remains unencumbered. To align with the various purposes outlined in the separate Keep Colorado Wild Act (S.B. 21-249), the bill made transfers and appropriations to multiple programs within DNR and CPW, including the Colorado Avalanche Information Center, the Outdoor Equity Grant Program, state park operations and infrastructure projects, and the implementation of the State Wildlife Action Plan. The majority of the remaining funds are for state park infrastructure and state park development projects that are currently in progress at Sweitzer Lake State Park, Highline Lake State Park, Boyd Lake State Park, and Cherry Creek State Park, as well as planning efforts for the new State Park at Sweetwater Lake.

**H.B. 21-1260: State Water Plan Projects**

Of the \$20.0 million transferred and appropriated to the Department under this bill, 2.86% remains unencumbered but is obligated and will be expended for program administration as authorized by the bill. All grant funding was awarded by the end of FY 2022-23 as required by the bill.

**S.B. 21-240: Watershed Restoration Grant Program**

Of the \$30.0 million transferred and appropriated to the Department under this bill, 0.55% remains unencumbered but is obligated and will be expended for program administration as authorized by the bill. The bill required that \$10.0 million be awarded by July 1, 2022 and that the remaining grants be awarded by December 31, 2022, both of which were accomplished.

**S.B. 21-054: Transfers for Wildfire Mitigation and Response**

Of the \$4.0 million transferred and appropriated to the Department under this bill, only 0.32% was unencumbered when spending authority expired at the end of FY 2021-22.

**S.B. 21-258: Wildfire Recovery and Risk Mitigation Grants**

Of the \$17.5 million transferred to the Department under this bill, 5.13% remains unencumbered. Per the requirements of the bill, all funds were fully allocated for wildfire mitigation project coordination and/or direct and indirect costs of administering the program by the end of FY 2022-23.

**S.B. 22-028: Groundwater Sustainability in the Rio Grande and Republican River Basins**

Of the \$60.0 million transferred and appropriated to the Department, 1.5% remains unencumbered. Unencumbered funds remain available for administrative costs associated with the grant program.

**H.B. 22-1379:**

- **Local Capacity and Technical Assistance for Federal Water Project Grants**

Of the \$5.0 million transferred and appropriated for this program, 72.9% remains unencumbered. Remaining funds are currently available through an open, rolling grant round for potential applicants and the Department does not anticipate any issues awarding all grant funds by December 2024. A portion of the remaining funds are also available for administrative costs associated with the program.

- **Watershed Restoration and Flood Mitigation Grants**

Of the \$10.0 million transferred and appropriated for this program, 93.13% remains unencumbered. The program has awarded \$680,000 for planning efforts that are expected to result in larger implementation grants. All remaining funds are currently available through an open, rolling grant round for potential applicants and the Department does not anticipate any issues awarding all grant funds by December 2024. A portion of the remaining funds are also available for administrative costs associated with the program.

- **Colorado Strategic Wildfire Action Program (COSWAP)**

Of the \$2.0 million transferred for this program, 99.8% remains unencumbered. The majority of remaining funds have been awarded to entities in Colorado, but as of this writing, the contracting process had not been completed. A portion of the remaining funds are also available for administrative costs associated with the program.

2 *Please provide a description, calculation, and the assumptions for the fiscal impact of implementing compensation provisions of the Partnership Agreement, as well as a qualitative description of any changes to paid annual, medical, holiday or family leave as a result of the Agreement. Please describe any compensation and leave changes for employees exempt from the Agreement if applicable.*

**Response:** The Partnership Agreement went into effect in November, 2021 and the compensation provisions of the original agreement went into effect July 1, 2022. Premium pay increases for eligible employees represents the largest fiscal impact to DNR aside from the implementation of wage increases due to step pay. Premium pay includes holiday premium pay, on-call pay, and shift differential pay for eligible employees. The nature of the Department's mission requires many employees to work on holidays, nights, and weekends, and requires some employees to be on-call. The non-exempt (hourly paid) employees who are scheduled to do so receive premium pay. The Partnership Agreement expanded premium pay in the following ways:

- 1.5 x regular base rate of pay for all hours required to be worked on an observed State holiday unless the employee chooses to request an alternate holiday;
- On-call pay of \$5/hour;
- Shift differentials of 20% for weekend shift, 7.5% for second shift, and 14% for third shift.

The following table (Table 2) details costs to the Department associated with the economic articles of the Partnership Agreement. Please note that DNR mirrors compensation and leave accruals for all employees regardless of status under the Partnership Agreement:

**Table 2. Fiscal Impacts of Implementing Partnership Agreement Compensation Provisions<sup>1</sup>**

Costs	FY 2022-23	FY 2023-24	FY 2024-25	Notes
Salary Survey, Ranges, Min Wage	\$5,006,060	\$7,824,733	\$9,696,154*	FY25 costs represent Nov 1 request. Represents increases in base salaries due to salary survey, pay range changes, and minimum wage adjustments. PERA AED & SAED Cost Not Included. *Step Pay costs are included in the FY25 amount.
Estimated Step Pay	N/A	N/A	\$4,978,712*	*Please note that step pay costs are part of, not in addition to, the FY 2025 salary survey figure above.
Steward Time	\$10,559	\$582	N/A	FY24 costs as of 11/25/2023.
Holiday Premium Pay	\$19,301	\$11,572	N/A	FY24 costs as of 11/25/2023.
On-call Pay	\$70,520	\$28,616	N/A	FY24 costs as of 11/25/2023.
Shift Differential	\$331,236	\$160,222	\$363,396	FY22 costs = \$48,658 FY24 costs as of 11/25/2023. FY24 appropriation = \$54,230 FY25 costs represent Nov 1 request
Average Annual Leave Balances per Employee <sup>2</sup>	200.54 hours/employee	N/A	N/A	FY22 Avg Annual Leave Balance = 224.74 hours/employee
Paid Family Medical Leave <sup>3</sup>	\$491,905	\$136,064	N/A	Actual costs paid for Paid Family Medical Leave. FY24 costs as of 11/25/2023. FY22 PFML Costs = \$255,199.
Critical Staffing Needs	N/A. This category pertains only to the Department of Corrections (DOC) and Department of Human Services (DHS).			
Side Agreement	DNR has not yet negotiated a side agreement and has not incurred any expenses at this time.			

<sup>1</sup>The Department of Personnel and Administration will provide statewide responses for costs associated with the Statewide Equity office, CSEAP, tuition costs, parking/transit commuter expenses, health, life, and dental increases paid to reduce statewide employee benefit costs, and payroll modernization.

<sup>2</sup>Annual leave accrual rates and maximum accrual rates increased with the partnership agreement, however the Department's average annual leave balances per employee remained relatively flat. Slightly higher turnover and a higher number of employees with fewer years of State service may account for the reduction in average leave balances.

<sup>3</sup>Paid Family Medical Leave benefits for State employees increased from 80 paid hours to 160 paid hours with the Partnership Agreement.

- 3 *Provide a prioritized list of budget reductions the Department would propose if 10.0 percent General Fund appropriation reductions were required of every Department.*

**Response:** We appreciate the question and the desire to partner with the Department on identifying reductions. On November 1st the Governor submitted a balanced budget that provided decision items for increases and reductions that we spent over a half a year to identify and prioritize across the entire Executive Branch. The proposed budget is balanced, maintains a reserve of 15%, and does not require a 10.0 percent reduction in the General Fund to balance. If the economic conditions change the Governor will take actions to propose reduced expenditures and submit a plan to address the shortfall to the General Assembly. If the Joint Budget Committee wants feedback on specific reduction proposals, we welcome the opportunity to work with JBC staff on estimating the impacts and tradeoffs of those proposals.

## PARKS AND WILDLIFE

- [Rep. Bird & Sen. Bridges]
- 4 *Has the Department been able to fill recently funded FTE positions? Does the Department have any concerns about its ability to fill the FTE positions it is requesting?*

**Response:** DNR has been successful in filling recently funded FTE, including positions allocated to CPW, and does not have any concerns about its ability to fill the positions included in the FY 2024-25 request. The Department received a net total of 110.4 FTE in FY 2023-24. To date, about 90 percent (or 98) of those positions have been filled or are in the process of being filled, and the Department expects the remainder will be filled within the next several months. DNR has not encountered any systematic issues with recruitment for new FTE and DNR Human Resources has cross-trained staff and redirected capacity to focus on filling new positions as efficiently as possible. The Department does not anticipate any changes or challenges associated with filling any approved FTE in FY 2024-25.

- 5 *Have recent salary increases added to the Department's ability to recruit and retain employees?*

**Response:** The FY 2023-24 across-the-board 5% salary increase and minimum wage increases, as well as the planned step pay program are positive steps forward that benefit new and existing employees, although the most recent [FY 2024-25 Annual Compensation Report](#) from DPA states that the state's average base salary will still lag below the market median by 7.9%.

There are many factors that affect recruitment and retention and the Department continues to monitor key metrics:

- Average number of applicants per posted Department job opening: The average number of applicants per position, excluding promotional positions, is increasing. In FY 2021-22, the average number of applications DNR received for each position was 23. That metric dipped to 11 applications per position in FY 2022-23, but year-to-date in FY 2023-24 the average has rebounded to 29 applications per position.
- Turnover rate: The Department's turnover rate is consistently among the lowest in the state. The most recent calculated turnover rate for FY 2022-23 was 7.7% compared to the average turnover rate



of 16.1% for executive branch departments. While the rate remains low, DNR continues to monitor occupational groups with turnover rates that are higher than the Department average, such as Accountant (10%), Engineer/Physical Science Technician (11.4%), Park Manager (8.7%), and Program Assistant (8.3%). DNR is taking steps to improve retention, including its FY25 R-04 request to establish an equitable career progression plan for Park Managers that is equivalent to the plan in place for Wildlife Managers.

- Qualitative employee feedback: Employees continue to express that compensation is a concern, and also express cost of living concerns due to housing costs and availability in some areas of the State.

Base salaries are negotiated and set through the Partnership Agreement. In addition, DPA, DNR and CPW have focused on implementing positive changes for compensation. For example:

- DPA conducted a system maintenance study on Wildlife Manager and Park Manager salaries using market data to verify FY 2024-25 pay ranges. The FY 2024-25 pay ranges for these two classifications, and the upcoming Step Pay Program, will result in up to 30% to 35% pay increases depending on how long the employee has been in the job series;
- Implemented on-call pay for CPW Officers who are on call with state patrol or a local dispatch;
- Changed from only allowing the accumulation of compensatory time to giving employees the choice to receive overtime pay effective July 1, 2023;
- CPW established a housing work group to look at the existing housing premium, how to potentially expand it, and to explore housing options on state property for employees.

6 *[Sen. Bridges] Are FTE additions of this magnitude (including previous years) sustainable? In other words, can the Department continue to add significant numbers of FTE in future years?*

**Response:** As a state enterprise, Colorado Parks and Wildlife must always carefully manage its expenses in accordance with available revenue. CPW views its current and recent budget requests as incremental growth that is intended to align staffing levels for the agency with past and current workload after an extended period of resource constraints. These requests are made possible by revenue increases resulting from recent legislation. On the wildlife side of the division, the 2018 Future Generations Act increased the statutory caps on license fees which led to an immediate increase in cash fund revenue. Recent wildlife staffing requests have reflected an iterative approach to increasing operations to meet both historic workload growth and emergent capacity needs that are driven by things like heightened interest in hunting and fishing, more frequent conflict between humans and wildlife, and 35% growth in Colorado's population since 2000. Though some additional growth is still likely for the wildlife side of the division in the near term, without a significant new revenue source CPW is likely at an inflection point and expects the wildlife staffing levels to stabilize over the next several years.

Conversely, the Parks side of the agency anticipates growth in revenues as the Keep Colorado Wild pass is implemented. CPW's parks staffing requests submitted in the current budget cycle do not depend on increased revenue as the pass is still in its first year. CPW continues to analyze current opt-out rates to gather and interpret information about customer trends and the resulting revenue available to the agency. However, with the expected continued success of the pass, CPW anticipates that the parks side of the division may be entering a period of revenue growth that could support future requests to bring state parks staffing into alignment with historic workload growth and new initiatives. The number of

people recreating in the outdoors generally has increased and visitation to state parks has also grown significantly in recent years from 11.5 million in FY 2012-13 to 17.9 million in FY 2022-23, an increase in excess of 50%. Similar to the wildlife side of the division, this growth is expected to occur in an iterative and carefully considered fashion over a number of years before stabilizing to ensure that available resources are deployed strategically and effectively across the division.

## CASH FUNDS

- 7 *[Sen. Bridges] Please explain the current cash fund balances and the Department's plan to spend those funds—specific expenses that will bring down these large balances.*

**Response:** The Department of Natural Resources submitted Schedule 9s detailing all cash fund activity with its November 1 budget request materials. DNR has included further information on current balances for the following five cash funds, per guidance from JBC staff:

### Parks for Future Generations Trust Fund and Wildlife for Future Generations Trust Funds

The Parks (Section 33-10-111 (6), C.R.S.) and Wildlife (Section 33-10-112 (7), C.R.S.) for Future Generations Trust Funds are both statutorily designated to hold lease and royalty revenue from mineral rights on parks or wildlife properties in trust to generate interest for the operations, maintenance, or other projects on CPW parks and wildlife properties. By design, this necessarily results in the accumulation and maintenance of a substantial fund balance over time. House Bill 15-1243 amended the statute regarding the corpus of the Wildlife Trust and established the Parks Trust to require that no less than 50% of revenue deposited in the fund shall remain inviolate to accrue interest revenue—which is the only continuously appropriated portion of the trust funds—while the other half is subject to appropriation. As a result, there will always be a balance that cannot be spent. However, expenditure of the corpus of the trust limits growth and reduces earned interest. Additionally, interest is earned at treasury pool rates which have not kept pace with inflation, so preserving fund balance is important to maintaining the purchasing power of the funds to the extent possible. Because the trust fund balances are relatively modest compared to CPW's operating and capital budgets, the division has intentionally been able to allow the fund balances to remain intact and unspent as envisioned by statute. CPW will continue to evaluate projects that have a strong connection to maintaining recreation and wildlife resources for future generations that may be funded with this dedicated source of funding and will request spending authority as required by statute to access the trusts.

### Water Supply Reserve Fund

The Water Supply Reserve Fund (WSRF) Grant Program was created in 2006 by S.B. 06-179 to help the state meet identified critical water supply and management needs (Section 39-29-109, C.R.S.). The WSRF Grant Program is administered by the CWCB in collaboration with the Interbasin Compact Committee (IBCC) and the nine basin roundtables which were established under H.B. 05-1177 (the Colorado Water for the 21st Century Act). The WSRF is supported by transfers from the Severance Tax Perpetual Base Fund, contingent on the availability of severance tax revenue. The funds help eligible entities complete water activities, which may include competitive grants for:

- Technical assistance regarding permitting, feasibility studies & environmental compliance;
- Studies or analysis of structural, nonstructural, consumptive and nonconsumptive water needs, projects or activities;
- Design of structural projects or activities; or
- Infrastructure replacement or maintenance projects.

WSRF revenue is distributed according to the WSRF Criteria and Guidelines (guidelines), which are developed by the CWCB in consultation with the WSRF Criteria & Guidelines Subcommittee, a group composed of representatives from the IBCC and CWCB Board in collaboration with the basin roundtables. The current WSRF guidelines include an annual goal of:

- Disbursing \$3.0 million total each year to basin roundtables including \$300,000 to each of the 9 roundtables (\$2.7 million), as well as providing \$300,000 to the Public Education Participation and Outreach (PEPO) Grant Program.
- Establishing a basin cap of \$750,000 annually to encourage spending (also applied to PEPO grant program).
- Maintaining approximately three years in reserve funding in the Statewide Account to ensure the availability of future roundtable funding (up to \$9.0 million).

Pursuant to these guidelines, CWCB intentionally maintains a reserve due to the historic volatility of severance tax. Because water projects often have a long planning horizon, a reserve helps assure the roundtables that funding is available in the near term and when high priority water projects are ready to advance. Often these are projects that were identified in Basin Implementation Plans as part of the 2023 Water Plan update.

In addition to the reserve, the WSRF Grant Program must maintain sufficient funds to reimburse grantees for all outstanding awards. The WSRF fund balance at the end of FY 2022-23 was approximately \$41.4 million. According to the [FY 2022-23 Annual Report of the Water Supply Reserve Fund](#), there were 191 current grants authorized by the CWCB, totaling approximately \$26.39 million (published October 31, 2023). Of the approximately \$14.9 million remaining, \$9 million is attributed to the ongoing reserve in accordance with WSRF guidelines and the rest is for statewide and basin specific grants made in FY 2023-24, subject to the direction of the CWCB Board.

#### Wildfire Mitigation Capacity Development Fund

The Wildfire Mitigation Capacity Development Fund (COSWAP Cash Fund) supports the Colorado Strategic Wildfire Action Program (COSWAP or Program) that was created within the DNR Executive Director's Office by S.B. 21-258 (Section 24-33-117, C.R.S.) for the purpose of identifying and supporting strategic wildfire mitigation projects that reduce the impact of catastrophic wildfires on life, property and infrastructure. At the end of FY 2022-23, the COSWAP cash fund had a reported ending balance of \$26,273,162. Of that amount, \$12,969,630 was encumbered (i.e., formally contracted and recorded in the state's accounting system). The remaining balance of \$13,303,532 largely consists of revenue received late in the fiscal year and is currently in the process of being granted.

COSWAP received \$13 million in FY 2022-23, including \$10 million from the Severance Tax Operational Fund appropriated in S.B. 23-139 and a total of \$3 million in General Fund transfers from H.B. 22-1012

and S.B. 23-005. Of that amount, \$11 million was transferred to the fund later in the fiscal year. The Program just finished the review of applications for the 2023 Workforce Development grant cycle (closed October 27, 2023) to award \$5.0 million, and will award another \$6.0 million as part of the Spring 2024 release of funds for the Landscape Resilience Investment Program, which provides cash grants to cross boundary wildfire mitigation projects in strategic focus areas.

COSWAP has demonstrated its ability to quickly deploy funding to important wildfire mitigation work by fully obligating nearly \$20 million in state stimulus funding and General Fund investments in two years and does not anticipate any issues granting all available revenue. As an example, S.B. 21-258 transferred \$17.5 million from the General Fund to WMCD at the very end of FY 2020-21, with funds to be fully obligated by June 30, 2023. COSWAP met this goal, awarding 44 workforce development grants in the form of conservation corps, Department of Corrections SWIFT crew time and workforce training, and 10 cash grants ranging from \$500,000 to \$1.0 million for landscape scale wildfire mitigation.

#### Aquatic Nuisance Species Fund

The Aquatic Nuisance Species (ANS) Fund was created to support work to prevent, control, contain, monitor, and, whenever possible, eradicate ANS from the waters of the state. Fund revenues support establishing, operating, and maintaining ANS check stations in order to prevent the introduction of ANS by inspecting conveyances and monitoring the waters of the state. The fund is continuously appropriated to CPW and a Schedule 9 detailing all fund activity was submitted with the Department's November 1st budget submission. The fund is supported by revenue from the ANS Stamp on boat registrations (\$2 million) and an annual appropriation from the Severance Tax Operational Fund (\$4 million), supplemented by a mix of federal and local grant funding (\$3 million).

Ensuring the continuous operation of the ANS Program is essential because ANS infestations can cause billions of dollars' worth of damage if they occur. Like other severance tax-funded programs, the ANS Program has historically experienced significant revenue uncertainty from year to year, which was very challenging from a program management standpoint, especially given the risk involved if the program had to be scaled down or stopped. Accordingly, the General Assembly has prioritized the long-term solvency of the fund by establishing the ANS stamp in 2018 (H.B. 18-1008) and acting to stabilize this fund and others through S.B. 21-281 by appropriating \$4,006,005 to the fund from the Severance Tax Operational Fund. These legislative actions were intended to ensure the continuous operation of this preventative program. Separately, the Department has worked with federal partners to secure additional funding for the same purpose, resulting in a fully funded program and a robust reserve.

Given recent federal investments, total projected program revenue is currently shown as exceeding base program expenditures by a modest amount on an annual basis, but the fund's \$5,491,627 balance as of June 30, 2023, is an important safety net to ensure the continuous operation of the program in the event of any funding gaps or reductions in federal funds, though none are currently anticipated. Additionally, the ANS program is currently reviewing the result of a two-year pilot program on roadside ANS inspection and decontamination which may affect future program expenditures and fund balance.

8 [Sen. Kirkmeyer] For the CWCB Construction Fund and the Water Plan Implementation Cash Fund, please provide the following information:

- a. How much money has been granted out through these funds and programs over the past two years?
- b. How many grant requests there have been for these programs/funds?
- c. How much money is being carried forward in these programs/funds?
- d. The exact amount of money not currently allocated through a grant to the programs/funds.
- e. A breakdown of the funds and how they are specifically being used.

**Response:**

CWCB Construction Fund

The CWCB Construction Fund is established by Section 37-60-121, C.R.S., to support CWCB's statutorily required operations and programs and is also a vital source of funding for loans and non-reimbursable investments/grants utilized by water management entities statewide (additional description provided below). Non-reimbursable investments (NRI's) are statewide investments from the Construction Fund that do not need to be paid back. NRI's support targeted initiatives such as developing and implementing Colorado's Water Plan, endangered species recovery programs, and regional water supply projects.

Tables 3 and 4 below provide the total loans and non-reimbursable investments from the CWCB Construction Fund for the prior two CWCB Projects Bills and loans under \$10M approved by the CWCB during the past two fiscal years.

**Table 3. FY23 CWCB Projects Bill Construction Fund Obligations in HB 22-1316**

<i><b>Non Reimbursable Investments (NRIs)</b></i>	<i><b>Amount</b></i>
Continuation of the Satellite Monitoring System	\$380,000
Continuation of the Colorado Floodplain Map Modernization Program	500,000
Continuation of the Weather Modification Permitting Program	350,000
Continuation of the Technical Assistance for Federal Cost-Share Programs	300,000
Restoration of the Litigation Fund Cash Balance (transfer)	2,000,000
Continuation of the Arkansas River Decision Support System	500,000
Continuation of the Colorado Mesonet Project	150,000
Continuation of the Water Forecasting Partnership Project	450,000
Modeling and Data Analyses for the Upper Colorado River Commission	200,000
Grant Making for Projects that Assist in Implementing the State Water Plan (transfer)	1,000,000
Reservoir Enlargement Assessment Project	250,000
Platte River Recovery Implementation Program	3,800,000
Republican River Matters (Irrigated Acreage Retirement)	2,000,000
<i>Subtotal (NRIs)</i>	<i>\$11,880,000</i>
<i><b>Water Project Loans</b></i>	
Goose Pasture Tarn Dam Project	13,130,000

Tunnel Water Company Laramie Poudre Tunnel Rehabilitation	750,000
<i>Subtotal (Loans)</i>	<i>\$13,880,000</i>
<b><i>Total Loans and NRIs</i></b>	<b><i>\$25,760,000</i></b>

**Table 4. FY24 CWCB Projects Bill Construction Fund Obligations in S.B. 23-117**

<b><i>Non Reimbursable Investments (NRIs)</i></b>	<b><i>Amount</i></b>
Continuation of the Satellite Monitoring System	\$380,000
Continuation of the Colorado Floodplain Map Modernization Program	500,000
Continuation of the Weather Modification Permitting Program	500,000
Restoration of Fish and Wildlife Resources Fund Balance (transfer)	2,000,000
Restoration of the Litigation Fund Cash Balance (transfer)	2,000,000
Continuation of the Watershed Restoration Program	500,000
Continuation of the Colorado Mesonet Project	150,000
Continuation of the Water Forecasting Partnership Project	1,000,000
Division of Water Resources Mobile Field Data Collection Application Project	800,000
Grant Making for Projects that Assist in Implementing the State Water Plan (transfer)	2,000,000
Continuation of the Reservoir Enlargement Assessment Project	1,000,000
Continuation of the Platte River Recovery Implementation Program	19,000,000
Upper Colorado River Endangered Fish Recovery Program and San Juan River Basin Recovery Implementation Program	15,000,000
Frying Pan-Arkansas Project (Ark Valley Conduit)	20,000,000
Central Colorado Water Conservancy District Augmentation Efficiency Project	3,000,000
State Water Plan Advancement Project	2,000,000
<i>Subtotal (NRIs)</i>	<i>\$69,830,000</i>
<b><i>Water Project Loans</i></b>	
Last Chance Ditch Measurement Structure Replacement	196,000
Inverness Water and Sanitation District WISE Phase 2	692,000
Cottonwood Water and Sanitation District WISE Phase 2	558,000
Triview Metropolitan District Stonewall Springs Reservoir	420,000
<i>Subtotal (Loans)</i>	<i>\$1,866,000</i>
<b><i>Total Loans and NRIs</i></b>	<b><i>\$71,696,000</i></b>

At the start of FY 2023-24, the CWCB Construction Fund had approximately \$280,401,123 in cash fund balance, with \$105,042,394 of this balance committed by the Board for loans. Current CWCB operations appropriated through the Long Bill require about \$11.0 million in annual funding. The planning process for the 2024 Projects Bill is currently underway. The CWCB considered new loans and non-reimbursable investments for FY 2024-25 totaling \$79.8 million from the fund for inclusion in the 2024 Projects Bill, and will finalize Projects Bill recommendations to the General Assembly in January 2024. The remainder is approximately \$84.5 million that is available for CWCB programs and future commitments that the Board may consider, including smaller loans in the current fiscal year.

#### Water Plan Implementation Cash Fund

The Water Plan Implementation Cash Fund (WPIF) is established by Section 37-60-123.3, C.R.S. and supports grants authorized by the CWCB for the Water Plan Grant Program (WPGP) utilizing sports betting tax revenues. The WPGP is a cost reimbursable grant program that funds water projects that make progress on the measurable objectives identified in the Water Plan. The program provides grants to governmental and private entities for water projects within the following project categories: (1) Water Storage and Supply; (2) Conservation and Land Use; (3) Engagement and Innovation Activities; (4) Agricultural Projects; and (5) Watershed Health and Recreation. Projects and activities supported by the WPGP include technical assistance regarding permitting; feasibility studies; analysis of water projects; design and construction of structural projects; and activities that promote education, outreach, and innovation.

Table 5 below summarizes grant requests and awards from the WPIF for the prior two fiscal years, as well as FY 2023-24 year to date. All incoming revenue to the WPIF is utilized for water plan grants and administrative costs for the staff that manage these grants. The CWCB authorized the inclusion of \$23.3 million for water plan grants in the upcoming 2024 Projects Bill to be awarded in FY 2024-25.

**Table 5. Water Plan Grant Program Awards by Fiscal Year\* (WPIF)**

	<b>Grant Requests (Count)</b>	<b>Grant Awards (Count)</b>	<b>Grant Requests (\$ millions)</b>	<b>Grant Awards (\$ millions)</b>
<b>FY 2021-22</b>	100	81	\$29.5	\$23.5
<b>FY 2022-23</b>	80	63	\$15.5	\$12.6
<b>FY 2023-24 To date (Sept 2023 Award)</b>	35	31	\$8.4	\$7.8
<b>FY 2023-24 Pending (Dec 2023 Application Round)</b>	72	TBD in March 2024	\$25.7	TBD in March 2024

*\*Fiscal years reflect year of board authorization rather than year of expenditure. Water Plan Grants are expended on a reimbursement basis and the period performance varies on a case-by-case basis, but is generally between three and five years.*

At the start of FY 2023-24, the Water Plan Implementation Cash Fund had approximately \$43.3M in fund balance. As of November 1, 2023, \$43.1 million of the fund balance has been encumbered or committed for water plan grants. Of this amount, \$17.9 million represents authorizations for grants

awarded in prior fiscal years and the remainder (\$25.2m) represents new grant commitments for FY 2023-24 authorized through the 2023 Projects Bill (SB 23-177).

## SEVERANCE TAX SWEEPS

- 9 *[Rep. Bird] How do the impacted communities feel about these sweeps? Has the administration done any stakeholding with these communities or communicated to them information about the sweeps?*

**Response:** The administration is committed to working with stakeholders to continue progress towards fulfilling the goals of the Colorado Water Plan, and looks forward to engaging to ensure sufficient funding for water projects through the CWCB Projects Bill and the Water Plan Grant Program this session. In recent years, severance tax revenues have been at historically high levels, resulting in healthy revenue inflows and fund balances for cash funds that support water projects, including the CWCB Perpetual Base Fund. In addition, the state is seeing increased revenues from the Proposition DD tax on sport betting, the majority of which are dedicated to the Water Plan Grant Program supported by the Water Plan Implementation Cash Fund.

The Governor's November 1 budget letter included information on the proposed transfers of severance tax revenues to support a statewide balanced budget, taking a balanced approach between continuing to fund Colorado's water infrastructure with at or near historic levels of new revenues available for water projects, while also relieving some of the pressures on the General Fund due to increased TABOR non-exempt cash revenues. The administration looks forward to working together with the legislature and stakeholders to support this balanced budget.

- 10 *[Sen. Kirkmeyer] What is the status of the water plan? How do the proposed spillover sweeps impact the funding of the water plan?*

**Response:** The first Colorado Water Plan was released in 2015 to serve as a framework for solutions to the state's water challenges. Since 2015, the CWCB has helped fund through its various CWCB grant programs over 835 water projects valued at more than \$134 million for water projects across the state. In addition, since 2015, the Water Project Loan Program has loaned money to over 107 statewide water projects and made investments of over \$500 million in water projects.

These efforts have made real progress in the efforts and critical objectives identified in the Water Plan, including the following:

- Water conservation has decreased statewide per capita water use by 5%;
- Annual municipal leasing of 25,000 acre-feet of agricultural water has helped cities and farm coexist;
- More than 25 new stream management plans have been developed;
- 400,000 acre-feet of storage has either been constructed or will soon be completed;
- Up to 2.7 million people have learned about Colorado water through outreach and education; and
- 62% of Coloradans now live in communities whose leaders have taken training to integrate water and land use planning.

The current Colorado Water Plan (updated in Jan 2023) reflects a multi-year stakeholder engagement process for the optimal conservation and development of Colorado's water resources and is the guiding



policy document on long-term water management and conservation in Colorado. Successful implementation of the Water Plan depends on the state's grassroots water stakeholder groups and continued investments in water. While Colorado has made significant progress in funding to support water projects, there is more projected need than available funding. In the 2023 Colorado Water Plan, the state's nine basin roundtables and stakeholder groups identified more than 1,800 water projects that have a total unfunded investment of \$1.5 billion, or \$50 million per year, by 2050. This estimate is above and beyond CWCB's assumed annual funding of \$79 million provided through the Water Plan Grant Program, the Water Project Loan Program, and the Water Supply Reserve Fund Grant Program.

**Table 6. Colorado Water Plan Funding Needs**

	Amount (\$) for the 30 year period thru 2050	Amount (\$) per year thru 2050
<b>Estimated Water Project Costs</b>	\$3.85 billion	\$128.33 million
<b>CWCB Anticipate Available Funding</b>	\$2.35 billion	\$79 million
<b>Water Plan Funding Need</b> <i>(Estimated Water Project Cost - Anticipated Available Funding)</i>	\$1.5 billion	\$50 million

The CWCB's ability to support non-reimbursable investments and loans is directly related to the amount of total revenue available. The proposed sweep involves severance tax revenue that has or is projected to spillover from the Severance Tax Operational Fund into the Perpetual Base Fund. The Perpetual Base Fund is used, in concert with other CWCB cash funds, to support critical Water Plan initiatives to improve water supply infrastructure, water quantity, watershed health, and water efficiency for hundreds of thousands of Coloradans as well as agricultural production, recreation economies, and the environment. The CWCB manages Perpetual Base Fund and the CWCB Construction Fund collectively as an investment portfolio with a financial policy that maintains the overall growth rate of the portfolio commensurate with construction inflation in order to preserve the buying power of the funds in support of water projects across the state and ensure the long-term integrity of the funds.

## STATE LAND BOARD

11 [Rep. Sirota] Can you give more detail about ecosystem services leasing – what is it, how significant is it to the State Land Board's operations, are there any revenue estimates for it if this request is approved?

**Response:** Ecosystem Services are the lines of business within the State Land Board (SLB) that support biodiversity, climate resilience, and carbon management through mitigation banking and carbon capture and sequestration. If SLB is able to add additional staff capacity as requested, these types of leases represent a dual opportunity to strengthen local biodiversity and restore and enhance the ecology, watersheds, soil health, and capacity of the land to withstand climate change and severe weather events while generating additional revenue for K-12 education and increasing the value of state trust lands.

- Mitigation Banking

Species and habitat mitigation banking is the practice of setting aside a portion of habitat, grassland, wetland, stream, or other ecological resource area that will be restored, established, enhanced, or preserved to compensate for future third-party impacts to similar ecological resources. Lease revenue is generated by creating fee contracts that create a marketable supply of credits (for having done the work described above) and selling those credits in their respective marketplaces.

- Carbon Capture and Sequestration (CCS)

Carbon sequestration can be either geologic (e.g., mechanized capture and use or permanent storage) or biological (e.g., sequestration through forests, grasslands and wetlands). Similar in structure to mitigation banking, carbon sequestration creates lease contracts to support projects that sequester carbon underground or in soils and plants. Revenue is generated by charging a per unit amount for each ton of carbon injected into pore space underground, or based on calculations of carbon taken up by plants grown in a given area.

The State Land Board has been piloting opportunities to generate revenue through stewardship-specific leases, primarily in mitigation banking, but is only just beginning to see credit sales lease revenue. Since FY 2021-22, revenue has totaled \$600,000 resulting from the initial sales of credits from a habitat mitigation bank. That same bank is about to deliver another \$150,000 in lease revenue and SLB anticipates it will deliver approximately \$2 million in lease revenue over time. Other mitigation banking opportunities are expected to be similarly promising, although each project is unique. SLB believes there are at least 60 additional mitigation and restoration opportunities that exist on state trust lands, but requires the additional requested FTE in order to pursue them since mitigation projects require continual coordination over a 7-10 year period to convert into credit-selling projects.

While the CCS industry is nascent in Colorado, it is experiencing significant growth as many industries invest in technology and projects to decarbonize their emissions and recent interest in state trust minerals suggests that it is ready to expand in the state. CCS leasing is an emerging line of business that has the potential to generate revenue with state trust lands hosting the gathering and transportation infrastructure and related subsurface storage required of captured carbon.

# Department of Natural Resources FY 2024-25 Budget Hearing



Joint Budget Committee  
December 8, 2023



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# Agenda

1. Introduction & Common Questions
2. Colorado Parks & Wildlife
3. Cash Funds
4. Severance Tax Sweeps
5. State Land Board



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# DNR Mission & Vision

The mission of the Department of Natural Resources is:

**To manage and conserve Colorado's natural resources for the benefit and enjoyment of people today and tomorrow.**

DNR's vision:

**Colorado will be a national leader in promoting the responsible use and conservation of natural resources for this and future generations.**

# Wildly Important Goals

1. Sustainable Funding for Parks & Wildlife
2. Balance Outdoor Recreation and Conservation
3. Water Plan Implementation



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# DNR Organizational Chart



*\*Includes CO Avalanche Information Center, COSWAP, Colorado River Program, and Produced Water Consortium*



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# FY 2023-24 Operating Appropriations by Division

**Total Funds = \$509.8M**

General Fund = \$42.4M

Cash Funds = \$421.8M

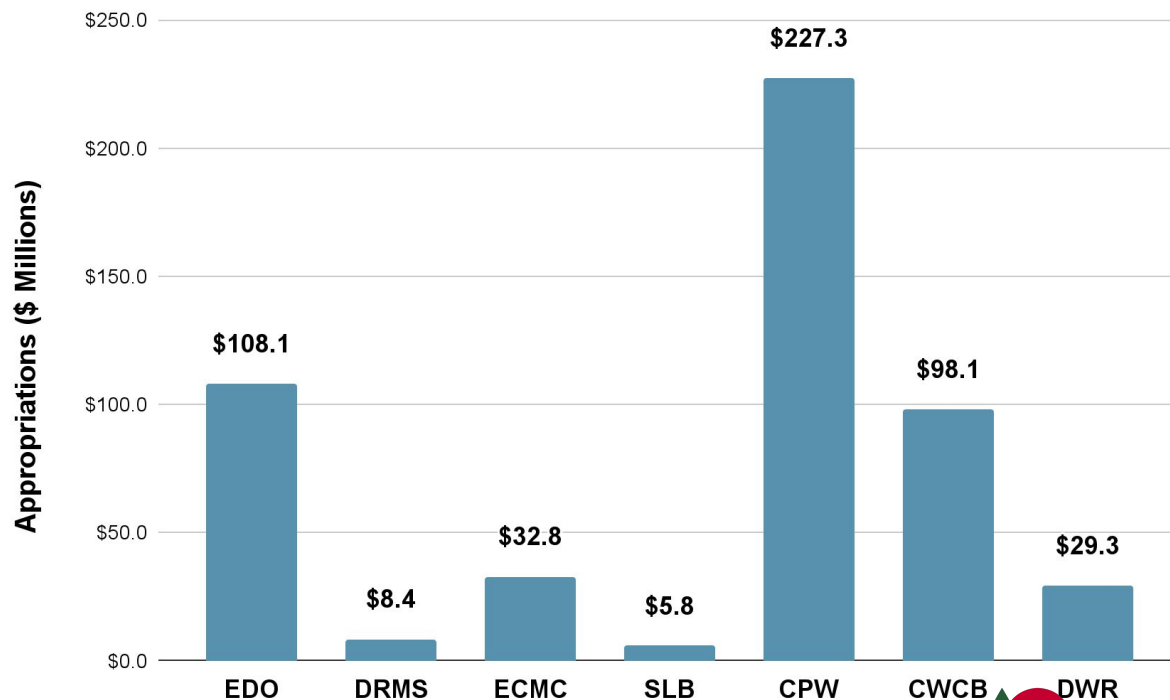
Reapprop Funds = \$8.3M

Federal Funds = \$37.3M

FTE = 1,672.4

Temps = ~900-1000

Volunteers = ~143 FTE



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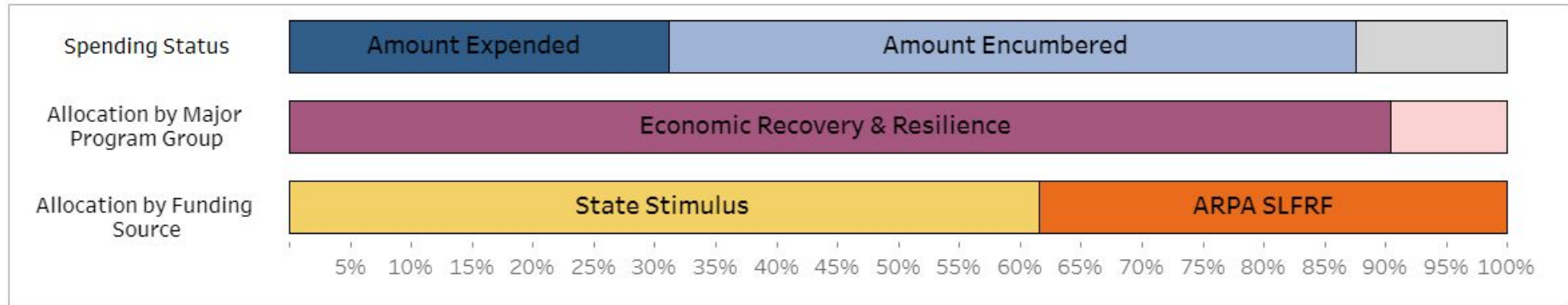


# Stimulus Funds - Common Question #1

The Department has been appropriated stimulus funds in the following categories:

- **Wildfire Mitigation:** \$19.5M total for the Colorado Strategic Wildfire Action Program (COSWAP). An additional \$16.5M one-time funds for wildfire mitigation at the Colorado State Forest Service (CSFS).
- **Water:** \$85M total for groundwater sustainability efforts, state water plan projects, and technical assistance for federal grants.
- **Watershed Restoration:** \$44M total for post-fire watershed restoration efforts and CWCB's new wildfire ready watersheds initiative.
- **Parks, Wildlife, and Recreation:** \$42.8M total for staff, operating, and capital projects at state parks, implementation of the State Wildlife Action Plan, and backcountry avalanche safety.

# Stimulus Funds Status - Common Question #1



<https://coforward.colorado.gov/data>



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# DNR FY 2024-25 Budget Request

## FY 2024-25 Budget Snapshot

Total Funds: \$442.3 M  
General Fund: \$45.9 M  
FTE: 1,724.8



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# FY 2024-25 Budget Request Detail

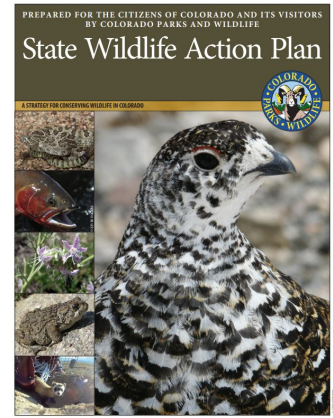


## Biodiversity Package

- **Establish State Land Board Biodiversity Program (R-01)**  
\$480,000 cash funds, 3.7 FTE
- **Colorado Parks and Wildlife Habitat Staffing (R-02)**  
\$1.1 million cash funds, 8.3 FTE
- **Legislative Proposals**
  - Species Conservation Trust Fund
  - Wolverine Reintroduction
  - Invertebrates and Rare Plants



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# FY 2024-25 Budget Request Detail

## Water

- **River Operations Coordinators (R-05)**  
\$394,000 General Fund, 2.8 FTE
- **Create CWCB Grants Section (R-06)**  
\$155,000 cash funds, 0.9 FTE
- **Legislative Proposals: CWCB Projects Bill**



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# FY 2024-25 Budget Request Detail

## Colorado Parks & Wildlife Capacity Building

- Wildlife Dam Safety Staffing (R-08)
- Wildlife Management Staffing (R-09)
- Aquatics Staffing and Hatchery Operations (R-10)
- Staff for Increased Demand at State Parks (R-11)
- Parks and Wildlife Info and Education (R-12)
- Parks and Wildlife Administrative Support (R-14)



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