

Water Funding in Colorado

*Water Resources and Agriculture
Review Committee
August 7th, 2024*



Topics

Overview of State and Federal Funding Sources

CWCB Specific Funding:

- Sports Betting
- Water Plan Grant Program
- Severance Tax
- Loans and Other Water Funding Programs

Overview - State

The Colorado Water Conservation Board (CWCB) offers loans and grants to water providers and other entities statewide focused on raw water projects.

The CWCB is not the only entity in Colorado that offers water funding.

CDPHE, DOLA, and the Water & Power Development Authority provide significant funding for treated water, including water quality, wastewater, and stormwater projects.

The federal government is also a significant source of funding for water projects in Colorado, both raw and treated.

Overview - Federal

Previously Existing Programs

Many federal water funding programs have existed for years, subject to appropriation.

Bipartisan Infrastructure Law

Expanded previously existing programs and created new programs.

Inflation Reduction Act

Expanded previously existing programs and created new programs



COLORADO
Department of
Natural Resources

Sports Betting

In 2019, Colorado voters passed Proposition DD to legalize and regulate sports betting. Tax revenue goes to the Colorado Water Plan Grant program at CWCB, in addition to gambling related services.

To date, \$41.1M has been made available to CWCB for grants.

Total Proposition DD revenue is capped at \$29M. Proposition JJ would remove this cap.

Revenue is distributed to CWCB based on a three year cycle.

Sports Betting Revenue Distribution Process

Three-year Revenue Cycle: Collected, Received, Available

July
 “Year 1” revenue is available for Water Plan Grant Program



September
 DOR distributes “Year 1” revenue to the Water Plan Implementation Cash Fund

March
 General Assembly appropriates “Year 1” revenue in the CWCB Projects Bill

	FY 2022-23	FY 2023-24*	FY 2024-25*	FY 2025-26*	FY 2026-27	FY 2027-28
Collected	\$23.3 million	\$27.1 million	\$27.3 million	\$27.3 million		
Received		\$23.3 million	\$27.1 million	\$27.3 million	\$27.3 million	
Available			\$23.3 million	\$27.1 million	\$27.3 million	\$27.3 million

Year 1 (under Collected FY 2022-23)
Year 2 (under Received FY 2023-24*)
Year 3 (under Available FY 2024-25*)

*Projected revenue collections based on the June 2024 OSPB Forecast

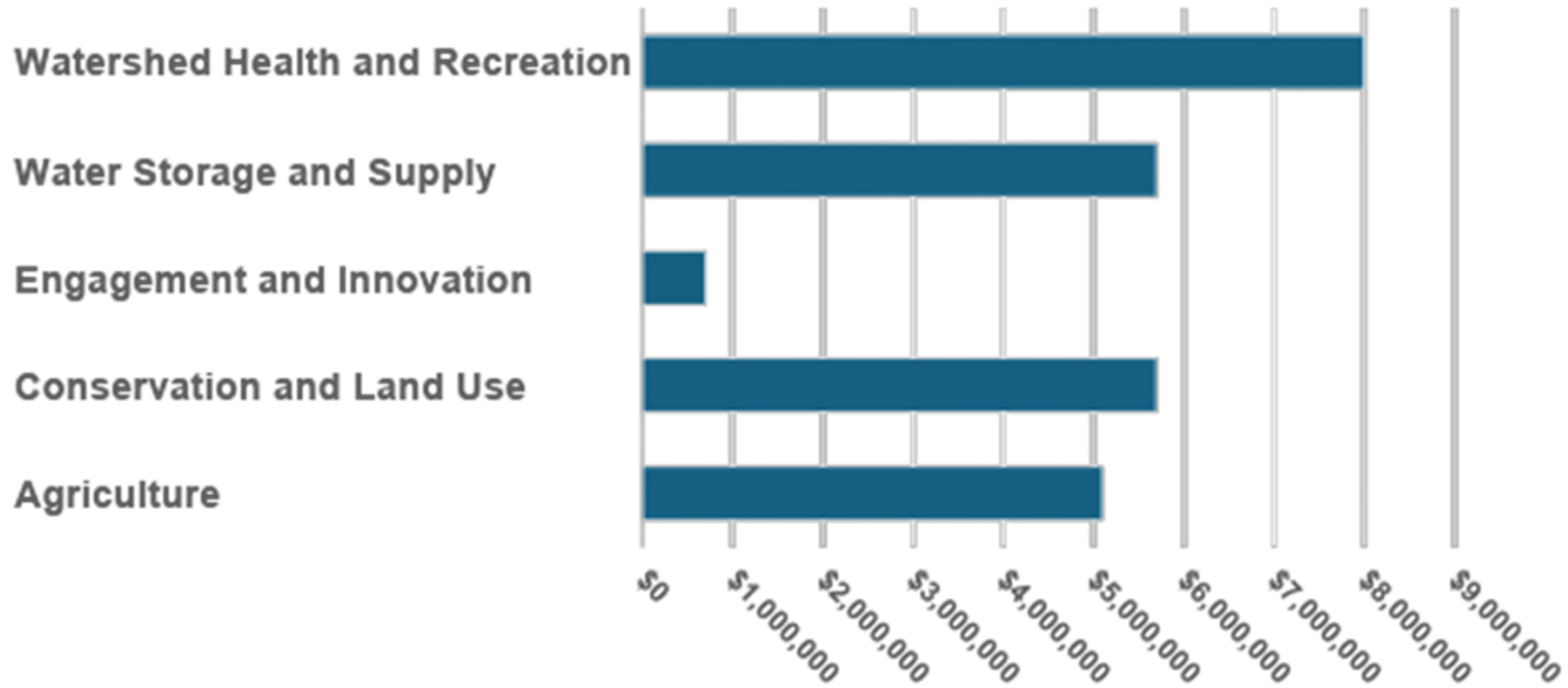
Water Plan Grant Program

Governor John Hickenlooper directed the CWCB in 2013 to create a policy document reflecting Colorado's water values.

Colorado's Water Plan was first adopted in 2015 and updated in 2023. In 2017, the General Assembly first made grant funds available for the CWCB to advance the Water Plan via the Water Plan Grants Program.

In 2019, Colorado voters passed Proposition DD legalizing sports betting and directing tax revenue to the Water Plan Implementation Fund. The Water Plan Grants Program will be fully funded by sports betting revenue for the first time during the 2024-2025 fiscal year.

Water Plan Grant Funding by Category FY 2023-24



From July 2023 through June 2024 the Water Plan Grant Program awarded \$25.2M to 84 projects



**Water Plan Grant Project Highlight:
Maybell Diversion Structure**

Groundwater Conservation Easement



Severance Tax

Article 29 of Title 39, C.R.S.

Colorado collects severance tax on non-renewable minerals as they are “severed” from the earth, including: oil and gas, coal, molybdenum, metals, and oil shale.

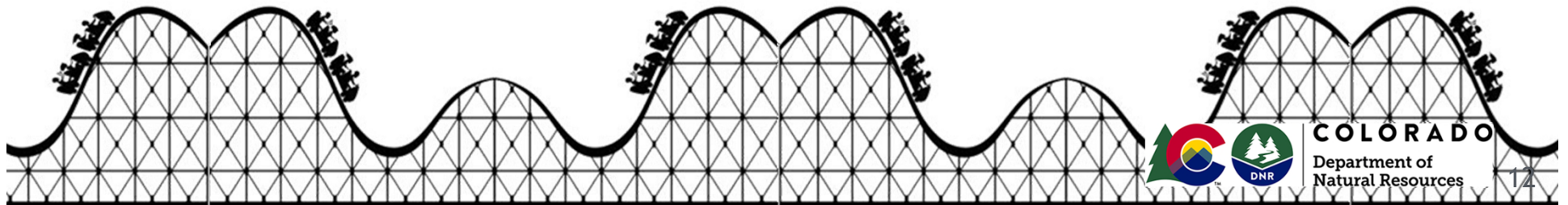
Revenue is compensation for the depletion of natural resources.

Severance tax is also...

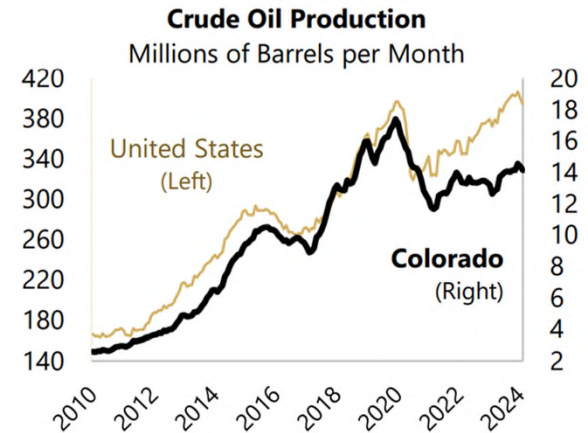
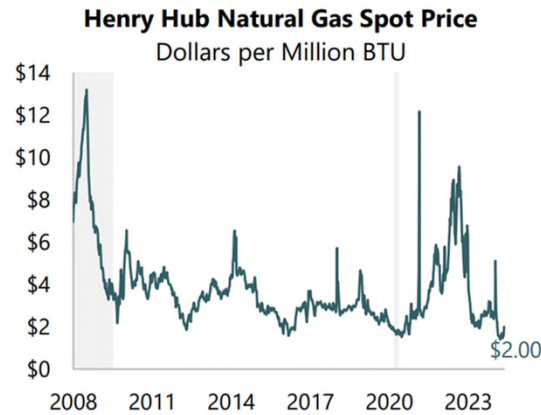
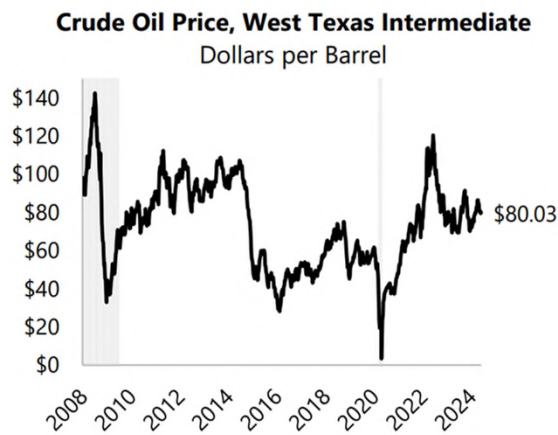
...the most **volatile** and difficult-to-forecast revenue stream in the entire state.

Why?

Where it comes from (market conditions) and the structure of the tax itself.



Approximately **95%** of sev tax revenue is generated by oil and gas.



Source: June 2024 Legislative Council Staff Economic & Revenue Forecast

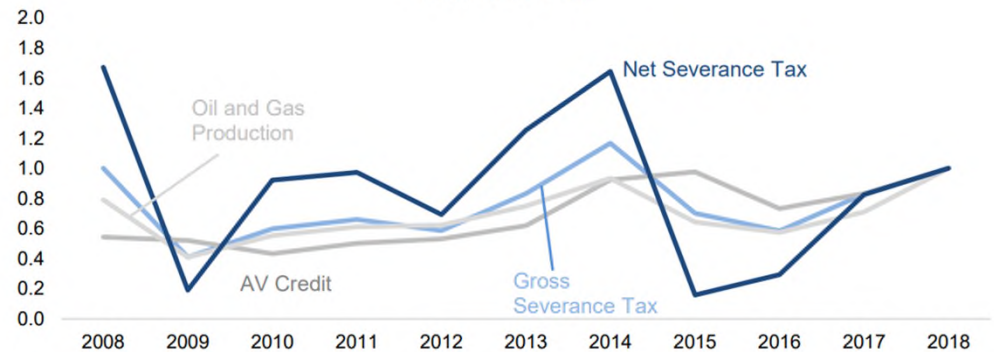
Oil & Gas “Ad Valorem” Tax Credit

Severance taxpayers may take a credit equal to ~~87.5%~~ **75%** of prior-year property taxes against their current year state severance tax liability.

Higher Highs & Lower Lows:

The lag between when the credit is earned and when it is applied **significantly amplifies** the baseline market- driven volatility of the severance tax revenue stream.

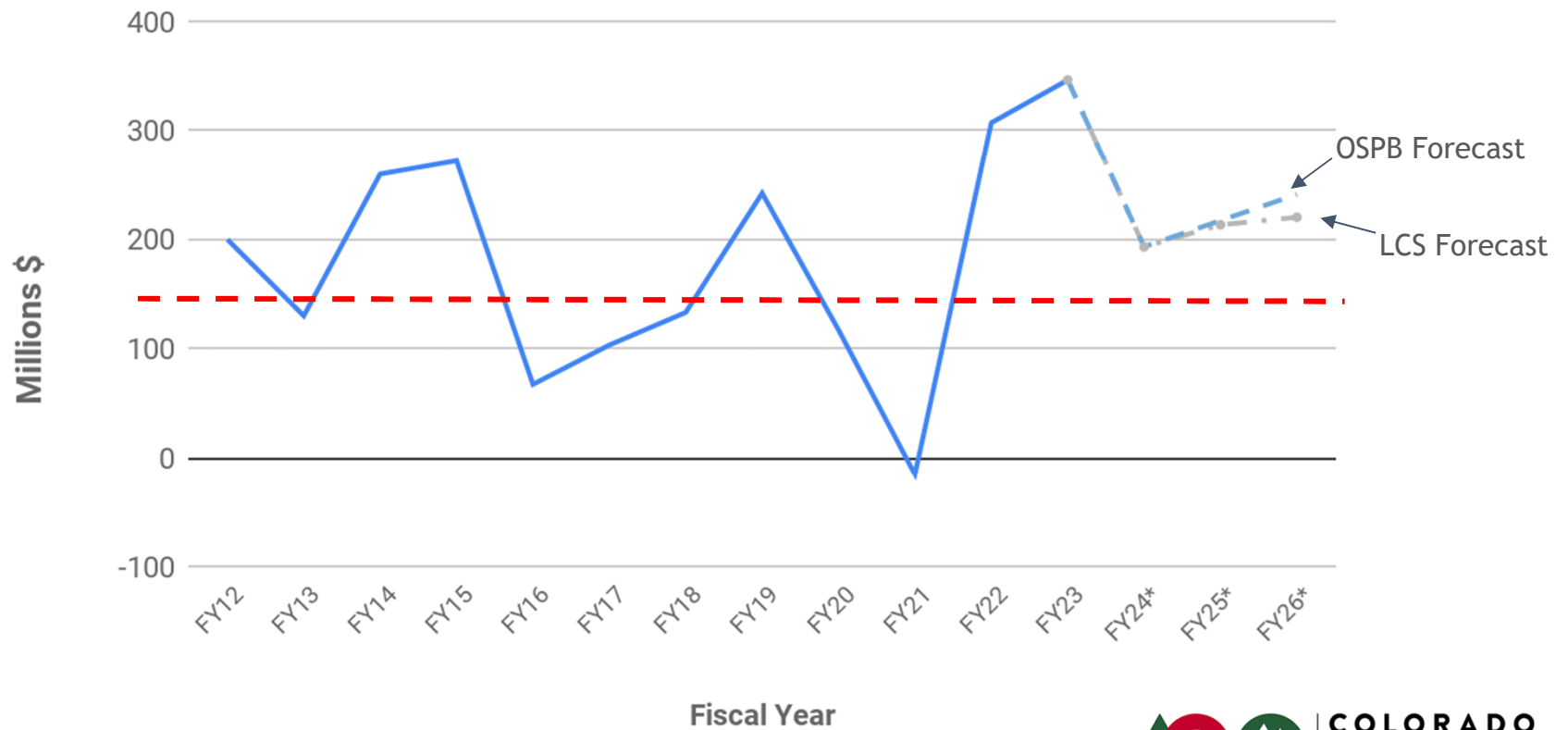
Ad Valorem Credit, Gross Severance Tax, Oil and Gas Production Values, and Net Severance Tax
Index 2018 = 1.0*



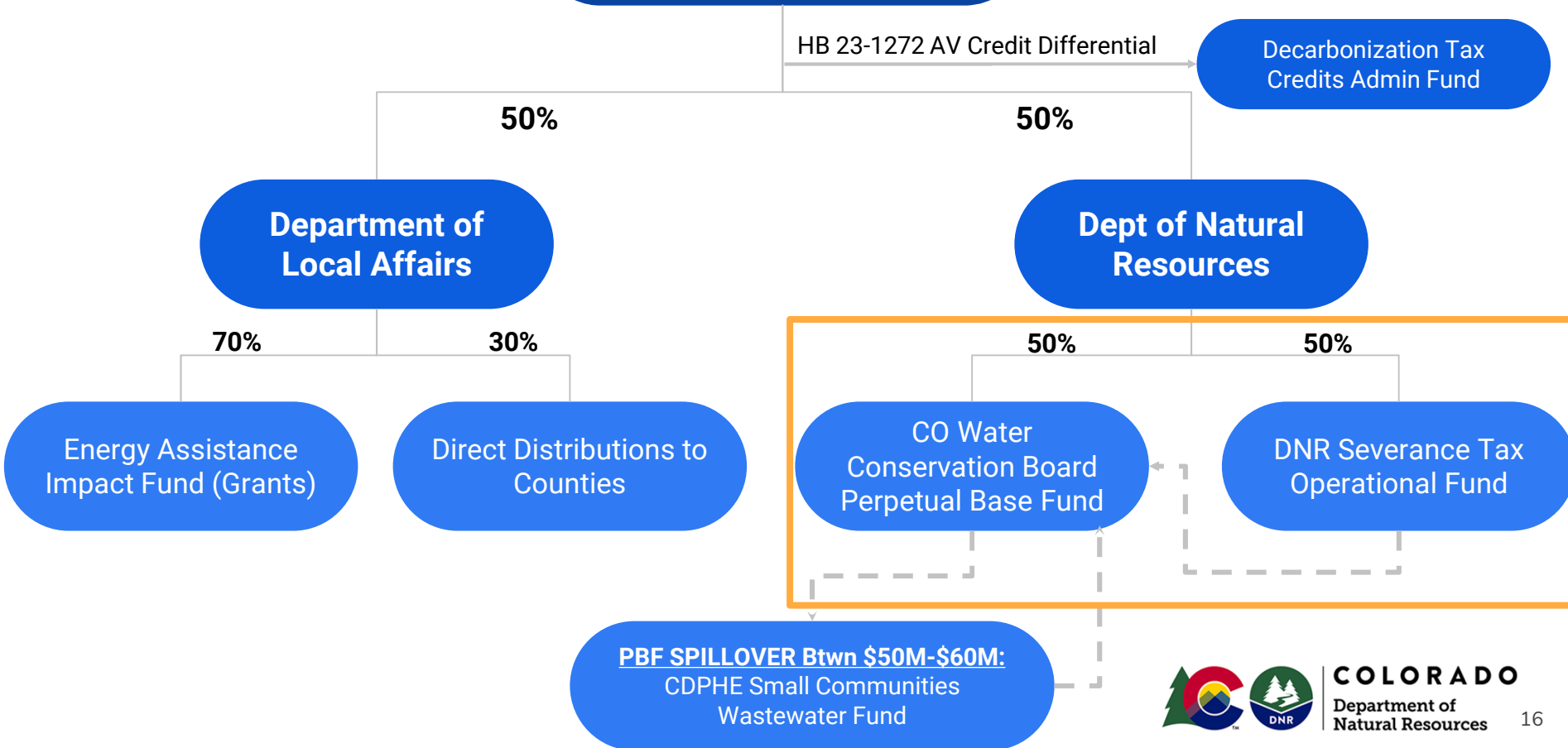
Sources: Colorado Department of Revenue and U.S. Energy Information Administration.

*An index allows for comparisons in growth across indicators with different values. (e.g. oil and gas production is much greater than gross severance tax, which is greater than the AV credit or the net severance tax.)

Total Annual Statewide Severance Tax Revenue (Non-Interest)



Net Statewide Severance Tax Collections

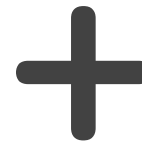
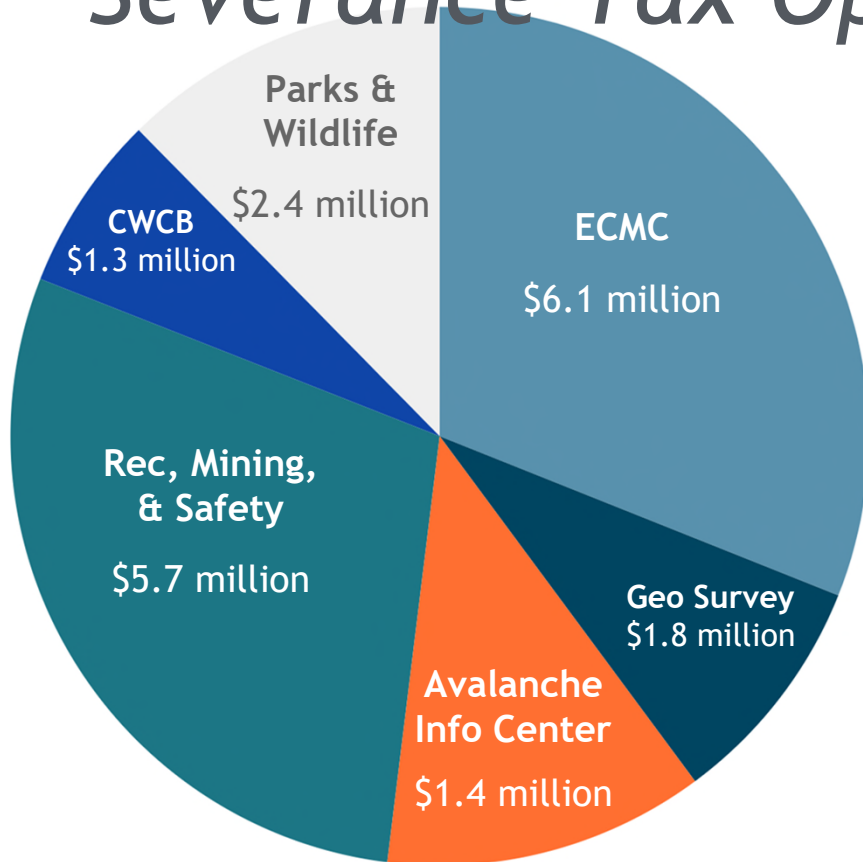


DNR Severance Tax Cash Funds

Severance tax revenue distributed to DNR is to be used for the:

“development and conservation of the state’s water resources...for the use in funding programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water”

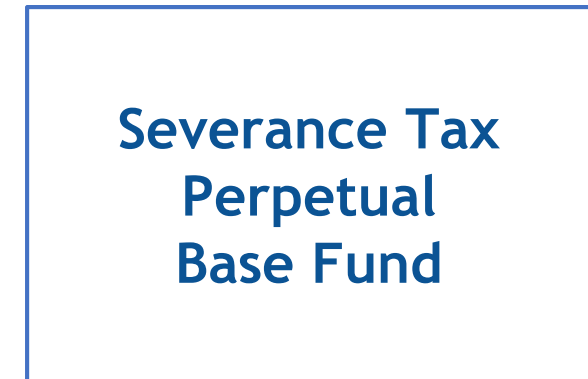
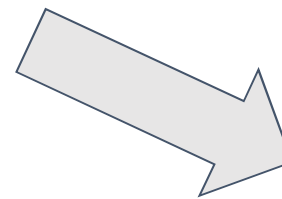
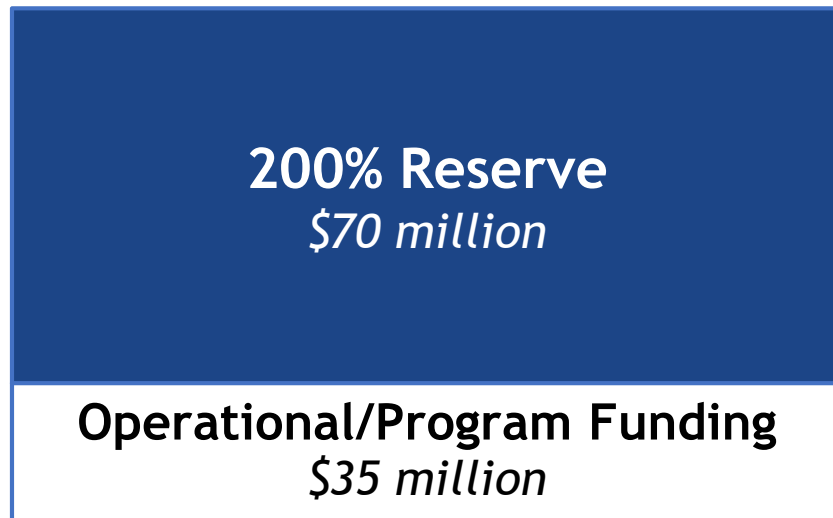
Severance Tax Operational Fund



- Species Conservation Trust Fund (\$5M)
- Aquatic Nuisance Species Program (\$4M)
- CDA Soil Conservation Grant Program (\$0.7M)
- CO Strategic Wildfire Action Program (\$5M)

Severance Tax Operational Fund

Reserve and Spillover:

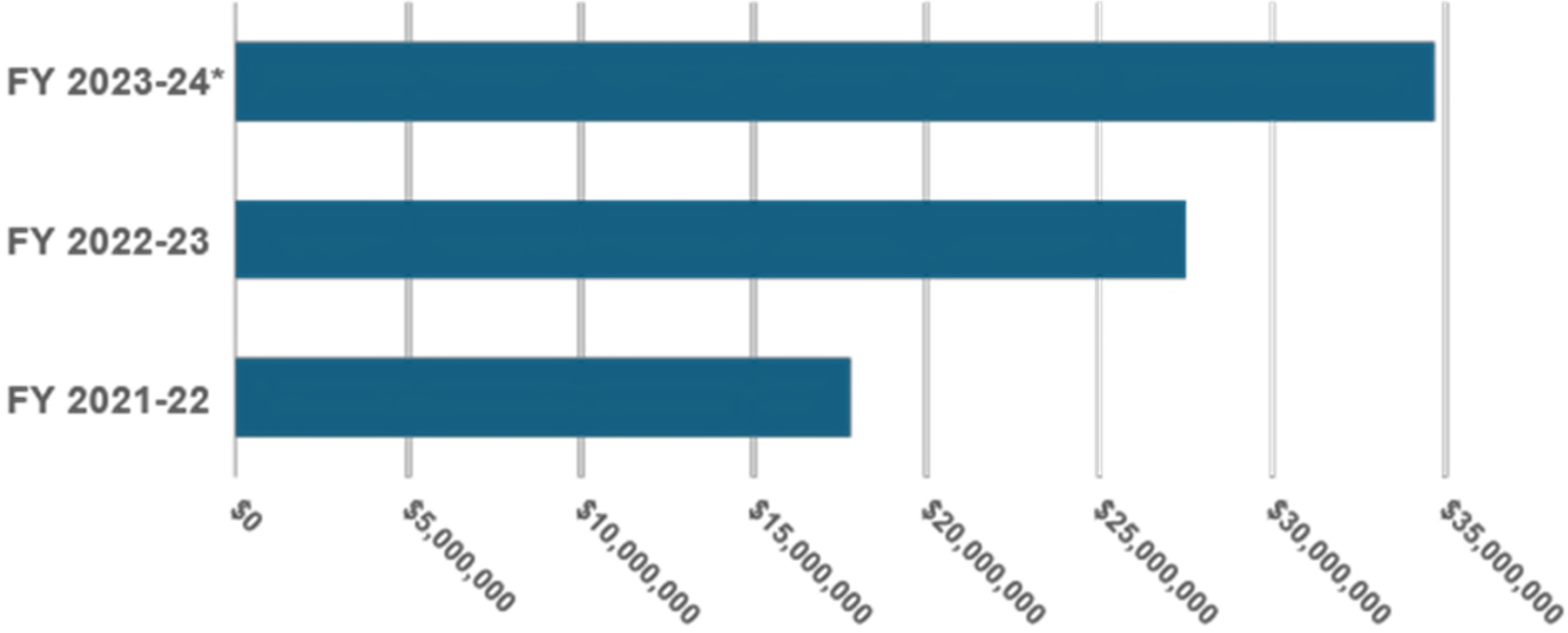


Severance Tax Perpetual Base Fund

Large revolving fund administered by the CO Water Conservation Board (CWCB) used for water projects loans and three water-related grant programs.

Managed as part of the CWCB's larger water projects funding portfolio.

Construction Fund and Severance Tax Perpetual Base Fund Interest Earnings (Treasury and Loans)



Interest is Revenue

Water Projects Loan Program

The Water Projects Loan Program was created along with the Construction Fund in 1971 with an original appropriation of \$10M. It was designed as a source of funding to match Federal Dollars that Coloradans were struggling to access.

In 1996 the Severance Tax Perpetual Base Fund was created and thereafter, severance tax revenues were drawn on to make loans.

The Water Projects Loan Program now makes \$40M to \$50M in loans each year.



**Loan Program Project Highlight:
South Platte Diversion Structures**

Loan Program Project Highlight: Arkansas Valley Conduit



Water Supply Reserve Fund Grant Program

The 9 Basin Roundtables were established in 2005 by the Colorado Water for the 21st Century Act. The Roundtables represent each for the State's eight major river basins and the Denver Metro area.

The Water Supply Reserve Fund was created one year later, in 2006. The Water Supply Reserve Fund established a mechanism for the Roundtables to recommend grants based on local knowledge and conditions.



**WSRF Project Highlight:
Crawford Clipper Ditch
Improvements**

Other Funding Programs

- Projects Bill Grants
- Turf Replacement Program
- Colorado Watershed Restoration Program
- Local Capacity
- Technical Assistance
- Flood and Drought Response Fund
- Weather Modification Program
- Agricultural Emergency Drought Response

50 PARTNER ACTIONS

EXAMPLES OF LOCAL WATER PROJECTS & INITIATIVES



CONSERVATION
& LAND USE



ENGAGEMENT
& INNOVATION



AGRICULTURE



WATERSHED HEALTH
& RECREATION



WATER STORAGE
& SUPPLY

50 AGENCY ACTIONS

AGENCY ACTIONS CWCB + SUPPORTING AGENCIES WILL TAKE

Questions?

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