JOINT BUDGET COMMITTEE

STAFF BUDGET BALANCING
FY 2020-21

DEPARTMENT OF NATURAL RESOURCES

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

PREPARED BY:
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APRIL 21, 2020

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CONTENTS

HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document includes additional options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

The appendices have been included provide the Committee with additional context for staff recommendations and balancing options.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF NATURAL RESOURCES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
SB 19-207 (Long Bill)	$307,613,503	$33,464,597	$239,942,706	$7,523,560	$26,682,640	1,489.9
Other legislation	30,206,010	10,000,000	20,206,010	0	0	6.0
HB 20-1253 (Supplemental Bill)	83,710	73,636	83,710	0	(73,636)	0.0
TOTAL	**$337,903,223**	**$43,538,233**	**$260,232,426**	**$7,523,560**	**$26,609,004**	**1,495.9**
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	$337,903,223	$43,538,233	$260,232,426	$7,523,560	$26,609,004	1,495.9
Centrally appropriated line items	5,996,922	766,251	4,827,687	223,455	179,529	0.0
BA1 Increase funding for oil and gas studies	420,000	0	420,000	0	0	0.0
Non-prioritized decision items	400,125	55,367	324,181	19,212	1,365	0.0
Technical adjustments	313,118	0	163,118	0	150,000	1.0
R2 Staff for avalanche center	287,497	0	287,497	0	0	3.0
R4 Accounting and procurement staff	238,172	0	0	238,172	0	3.0
R6 CPW legal services	191,592	0	191,592	0	0	0.0
R1 Electronic oil and gas filing system	147,840	0	147,840	0	0	0.0
R7 Water conservation specialist	98,112	0	98,112	0	0	1.0
R3 South Platte River water accounting coordinator	74,101	74,101	0	0	0	1.0
R11 Vehicle for water commissioner	6,208	6,208	0	0	0	0.0
BA2 Project development and support for water plan grants	0	0	0	0	0	0.0
R5 True-up orphaned well and emergency spending authority	0	0	0	0	0	0.0
R8 Watershed and flood protection specialist	0	0	0	0	0	1.0
R9 Optimize inactive mines program spending authority	0	0	0	0	0	0.0
Annualize prior year legislation	(27,661,900)	(9,925,719)	(17,771,346)	19,133	16,032	7.0
Annualize prior year budget actions	(1,099,439)	(1,165)	(1,097,529)	0	(745)	1.0
Indirect cost assessment	(295,091)	750,241	(243,114)	(750,241)	(51,977)	0.0
R10 True-up coal program spending authority	(164,500)	0	(34,545)	0	(129,955)	(1.0)
Subtotal-JBC action as of 3/16/20	**$316,855,980**	**$35,263,517**	**$247,545,919**	**$7,273,291**	**$26,773,253**	**1,512.9**
Re-recommend approval of R5 Reduce orphaned well spending authority	(1,761,000)	0	(1,761,000)	0	0	0.0
Postpone annualization of S.B. 19-181	(1,003,782)	0	(1,003,782)	0	0	(7.0)
Reverse BA1 Increase funding for oil and gas studies	(420,000)	0	(420,000)	0	0	0.0
TOTAL	**$313,671,198**	**$35,263,517**	**$244,361,137**	**$7,273,291**	**$26,773,253**	**1,505.9**
INCREASE/(DECREASE)	**($24,232,025)**	**($8,274,716)**	**($15,871,289)**	**($250,269)**	**$164,249**	**10.0**
Percentage Change	(7.2%)	(19.0%)	(6.1%)	(3.3%)	0.6%	0.7%

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in recommendations addressing statewide changes to common policy.

➔ RE-RECOMMEND APPROVAL OF R5 REDUCE ORPHANED WELL SPENDING AUTHORITY

JBC ANALYST: Alfredo Kemm

JBC ACTION AS OF 3/16/20: The Committee denied the Department's request for a $1.8 million cash funds decrease from the Oil and Gas Conservation and Environmental Response Fund. The request proposes a $1.2 million decrease to the Plugging and Reclaiming Abandoned Wells line item (Orphaned Well Program) and a $0.6 million decrease to the Emergency Response line item.

RECOMMENDATION: Staff recommends that the Committee reconsider its prior action and approve the request.

ANALYSIS:
It is unclear how reduced severance tax revenue may affect funding for the Department in FY 2020-21 and future years. Additional savings generated by approval of this request item will improve fiscal sustainability for programs funded with severance tax revenue. The following is the write-up included in the staff figure setting document.

The Department states that the request is intended to align spending authority more closely with the programs' historical expenditures rather than to curtail program operations or diminish the OGCC's ability to respond to emergencies. The request is equal to an 8.75 percent decrease in the overall OGCC program budget.

ORPHANED WELL PROGRAM
Funding for the orphaned well program is used to plug and reclaim orphaned wells in locations for which there is no known responsible party or the responsible party is unwilling or unable to conduct the work. Funding for the orphaned well program increased from $445,000 to $5,011,000 in FY 2018-19 through a JBC budget decision which included two-year spending authority.

The large increase in funding required a complete overhaul of program processes and management. The need for substantial change was reinforced by Governor Hickenlooper's Executive Order D2018-12, which set a deadline for plugging all medium and high priority orphaned wells by July 1, 2023 and requires the OGCC to establish a process for operators to voluntarily plug wells and seek reimbursement.

Hiring staff, developing new processes, and preparing bids for multi-well projects slowed spending in the first half of FY 2018-19. Consequently, only $1.3 million of the $5.0 million appropriation was spent by the end of FY 2018-19. This left $3.7 million available to roll into FY 2019-20 given the two-year spending authority, providing $8.7 million of spending authority in the current year. The current estimate for spending in the current year is $4 million, leaving $4.7 million of the $5.0 million FY 2019-20 appropriation to roll forward into FY 2020-21, providing $9.7 million in the next fiscal year.

The following table outlines the five-year sustainability projection for this appropriation.

OGCC ORPHANED WELL PROGRAM - 5-YEAR APPROPRIATION SUSTAINABILITY PROJECTION							
	Actual FY18-19	Estimate FY19-20	Requested FY20-21	Forecast FY21-22	Forecast FY22-23	Forecast FY23-24	Forecast FY24-25
Annual Appropriation	$5,011,000	$5,011,000	$3,850,000	$3,850,000	$3,850,000	$3,850,000	$3,850,000
Roll Forward Spending Authority	0	3,650,352	4,661,352	3,761,352	2,861,352	1,961,352	1,061,352
Total Spending Authority	**$5,011,000**	**$8,661,352**	**$8,511,352**	**$7,611,352**	**$6,711,352**	**$5,811,352**	**$4,911,352**
OGCC-OWP Expenditures	($1,360,648)	($4,000,000)	($4,000,000)	($4,000,000)	($4,000,000)	($4,000,000)	($4,000,000)
Industry Reimbursements	0	0	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
Spending Authority Balance	$3,650,352	$4,661,352	$3,761,352	$2,861,352	$1,961,352	$1,061,352	$161,352

The Department states that aligning spending authority more closely with historical expenses helps cash fund management and contributes to a more efficient use of resources. Staff agrees.

While there has been exceptional and well-founded concern for addressing orphaned wells generally by policymakers, from staff's perspective the Department and OGCC appear to be fully attending to this responsibility and have identified spending authority that is likely to revert.

Based on the Department's actual spending experience and five-year sustainability projections, staff recommends that the Committee approve this portion of the request.

EMERGENCY RESPONSE

The purpose of the Emergency Response line item is to fund the investigation, prevention, monitoring, and mitigation of circumstances caused by or that are alleged to be associated with oil and gas activities and that call for immediate action by the OGCC. This line item was added in FY 2006-07 and was originally funded at $1.5 million. The appropriation was reduced to $1.0 million in FY 2011-12 and to $750,000 in FY 2016-17.

Average annual spending from this line item has been $112,536 since it was added in FY 2006-07. The Department states that most expenditures were related to orphaned wells. With the orphaned well program sufficiently funded, the Emergency Response line item does not need to be funded at $750,000. The Department states that in the event the full cost of an emergency exceeds the requested $150,000 appropriation, an emergency supplemental would be requested. The following table outlines actual expenditures for this line item since inception.

Emergency Response Actual Expenditures			
FY 2006-07	$71,904	FY 2013-14	0
FY 2007-08	344,678	FY 2014-15	0
FY 2008-09	0	FY 2015-16	14,338
FY 2009-10	0	FY 2016-17	0
FY 2010-11	17,236	FY 2017-18	750,000
FY 2011-12	264,817	FY 2018-19	0
FY 2012-13	0	**Annual Average**	**$112,536**

Based on the historical expenditures from this line item and the available resources in the orphaned well program, staff recommends that the Committee approve this portion of the request.

➔ POSTPONE ANNUALIZATION OF S.B. 19-181

JBC ANALYST: Alfredo Kemm

JBC ACTION AS OF 3/16/20: The Committee approved the annualization of S.B. 19-181 in Department figure setting. The annualization includes $1,003,782 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 7.0 FTE.

RECOMMENDATION: Staff recommends that the Committee approve postponement of the FY 2020-21 annualization to FY 2021-22.

ANALYSIS:
It is unclear how reduced severance tax revenue may affect funding for the Department in FY 2020-21 and future years. At this time staff recommends that consideration of additional resources for this purpose be delayed and the Department's request be denied for FY 2020-21.

This annualization is included in a bill. Staff is unclear whether delaying the fiscal impact from a bill may be delayed through a budget action only, or whether this would require legislation.

In response to this proposal the Department states:

> *Under current law, it is not possible to postpone the implementation of the professional commission required by S.B. 19-181 or the annualization needed to cover the associated costs. S.B. 19-181 requires a conversion to a full-time professional commission be effective July 1, 2020 (Section 34-60-104.3 (5), C.R.S.). The annualization of S.B. 19-181 reflects the minimum cost of implementing this requirement, as identified in the fiscal note analysis. Without the annualization of S.B. 19-181, OGCC would not have the resources to support professional commissioners and would be left without any functioning Commission. This would also preclude COGCC from adopting regulatory changes required by S.B. 19-181. COGCC has spent months preparing for the transition to a professional commission and has already invested significant resources and staff time in advance of the July 1 deadline. COGCC has begun the process of interviewing candidates for the professional commission and has started to coordinate commission work with the Attorney General's Office. COGCC has also already amended its leased space contract and nearly completed the construction required to accommodate the professional commissioners and administrative staff at its Denver office. The COGCC will begin paying rent on that space as soon as the work is substantially completed. COGCC staff have conducted numerous hearings in areas impacted most by oil and gas, like the Western Slope, Northern Metro Denver, and Weld County. COGCC has also coordinated multiple stakeholder meetings with industry, the conservation community, homeowners, and local governments to explain the process and timeline for implementation of S.B. 19-181. Without a professional commission, COGCC cannot regulate oil and gas operations in the state of Colorado, which would also preclude implementing the critical regulatory changes directed by S.B. 19-181. There is no provision in law to allow for the extension of the volunteer commission beyond June 30, 2020. If implementation of the professional commission is delayed, a potentially lengthy void in oil and gas oversight could occur.*

➔ REVERSE BA1 INCREASE FUNDING FOR OIL AND GAS STUDIES

JBC ANALYST: Alfredo Kemm

JBC ACTION AS OF 3/16/20: The Committee approved the Department's request for an increase of $420,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund for FY 2020-21.

RECOMMENDATION: Staff recommends that the Committee deny the request at this time.

ANALYSIS:
Staff originally recommended approval of the Department's FY 2020-21 request for additional studies related to responsibilities included in S.B. 19-181. This would have allowed the Department to move forward on additional studies in anticipation of specific needs of the new Oil and Gas Conservation Commission.

In response to this recommendation, the Department states:

> *COGCC anticipates that the Commissioners will require guidance from additional studies to carry out their duties effectively through the implementation of multiple rulemakings required by S.B. 19-181. These studies will be an important rulemaking tool and need to be iterative and ongoing to inform future policy decisions by the Professional Commissioners. The reversal of BA-01 would reduce available spending authority to conduct the studies in support of the implementation of S.B. 19-181. The COGCC will continue to evaluate expenditures in accordance with available and projected mill levy revenue throughout FY 2020-21.*

Staff generally concurs with the Department's response relative to the reason for the request and is the reason staff originally recommended approval of the request. However, the request was envisioned and submitted at a time when there appeared to be more confidence in projections for near-future severance tax revenues. That situation has turned 180 degrees and the global oil market has continued its price decline.

It is unclear how reduced severance tax revenue may affect funding for the Department in FY 2020-21 and future years. At this time staff recommends that consideration of additional resources for this purpose be delayed and the Department's request be denied for FY 2020-21.

ⓘ KERR-MCGEE FINE SETTLEMENT FUNDS

A statement from the Department suggests that funds from the Kerr-McGee fine settlement are segregated and restricted for specific purposes identified in the settlement. The Department's response documents are included in Appendix A.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

10.0-20.0 PERCENT REDUCTION SCENARIO

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0 to 20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

ADDITIONAL BUDGET BALANCING OPTIONS					
FY 2020-21	BILL? Y/N	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Transfer from Severance Tax Perpetual Base Fund to General Fund (59.3% of balance)	Y	$25,300,000	$0	$25,300,000	0.0
Transfer from CWCB Construction Fund to General Fund (20.1% of balance)	Y	$10,000,000	$0	$10,000,000	0.0
Transfers from various cash funds	Y	TBD	$0	TBD	0.0
Increase Cash Fund Revenue Division of Water Resources	Y	TBD	TBD	TBD	0.0

➔ TRANSFERS FROM SEVERANCE TAX PERPETUAL BASE FUND AND CWCB CONSTRUCTION FUND TO GENERAL FUND

JBC ANALYST: Justin Brakke

JBC ACTION AS OF 3/16/20: None

OPTIONS: Transfer approximately $25.3 million (59.3 percent) of the FY 2020-21 balance of the Severance Tax Perpetual Base Fund to the General Fund. Transfer $10.0 million (25.0) percent of the FY 2020-21 balance of the Colorado Water Conservation Board (CWCB) Construction Fund to the General Fund. **Transfers in these amounts would offset the Department's total approved General Fund appropriation of $35.3 million in FY 2020-21. Transfers totaling $25.0 million would offset total General Fund appropriations for the Division of Water Resources.**

ANALYSIS:

Key Consideration: Statutory change required.

The Severance Tax Perpetual Base (STPB) Fund and the CWCB Construction Fund support the development and conservation of the State's water resources. The Department views these funds as a collective investment portfolio that produces approximately $20.0 million annually in interest earnings. Both are administered by the CWCB.

When considering potential transfers from these funds, the Committee should be aware of two things. First, both funds are part of the TABOR Emergency Reserve in FY 2019-20; each contributes $33.0 million to that reserve. Transfers from these funds in FY 2020-21 would reduce or eliminate their ability to contribute to the FY 2020-21 TABOR Emergency Reserve. Second, if the Committee decides that transfers from these funds are necessary, it should prioritize transfers from the STPB ahead of the CWCB Construction Fund; the Construction Fund is the primary source of support for CWCB operations and the Long Bill appropriations that support them.

SEVERANCE TAX PERPETUAL BASE FUND

- FY 2020-21 estimated *net cash assets* (year-end): $227.3 million
- FY 2020-21 estimated *net cash assets minus loan obligations* (year-end): $42.7 million

The following table shows cash flow for the fund. Estimated Severance Tax revenue from FY 20 to FY 22 reflects the March 2020 revenue forecast by Legislative Council Staff.

SEVERANCE TAX PERPETUAL BASE FUND					
CASH FLOW	FY 17-18 ACTUAL	FY 18-19 ACTUAL	FY 19-20 ESTIMATED	FY 20-21 ESTIMATED	FY 21-22 ESTIMATED
Revenue	**$70,303,748**	**$69,874,653**	**$41,402,250**	**$18,747,738**	**$21,175,223**
Severance Tax Revenue	33,106,715	60,431,541	33,270,584	9,350,457	11,177,941
Loan and Treasury Interest	7,197,033	9,443,113	8,131,666	9,397,281	9,397,281
Transfer from Loan Guarantee Fund	30,000,000	0	0	0	0
Expenses (e.g. transfers to other funds)	**$90,625,000**	**$20,000,000**	**$11,030,814**	**$11,030,814**	**$1,030,814**
Loans (not added to expenses)	**65,750,521**	**107,903,527**	**45,971,448**	**94,295,731**	**57,697,371**
Outflow to existing loans	39,607,075	24,089,658	15,971,448	18,075,731	27,697,371
New Loans	26,143,446	31,138,485	30,000,000	30,000,000	30,000,000
Arkansas River and Wildhorse Creek Levees	0	17,000,000	0	0	0
Increase in loan authority for Chatfield Reservoir	0	35,675,384	0	0	0
Arkansas Valley Conduit	0	0	0	46,220,000	0
Ending FY balance without transfer	**$77,468,577**	**$101,363,647**	**$114,236,353**	**$42,679,403**	**$42,074,808**
Balancing transfer option	0	0	0	25,300,000	0
Ending FY balance after transfer	**$77,468,577**	**$101,363,647**	**$114,236,353**	**$17,449,403**	**$16,844,808**
Fund balance without transfer=A-(B+C)	**$77,468,577**	**$101,363,647**	**$114,236,353**	**$42,679,403**	**$42,074,808**
A) Net Cash Assets	225,765,814	207,839,966	228,436,353	227,328,543	229,026,577
B) Encumbrances	148,297,237	106,476,319	45,300,000	184,649,140	186,951,769
C) Loan Obligations			68,900,000		

How much is available to be transferred from the Perpetual Base Fund in FY 2020-21?

If the General Assembly wants to make a transfer without impacting existing and new loan obligations in FY 2020-21, it should use the $42.7 million balance listed in the preceding table as the starting point for its decisions. A $25.3 million transfer from the Fund would reduce funds available for water project loans in future years, but would not impact funds that: (A) have been obligated for FY 2020-21, or (B) are likely to be obligated for FY 2020-21.

The General Assembly could also use "net cash assets," or $227.3 million, as a starting point. This figure represents the amount of money that can technically be transferred from the fund. However, a year-end transfer in excess of $42.7 million would likely impact loans that have been approved by the CWCB Board, but are not yet encumbered for distribution. Approved loans are considered "loan obligations."

What is the difference between a loan obligation and an encumbrance?

A loan obligation is a loan that has been approved but it is not formally designated (or encumbered) for distribution. A loan obligation graduates to an encumbrance when the contract is signed. Loan obligations are not reflected in the fund's net cash assets because those loans remain technically unencumbered. Staff is working with the Department to specify the fund's loan obligations in FY 2020-21. The table below shows the fund's FY 2019-20 loan obligations as of April 20, 2020.

SEVERANCE TAX PERPETUAL BASE FUND LOAN OBLIGATIONS, APRIL 2020		
BORROWER NAME	PROJECT NAME	AMOUNT AUTHORIZED
GMS Subdistrict of Centrals	Hokestra Reservoir Purchase & Improvements	$5,390,500
Schneider Ditch Company	Diversion Structure Replacement	1,233,000
Central Colorado Water Conservancy District	Pioneer Reservoir	8,611,000
Logan Irrigation District	Prewitt Reservoir Dredging	1,831,000
Florida Consolidated Ditch Company	Florida Hess Lateral Improvement	1,075,000
Southeastern Colorado Water Conservancy District	Arkansas Valley Conduit	43,780,461
	Total	**$61,920,961**

What constitutes the $76.2 million in new loans for FY 2020-21?

The CWCB uses $30.0 million as an estimate for new loans in current and future fiscal years. This number is based on long-term averages for the fund. The other $46.2 million reflects an increase in the loan for the Arkansas Valley Conduit Project, bringing the total obligation for the project to about $100.0 million. The $46.2 million increase will require legislative approval in the 2020 CWCB projects bill.[1]

What is the impact of a $25.3 million transfer from the fund on water projects?

According to the Department, long-term impacts include: (1) a reduction in funding available to advance the Colorado Water Plan, and (2) a reduction in funding available for future low-interest water project loans.[2]

What is the impact of a $25.3 million transfer from the fund on interest revenue for the fund?

Based on information provided by the Department, staff estimates that a $25.3 million transfer would reduce interest earnings for the fund by approximately $720,000 annually.

How does the March 2020 economic forecast for Severance Tax revenue affect the future balance of the fund?

The table below shows the change in expected revenue for the fund according to Legislative Council's September 2019 and March 2020 economic forecasts.

SEVERANCE TAX REVENUES FOR PERPETUAL BASE FUND			
LCS FORECAST	FY 20	FY 21	FY 22
September 2019	$34,367,503	$25,250,540	$33,931,367
March 2020	33,270,584	9,350,457	11,777,941
March Forecast-Increase/(Decrease)	**($1,096,919)**	**($15,900,083)**	**($22,153,426)**

CWCB CONSTRUCTION FUND

- FY 2020-21 estimated *net cash assets* (year-end): $226.9 million
- FY 2020-21 estimated *net cash assets, minus loan obligations* (year-end): $48.0 million

The following table shows cash flow for the fund. Estimated federal mineral lease revenue from FY 20 to FY 22 reflects the March 2020 revenue forecast by Legislative Council Staff.

[1] For more information about the project, visit the Southeastern Colorado Water Conservancy District website: https://www.secwcd.org/content/arkansas-valley-conduit

[2] To see a full list of the Plan's goals, see pages 14-17 of the Plan's Executive Summary (link).

CWCB CONSTRUCTION FUND					
CASH FLOW	FY 17-18 ACTUAL	FY 18-19 ACTUAL	FY 19-20 ESTIMATED	FY 20-21 ESTIMATED	FY 21-22 ESTIMATED
Revenue	**$97,851,912**	**$43,219,585**	**$37,944,441**	**$37,267,243**	**$28,733,643**
Federal mineral lease distribution	8,576,056	11,140,797	8,070,324	8,976,137	10,152,141
Loan and treasury interest	11,367,433	12,739,432	13,161,253	12,284,670	12,575,066
Other revenue (includes transfers from STPBF)	77,908,423	19,339,174	16,712,864	16,006,436	6,006,436
Principal from loans (not added to revenue)	22,488,402	11,774,094	8,792,494	13,270,165	14,412,537
Expenses (includes CWCB projects bills, grants, and transfers to other funds)	**$72,768,614**	**$20,894,542**	**$70,039,740**	**$49,570,354**	**$46,230,354**
Long bill line items	11,303,206	11,827,486	13,112,067	13,390,354	13,390,354
Loans (not added to expenses)	**31,283,558**	**36,187,187**	**45,242,199**	**46,359,287**	**46,359,287**
Outflow to existing loans	11,989,198	18,895,187	20,242,199	21,359,287	21,359,287
New Loans	19,294,360	17,292,000	25,000,000	33,160,800	25,000,000
Ending FY balance without transfer	**$148,038,901**	**$111,847,574**	**$63,682,277**	**$47,990,129**	**$19,905,954**
Balancing transfer option	0	0	0	10,000,000	0
Ending FY balance after transfer	**$148,038,901**	**$111,847,574**	**$63,682,277**	**$37,990,129**	**$9,905,954**
Fund balance without transfer=A-(B+C)	**$148,038,901**	**$111,847,664**	**$62,145,918**	**$47,990,130**	**$19,905,954**
A) Net Cash Assets	311,423,591	285,601,547	247,312,196	226,919,962	202,476,500
B) Encumbrances	163,384,690	173,753,883	92,544,278	178,929,832	182,570,546
C) Loan Obligations			92,622,000		

How much is available to be transferred from the Construction Fund in FY 2020-21?

If the General Assembly wants to make a transfer without impacting the CWCB's operations and loan obligations—both existing and new—for FY 2020-21, it should use the $48.0 million balance listed in the preceding table as the starting point for its decisions. A $10.0 million transfer from the Fund would reduce funds available for water loans and grants in future years, but would not impact CWCB operations and funds that: (A) Have been obligated for FY 2020-21, or (B) Are likely to be obligated for FY 2020-21.

The General Assembly could also use "net cash assets," or $226.9 million, as the starting point. This figure represents the amount of money that can technically be transferred from the fund. However, a year-end transfer in excess of $48.0 million would likely impact loans that have been approved by the CWCB Board (loan obligations), but are not yet encumbered for distribution. Staff is working with the Department to specify the fund's loan obligations in FY 2020-21. The table below shows the fund's FY 2019-20 loan obligations as of April 20, 2020.

CWCB CONSTRUCTION FUND APPROVED LOAN OBLIGATIONS, APRIL 2020		
BORROWER NAME	PROJECT NAME	AMOUNT AUTHORIZED
Taylor & Gill Ditch Company	Ditch Piping	$125,000
Town of South Fork	Augmentation Water Purchase	440,000
Highland Meadow Estates	Noecker Reservoir Repair	649,000
Deul and Snyder Improvement Company	Diversion Structure Replacement	643,000
Northern Colorado Water	Windy Gap Firming	90,000,000
Left Hand Ditch	Allen's Lake - Increase	765,000
	Total	**$92,622,000**

What constitutes the $33.2 million in new loans for FY 2020-21?
The CWCB uses $25.0 million as an estimate for new loans in current and future fiscal years. This number is based on long-term averages. The remaining $8.3 million reflects an approved loan for the Tunnel Water Company.

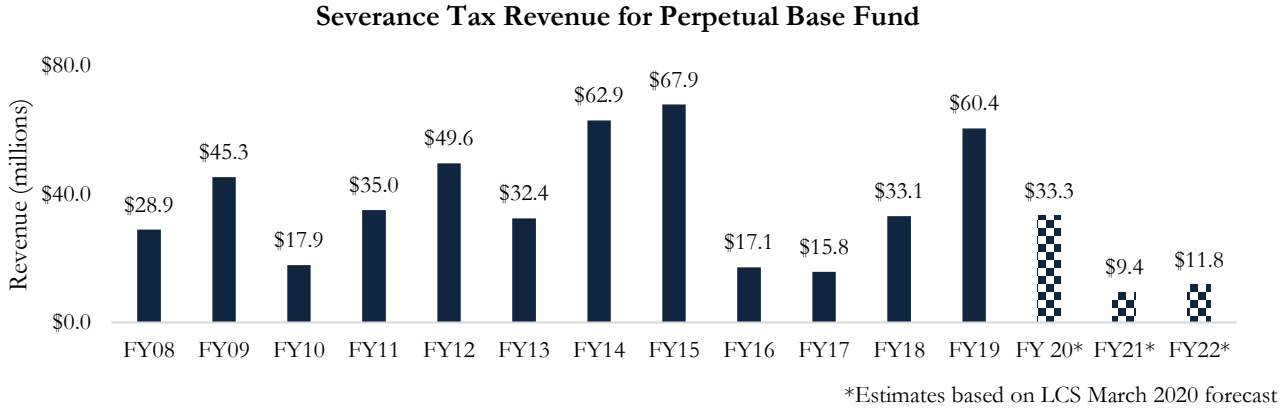
What is the impact of a $10.0 million transfer from the fund on water projects?
A $10.0 million transfer from the fund reduces the CWCB's ability to provide low-interest loans and support various grant programs by that amount, plus the interest that the loans would accrue. Grant programs supported by the fund include: the Water Plan Grant Program, Water Supply Reserve Fund Grant Program, Alternative Transfer Methods Grant Program, and the Colorado Watershed Restoration Grant Program. A reduction in the balance of the fund also reduces the amount that the fund can contribute to the TABOR Emergency Reserve.

What is the impact of a $10.0 million transfer from the fund on interest revenue from the fund?
Based on information provided by the Department, staff estimates that a $10.0 million transfer would reduce interest earnings for the fund by approximately $333,000 annually.

Additional Background:
From FY 09 to FY 12, the General Assembly transferred a total of $163.1 million from the Severance Tax Perpetual Base Fund to the General Fund; it also transferred a total of $10.25 million from the CWCB Construction Fund. The table below shows these transfers and the years in which they occurred. The transfers were made possible by the following bills: S.B. 09-208, S.B. 09-279, H.B. 10-1327, H.B. 10-1388, S.B. 11-164, and S.B. 11-226.

TRANSFERS TO GENERAL FUND FROM FY 09 TO FY 12					
FUND NAME	FY 09	FY 10	FY 11	FY 12	TOTAL
CWCB Construction Fund	$10,250,000	$0	$0	$0	$10,250,000
Severance Tax Perpetual Base Fund	35,000,000	64,000,000	16,000,000	48,100,000	163,100,000
Total	**$45,250,000**	**$64,000,000**	**$16,000,000**	**$48,100,000**	**$173,350,000**

Thanks to large increases in Severance Tax revenues between FY 2013 and FY 2015, the Perpetual Base Fund regained what was transferred out of the fund between FY 09 and FY 12. Severance Tax revenues to the fund totaled $163.2 million between FY 2013 and FY 2015. The graph below shows Severance Tax revenues since FY 08. Current projections for FY 21 and FY 22 would be the lowest revenue for the fund in that time period.



➔ TRANSFERS FROM VARIOUS CASH FUNDS

JBC ANALYST: Justin Brakke

JBC ACTION AS OF 3/16/20: None

OPTION: Transfer a portion of the balances of one or more DNR cash funds to the General Fund.

ANALYSIS:

Key Consideration: Statutory change required.

The following table shows additional cash funds that the Committee may consider for transfers to the General Fund. Staff included funds with estimated ending net cash asset balances exceeding $1.0 million in FY 2020-21. Staff excluded wildlife-related cash funds because the State has assented to federal legislation that prohibits the diversion of wildlife-related fee revenue for any other purpose than wildlife and the administration of the Division of Parks and Wildlife.

SELECTED DNR CASH FUND BALANCES, FY 2020-21

FUND	FY 21 ESTIMATED ENDING NET CASH ASSETS	FEE REVENUE (Y/N)
Species Conservation Trust Fund	$18,687,358	N
Off-highway Vehicle Recreation Fund	17,915,600	Y
Aquatic Nuisance Species Fund	6,570,369	Y
Parks and Outdoor Recreation Emergency Reserve Fund	3,768,935	Y
Parks and Outdoor Recreation Cash Fund	1,761,875 - 2,343,911	Y
Snowmobile Recreation Fund	1,490,340	Y
Total	**$50,194,477 - 50,776,513**	

Species Conservation Trust Fund
Primary Revenue Source: Severance Tax Operational Fund

Fund Purpose: Species Conservation Trust Fund (SCTF) funds are used by Colorado Parks and Wildlife (CPW) and the Colorado Water Conservation Board (CWCB) until fully expended to support multi-year projects. Because of this, the SCTF fund balance reflects multiple years of appropriations available for use during a given fiscal year.

Impact of 50.0% Transfer: According to the Department, the $18,687,358 net cash asset balance does not represent truly unobligated cash that could be transferred out of the fund quickly or easily. A significant portion of what appears to be unutilized fund balance is in fact appropriated and obligated for multi-year contracts or otherwise committed to these long-term projects. A 50 percent reduction to SCTF funding would have significant impacts on CPW and CWCB programs, both in the short- and long-term. For a full explanation of these impacts, see Appendix B.

Off-Highway Vehicle Recreation Fund
Primary Revenue Source(s): Fees collected from the registration of off-highway vehicles and fees collected from the sale of off-highway use permits.

Fund Purpose: The fund supports the Off-Highway Vehicle (OHV) Program, which is responsible for the administration of OHV registration and grants. The program provides promotes the availability of OHV recreational opportunities, and encourages safe and responsible use through brochures, news releases and other media. The program is also responsible for OHV safety awareness through the promulgation and enforcement of rules and regulations.

Impact of 50.0% Transfer: According to the Department, the fund appears to have a large balance, but much this balance is obligated for specific projects. As of April 2020, approximately $5.0 million of the balance has not been obligated as grants or operating funds. If 50.0 percent of the fund's net current assets, or approximately $9.0 million, was transferred to the General Fund, the fund would not have a balance sufficient to pay its outstanding grant and operating obligations. Leaving the fund without sufficient reserves to cover existing obligations would jeopardize OHV grant projects statewide, including capital equipment purchases, trail development, maintenance, and rehabilitation, and temporary staffing supporting these activities.

Parks and Outdoor Recreation Cash Fund
Primary Revenue Source(s): Fees and distributions from Great Outdoors Colorado (GOCO)

Fund Purpose: Primary expenditures from this fund consist of full-time and temporary staff supporting state park operations. The fund also supports capital improvements to state parks.

Impact of 50.0% Transfer: According to the Department, this fund is particularly sensitive to revenue shortfalls. The expected fund balance listed in the table on page 7 is approximately 25.0 percent of what was expected when the Department submitted its budget request in November 2019.

CPW expects to spend approximately $79.4 million from the fund in FY 2020-21, which equates to approximately $1.5 million per week. If 50.0 percent of the net current assets were transferred out of the fund, this would leave CPW with $0.9M - $1.2M, which is less than one week of operating expenses. If the current economic downturn had a larger impact on state parks operations than is expected, such a small safety margin may not cover the resulting shortfalls or force CPW to temporarily rely on the Parks and Outdoor Recreation Emergency Reserve Fund.

Parks and Outdoor Recreation Emergency Reserve Fund
Primary Revenue Source(s): Fees and distributions from Great Outdoors Colorado (GOCO). Each year the Department must transfer 1.0 percent of the total appropriation for the State Parks Operations line item to the fund.

Fund Purpose: Emergency reserve funding for state parks operations.

Impact of 50.0% Transfer: According to the Department, the current fund balance equates to approximately one-half of one month of Parks and Recreation Cash Fund expenditures. If 50.0 percent, or approximately $1.9 million, of the fund's balance was transferred out of the fund, state park operations will have little more than one week of expenditures held in reserve. Ideally, the fund balance could support 2 months of operations.

Aquatic Nuisance Species Fund
Primary Revenue Source(s): Fees and Severance Tax

Fund Purpose: The fund supports the State's efforts to stop the introduction of aquatic nuisance species (ANS) its waters. The program costs approximately $5.0 million to operate annually, $2.0 million of which is funded via ANS stamp sales.

Impact of 50.0% Transfer: According to the Department, the program maintains a small fund balance to help mitigate the unpredictability of Severance Tax funding from year to year. Based on the March 2020 Legislative Council Staff revenue forecasts, the ANS program will receive about half of its total authorized Severance Tax distribution in FY 2020-21, and none in the following two fiscal years. If 50 percent, or approximately $3.28M of the fund's net current assets were swept, CPW will have to scale back the program. A reduction in ANS program operations will result in fewer waters available for boaters in Colorado. In turn, this will result in a reduction in both ANS stamp revenue as fewer boaters elect to register their boats or purchase admission to visit the state parks.

Snowmobile Recreation Fund
Primary Revenue Source(s): Fees

Fund Purpose: The fund was created for the administration of the snowmobile registration program and enforcement of the statute regarding snowmobile usage. The fund is also used for the establishment and maintenance of snowmobile trails, vehicle parking areas, and facilities.

Impact of 50.0% Transfer: According to the Department, all but $200,000 of the fund balance is obligated for grants or operating costs as of April 2020. If 50.0 percent, or approximately $0.75 million of this fund was swept, the fund will not have a balance sufficient to pay its outstanding grant and operating obligations. Leaving the fund without sufficient reserves to cover existing obligations would jeopardize snowmobile grant projects statewide, including capital equipment maintenance and purchases and trail maintenance and improvements.

➔ INCREASE CASH FUND REVENUE IN THE DIVISION OF WATER RESOURCES

JBC ANALYST: Justin Brakke

JBC ACTION AS OF 3/16/20: None

OPTION: Increase fees in the Division of Water Resources to increase cash fund revenue. This cash fund revenue could be used as a substitute for General Fund appropriations.

ANALYSIS:

Key Considerations: Statutory change required, would facilitate refinancing.

Possible revenue impact in FY 2020-21: $3.0-3.5 million. This is an estimate and it does not account for economic conditions or the willingness or ability of potential applicants to pay increased fees.

In 2009, the JBC sponsored a bill (S.B. 09-216) to increase cash fund revenue in the Division of Water Resources. The introduced bill would have increased fees in the Division's Well Permitting Program. Specifically, it would have increased fees for well permitting applications, substitute water supply plan

applications, and dam design review. These fee increases would have generated about $800,000 cash fund revenue in FY 2009 and $2.4 million annually in FY 2010 and FY 2011. The bill aimed to use these cash funds to offset corresponding reductions in General Fund appropriations. The following table shows the fee increases proposed by the bill.

S.B. 09-216 FEE INCREASES (INTRODUCED BILL)		
FEE	FROM ($)	TO ($)
New well	$100	$665
Replacement well (exempt)	60	365
Replacement well (nonexempt)	100	665
Late registration of exempt well	100	365
Geothermal permits (new, change or expand existing)	480	665
Determine Denver basin ground water right	60	760
Well drilling extension	60	305
Substitute water supply plan	300	2,000
Replacement substitute plan	100	600
Review of dam plans	3 dollars for each $1,000 of estimated cost of structure with a maximum of $3,000	4% of first $100,000; 3% of the next $400,000; 2% of the next $500,000; 0.5% of the cost in excess of $1.0 million.

The bill passed through the Senate, but was laid over indefinitely on Second Reading in the House. By the time it was laid over, it had been amended to eliminate the $2.4 million cash fund revenue (and corresponding General Fund reductions) in FY 2010 and FY 2011.

Fee increases in the introduced version of S.B. 09-216 would have generated, on average, approximately $3.6 million annually in cash fund revenue for the Water Resources Cash Fund in FY 16, FY 17, and FY 19. This number was derived by multiplying the actual number of permits and applications in those years by fee increases proposed by the bill. The number excludes the small portion of those fees that would go to the Well Inspection Cash Fund. The following table shows hypothetical revenue for FY 2018-19.

HYPOTHETICAL CASH FUND REVENUE GENERATED BY S.B 09-216 FEE INCREASES IN FY 2018-19			
FEE	PROPOSED INCREASE TO WATER RESOURCES CASH FUND	NUMBER OF APPS, PERMITS, ETC.	TOTAL
New well	$545	5109	$2,784,405
Replacement well (exempt)	$285	390	$111,150
Replacement well (nonexempt)	$545	123	$67,035
Late registration of exempt well	$245	354	$86,730
Geothermal permits (new, change or expand existing)	$165	25	$4,125
Determine Denver basin ground water right	$680	260	$176,800
Well drilling extension	$245	161	$39,445
Substitute water supply plan	$1,700	148	$251,600
Replacement substitute plan	$500	27	$13,500
Review of dam plans			$128,500
Total			**$3,663,290**

APPENDIX A: KERR-MCGEE FINE

JBC Staff Question: Can these fine-settlement funds be used for other OGCC-related operations? Or are they segregated and restricted for purposes identified or related to the legal action and fine? What fund do these fines flow into? If it's an operating fund, can you send me a balance statement with a couple years of cash flow data?

These funds are segregated and restricted for specific purposes identified in the Kerr-McGee settlement and cannot be used to support general OGCC operations due to statutory limitations on the authorized use of penalty and fine revenue.

Per the settlement, Kerr-McGee was assessed a total penalty of $18.25 million which will be deposited in an escrow account that is established, maintained, and held in the name of Kerr-McGee. The funds must be used for the purposes contemplated in the settlement agreement, which was approved by the Colorado Oil and Gas Conservation Commission (COGCC) and supported by Erin Martinez, including the completion of public projects to improve public safety and payment of a $1.0 million penalty to COGCC. Please see Attachment A for a list of the public projects and other proscribed uses of settlement funds.

The settlement agreement proscribes approximately $8.7 million in initial public projects. Project funds will be allocated directly from the Kerr-McGee escrow account and will not flow into COGCC's main operating cash fund. The agreement also directs $1.0 million to the COGCC on July 1, 2020. Like all penalty and fine revenue, this funding will be allocated to the Environmental Response Account (Account) within the Oil and Gas Conservation and Environmental Response Fund. Pursuant to 34-60-122(5)(b) C.R.S., COGCC may only spend Account funds on the investigation, prevention, monitoring, studying, or mitigating any conditions that cause or threaten to cause environmental impact from oil and gas operations. COGCC is specifically prohibited from spending Account funds on staffing, overhead, and enforcement.

The remaining escrowed amount may be used to fund additional public projects that aid the COGCC in fulfilling its mission to protect public health, safety, welfare, the environment, and wildlife resources. COGCC and Kerr-McGee must agree on additional public projects funded out of the escrow account. Any funds remaining in the escrow account on July 1, 2025, will be deposited as penalty revenue into the Environmental Response Account of the Oil and Gas Conservation and Environmental Response Fund.

Actual cash flows for the Oil and Gas Conservation and Environmental Response Fund are reflected in the Schedule 9 for the fund submitted November 1.

Breakdown of the Public Projects Identified in the Settlement Agreement between the Colorado Oil and Gas Conservation Commission (COGCC) and Kerr-McGee Oil & Gas Onshore LP.

a. Aerial Survey Project. Perform aerial surveys at least once per year for two years in the D-J Basin, which is part of the North Front Range ozone non-attainment area. Aerial surveys have the potential to identify and significantly reduce leaks from pipelines/flowlines, production pads, tanks, central gathering facilities, compressor stations. Identifying and resolving these leaks not only results in reduced exposure to organic compounds that can affect public health and emissions of ozone

precursors, it prevents the economic waste of the product. Kerr-McGee will contract for the aerial surveys with a third party of the COGCC's choosing, and pay for the surveys. The COGCC will also select the date of the survey and the area to be surveyed. Aerial surveys may also be expanded to other oil and gas basins in Colorado. **Estimated cost: $2,000,000**

b. Mobile Air Monitoring Van. Acquire a mobile air monitoring van to measure pollutants, and help determine and locate leaks. The van would be a supplement not only to CDPHE's CAMML, but also to APCD inspectors. This mobile air monitoring van would be driven past oil and gas facilities and operations, as well as near flowlines/pipelines. As the van detects leaks, measures are taken to specifically locate the leak and promptly notify the responsible operator. Kerr-McGee will purchase the van selected by the COGCC from a vendor selected by the COGCC and transfer ownership to the COGCC. **Estimated costs: $1,595,000 for the van, plus $250,000 per year for 2 years of operational expenses**

c. Intrinsically Safe Optical Gas Imaging Cameras. Currently CDPHE and COGCC use this specialized type of camera to visualize natural gas that is emitted at oil and gas facilities. These cameras can help in identifying leaks and equipment malfunctions that result in uncontrolled emissions. The cameras are nearing the end of their useful life and must be replaced. In addition there is new technology that allows the cameras to quantify (measure) the amount of gas emitted. Kerr-McGee will purchase 9 cameras from a vendor selected by the COGCC and transfer ownership of all 9 cameras to the COGCC. **Estimated costs: $1,100,000 for 9 cameras and related, necessary equipment**

d. Satellite and Remote Sensing Technology. Over the past two years, an E&E Lab Research Fellow (embedded at CDPHE) and the team of faculty and researchers at University of Chicago have been working closely with CDPHE to identify opportunities to leverage new technology and advanced analytics to improve air quality. The E&E Lab is developing machine learning models to help CDPHE improve effectiveness and efficiency of monitoring and inspections through better resource targeting. The E&E Lab is also supporting CDPHE in assessing opportunities emerging from advances in remote sensing (e.g., satellite, drone and aircraft-mounted sensors), which are poised to drastically lower the cost of emissions monitoring while improving measurement precision. The E&E Lab is working with CDPHE to create proofs-of-concept and develop policies to leverage state-of-the-art technology to help achieve emissions reductions; and to measure the impact and effectiveness of the technology-informed approach to enforcement. Kerr-McGee will fund two years of E&E Lab work, and make payment directly to E&E Lab. **Cost: $1,000,000 per year for two years of E&E Lab work**

e. Methane Emissions Technology Evaluation Center (METEC). With additional funding, METEC will help to develop and characterize leak detection technologies for flowlines (gas migration experiments in different soil types). **Cost: Kerr-McGee will donate $1,100,000 to METEC to help develop and characterize leak detection technologies for flowlines.**

f. Gas Detection and Metering Equipment. COGCC currently needs to update gas detection and metering equipment. This equipment will allow for more accurate detection and measurement of stray gas both in the soil and atmosphere. Kerr-McGee will purchase the equipment selected by the COGCC from a vendor selected by the COGCC and transfer ownership of the equipment to the COGCC. **Estimated cost: $300,000 for gas detection and metering equipment**

g. Remote Methane Leak Detectors. These machines are highly portable and capable of detecting small leaks in open areas, such as flowlines and pipelines. These can be used in conjunction with Optical Gas Imaging cameras to find and quantify emissions. These cameras would be deployed by COGCC flowline integrity inspectors on a regular basis. Kerr-McGee will purchase two remote methane leak detectors from a vendor selected by the COGCC and transfer ownership to the COGCC. **Estimated cost: $42,000 for leak detectors**

h. Legal Expense Reimbursement. Fredrick Firestone Fire Protection District incurred legal expenses related to the Firestone investigation and the National Transportation Safety Board process. This money would help defer those costs. **Cost: Kerr-McGee will transfer $50,000 directly to the Fredrick Firestone Fire Protection District for its legal expenses associated with the Incident**

i. Public Health, Safety, Welfare and Environment Projects. The monies remaining in the escrow account after payment of the OGCC penalty and funding of the Public Projects identified, which is **estimated $10,063,000** at may be used to fund additional Public Projects that would protect or otherwise aid the COGCC in fulfilling its mission to protect public health, safety, welfare, the environment, and wildlife resources.

APPENDIX B: SPECIES CONSERVATION TRUST FUND

The Department was asked about the impact of a 50.0 percent reduction in the balance of the Species Conservation Trust Fund. This is their full response. JBC staff lightly edited the formatting of the response, but did not alter the content.

Species Conservation Trust Fund (SCTF) funds are used by Colorado Parks and Wildlife (CPW) and the Colorado Water Conservation Board (CWCB) until fully expended to support multi-year projects. Because of this, the SCTF fund balance reflects multiple years of appropriations available for use during a given fiscal year. This is appropriate given the nature of the projects supported by SCTF funding – research projects lasting 3-5 years, habitat improvement projects that require multiple construction seasons, and long-term species and habitat monitoring projects, among others.

As such, the $18,687,358 Net Cash Asset balance for April 2020 does not represent truly unobligated cash that could be transferred out of the fund quickly or easily. A significant portion of what appears to be unutilized fund balance is in fact appropriated and obligated for multi-year contracts or otherwise committed to these long-term projects. A 50 percent reduction to SCTF funding would have significant impacts on CPW and CWCB programs, both in the short- and long-term.

Colorado Parks and Wildlife
Colorado Parks and Wildlife (CPW) funds more than 50 programs solely via SCTF, including terrestrial and aquatic habitat management, species conservation, and research and survey programs. CPW also uses SCTF funding as a match for over $450,000 in grants, supporting project costs that total in excess of $750,000. These grants support operating activities (e.g., Black-footed Ferret work) and capital projects (e.g., fish barriers to protect the greenback cutthroat trout).

The impact of a 50.0 percent reduction to SCTF funding depends on how the funding is used:

- SCTF-funded projects and activities would either be cancelled or delayed until future funding was available. Research projects, which often extend over 3-5 years, require consistent funding as any interruption in the data can render the work partially, if not totally, lost. The research would no longer be publishable or reliable. SCTF funding is used to support 37 species conservation activities and 2 Natural Areas programs supported by permanent staff. If the Division could not find other funding to replace SCTF funds, these programs would require downsizing.

- For SCTF funding used as a match to a grant, not only are the projects in jeopardy of being delayed or eliminated, but the grant funds themselves may be lost due to the grant expiring or work being prohibitively expensive when replacement funding is found.

- CPW is legally bound to landowner compliance with the Gunnison Sage Grouse under the Candidate Conservation Agreement with Assurances (CCAA) agreement between CPW and the federal Fish and Wildlife Service. The CCAA commitment is for $790,000. If the SCTF portion of these funds become unavailable, CPW would still be legally bound to do the monitoring work utilizing other funding.

Colorado Water Conservation Board

The Colorado Water Conservation Board (CWCB) has twelve projects in progress that are funded with SCTF funds, including:

- Endangered Species programs;
- Recovery agreements and programs with other states and the federal government; and
- Habitat, diversion, and channel improvements.

A 50.0 percent reduction to SCTF funds would cause existing projects to be cancelled, and delay or cancel planned projects. The loss of SCTF funds also could jeopardize potentially millions of dollars in federal matching funds. For example, the Grand Valley Power Plant Repair and Improvement Project allows water to flow through the plant to generate power and also provide a critical mechanism to protect and deliver water releases from upstream reservoirs to the river below the power plant. The stretch of the Colorado River below the power plant has been designated as critical habitat for four endangered fish species. SCTF funding helps leverage federal funding for the project by providing a cost share to a larger funding package including grants from the federal Upper Colorado River Endangered Fish Recovery Program and the Bureau of Reclamation. Failure to provide adequate SCTF funding will jeopardize a $1.5 million grant proposal that will be submitted later this year.

The cancelation or delay of projects could also jeopardize CWCB compliance with federal mandates. As an example, the Platte River Recovery Implementation Program helps CWCB protect Endangered Species Act compliance in the South Platte basin, and supports the recovery of four threatened and endangered bird and fish species. Colorado's total cost share contribution between 2020 and 2032 is projected to be $24,900,000 in SCTF funding. Without this SCTF funding, CWCB might not receive vital federal and non-federal partner funding to help complete the project and maintain ESA compliance.

Other impacts of canceled or delayed projects include:

- Loss of vital habitat for endangered fish and other species
- Impacts to fish and riparian species that are not currently listed as endangered
- Impacts to joint projects being completed by CWCB and other state and federal partners
- Delays to irrigation improvement projects and a reduction in the competitiveness of Colorado irrigation projects when competing for federal funding
- Reduction in water quality to downstream water users, which in turn can have negative economic impacts on agricultural crops and municipal water treatment systems

APPENDIX C: UPDATES TO FY 2020-21 FTE REQUESTS

This appendix contains information provided by the Department regarding new FTE that were requested by the Department and approved by the JBC for FY 2020-21.

Outstanding FTE Requests
Given the rapidly changing economic conditions, the administration is currently evaluating options to address expected declines in revenue, including reconsidering FTE requests across state government. Any changes to existing budget requests will be communicated to the Committee.

1 CAIC Backcountry Avalanche Forecasters

Increasing the number of backcountry avalanche forecasters at the Colorado Avalanche Information Center was, and continues to be a priority for the Department. The Department does not expect medium-term economic conditions to reduce the magnitude of the factors that initially made this a priority and given the relative cost to benefit, continues to support this request.

a. *Reasons for the request have not changed.* The reasons for adding backcountry avalanche forecasters to the Colorado Avalanche Information Center (CAIC) program have not changed since the request was submitted. Participation in backcountry recreation continues to rise. The need for a public safety avalanche program in Colorado remains as public users, private sector businesses, and government programs are affected by this natural hazard.

b. *Recent events have only reinforced the importance of this program.* As part of the public health response to COVID-19, ski areas in Colorado were closed and outdoor exercise was listed as an essential activity (Executive Orders D 2020-006 and D 2020-017). For these reasons, and others, the state of Colorado experienced an increase in backcountry recreation and in human-triggered avalanches. The demand for information on snow, weather, and avalanche conditions increased as participation in backcountry recreation increased, and as search and rescue teams became strained by the public health crisis. Requests for support from government groups also increased with the increase in emergency service responses. Although the spikes in use and requests for support were unexpected, they are symptomatic of the rapid growth in backcountry use in Colorado. The growth in winter backcountry recreation, highlighted in the initial request, was even more rapid during the COVID-19 response. Many retailers sold out of avalanche safety equipment in the third and fourth weeks of March 2020. These new users are Colorado residents now equipped to travel in avalanche terrain and will be here in the future. Participation in winter backcountry recreation is likely to rise whether the living environment returns to pre-COVID-19 conditions or remains limited by social distancing and a reduced number of commercial skiing opportunities.

c. *Maintains Severance Tax Operational Fund core program allocations.* The CAIC is a core program of the Severance Tax Operational Fund and, with this request, will remain below 5% of

the total money projected to be available in the Operational Fund pursuant to Section 39-29-109.3 (1)(b.5), C.R.S.

2 DWR S. Platte Water Accounting Coordinator

The increase in the number of complex decrees, augmentation and recharge plans in the Front Range Metro area (approximately 50+ new plans/year) has resulted in an inability by the Division of Water Resources (DWR) to enforce the provisions of all of those decrees and plans. This position would be the first addition to this program in nearly ten years. This position would support water commissioners in making real-time decisions that affect which diversion/user receives water each day.

The administration of diversions has significant financial impacts for both private water right holders and municipalities. On Colorado's Front Range the purchase price of a water right that yields one acre-foot of water each year is between $30,000 and $80,000. If administration is insufficient to allow that water to be diverted, the owner does not receive the water and cannot generate revenue from its use. Similarly, in a municipal system that same acre-foot can return between $1,000 and $3,000 in revenue to the municipal system each year (based on Denver water rates); this funding can then be used to operate, maintain, rebuild, and expand those critical systems. Administering diversions impacts the amount of revenue generated and results in downstream economic impacts. For example, if DWR is unable to determine proper diversion priority, a municipality missing one day's diversion of 10 cubic feet per second results in approximately 20 acre-feet that will not accrue to the municipal system; this translates to a loss of approximately $20,000 to $60,000 to that system for a single day of missed opportunity. The requested position will facilitate timely and accurate decisions by water commissioners to facilitate the correct delivery of water and protect the economic interests of water right holders.

3 Executive Director's Office Accounting and Procurement Staff

The need for additional administrative staff in the DNR Executive Director's Office has not changed, and in fact may prove to be even more important in light of changing economic conditions in Colorado. The department brought forward this request after years of cumulative workload growth exceeded the capacity of current staff. Due to work-from-home orders and other practices, accounting and procurement activity has been reduced in the short term; but with a return to normalcy, DNR divisions will proceed with regular operations and purchasing at the same rate as before.

Further, DNR accounting and procurement staff (including the 3.0 new requested positions) are in a position to facilitate increased economic activity in Colorado, particularly in rural communities. DNR divisions operate parks, wildlife areas and remote offices throughout Colorado. These DNR parks and offices support significant economic activity in their local communities by purchasing equipment and construction supplies, utilizing repair and maintenance facilities for vehicles and equipment, and purchasing many other goods and services from local vendors. DNR also contracts for a large number of construction projects each year; the majority of these projects are under $1 million in total cost and the bids are usually won by local businesses. The requested 3.0 FTE will enable DNR to more quickly process bid solicitations, purchase orders, contracts, and payments, and thus facilitate significant economic activity within Colorado.

4 CWCB Water Conservation Specialist

Since the release of Colorado's Water Plan in 2015, the CWCB has determined that the agency's existing 1.0 FTE dedicated to water conservation programming is insufficient, given the magnitude of work needed for the state to make additional and significant progress towards the State's conservation goals: 1) By 2025, 75 percent of Coloradans will live in communities that have incorporated water-saving actions into land-use planning, and 2) conserving 400,000 acre-feet of water by 2050. The long-term statewide goals outlined in the Water Plan remain unchanged, regardless of the economic climate. This position will be funded from the CWCB Construction Fund (Cash Funds) and will have a negligible impact on the fund (less than 0.3 percent of the net cash assets).

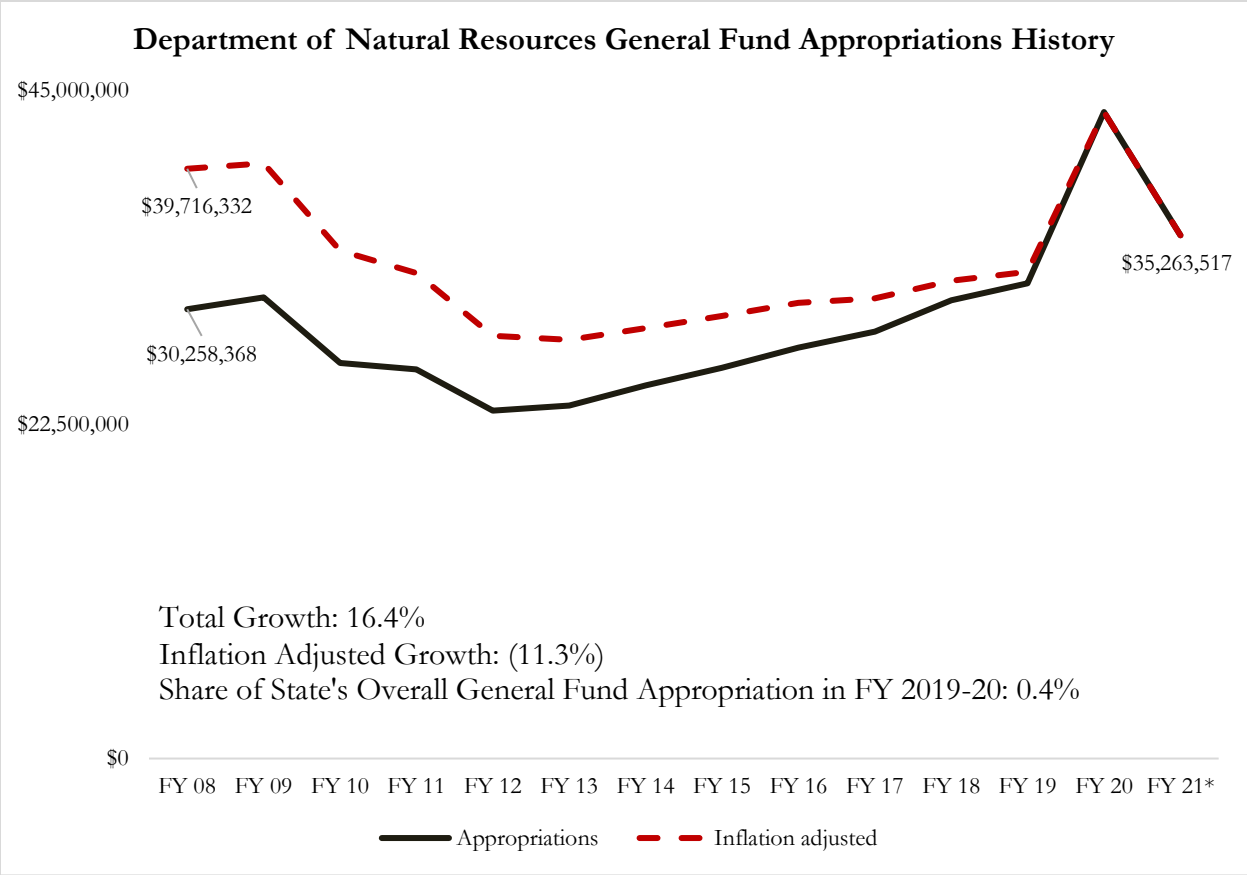
5 CWCB Watershed and Flood Protection Specialist

As a result of the growth of several programs, and the increased need for technical assistance with wildfire and flood mitigation and recovery, the CWCB does not currently have enough staff to manage the workload in the agency's Watershed and Flood Protection Section. The requested FTE is necessary to assist with flood planning, mitigation, and recovery as well as general watershed restoration needs. This will increase public safety, better protect property, and improve watershed health. This FTE is a budget neutral adjustment that will contribute significantly to public health and safety. The position will be funded by a corresponding reduction to the CWCB Intrastate Water Management and Development line item and will not result in any net change to the division's spending authority.

APPENDIX D: FY 2020-21 GENERAL FUND APPROPRIATIONS, BY LINE ITEM

FY 202021 General Fund Appropriations by Line Item JBC Action as of 03/16/20			
Division	Subdivision	Line Item	General Fund
Division of Water Resources	Division Operations	Water Administration	$22,471,828
Executive Director's Office	Administration	Health, Life, and Dental	3,307,902
Executive Director's Office	Administration	Payments to OIT	3,086,338
Executive Director's Office	Administration	Legal Services	1,494,773
Executive Director's Office	Administration	S.B. 04-257 Amortization Equalization Disbursement	946,921
Executive Director's Office	Administration	S.B. 06-235 Supplemental Amortization Equalization Disbursement	946,921
Executive Director's Office	Administration	Leased Space	689,122
Executive Director's Office	Administration	Salary Survey	619,748
Executive Director's Office	Administration	PERA Direct Distribution	520,633
Executive Director's Office	Administration	Vehicle Lease Payments	313,262
Executive Director's Office	Administration	Capitol Complex Leased Space	264,631
Division of Water Resources	Division Operations	Satellite Monitoring System	194,968
Division of Parks and Wildlife	Colorado Parks and Wildlife Operations	State Park Operations	125,000
Executive Director's Office	Administration	Workers' Compensation	107,726
Executive Director's Office	Administration	Payment to Risk Management and Property Funds	64,406
Executive Director's Office	Administration	CORE Operations	45,698
Executive Director's Office	Administration	Short-term Disability	32,012
Executive Director's Office	Administration	Information Technology Asset Maintenance	31,628
		Total	**$35,263,517**

APPENDIX E: APPROPRIATIONS HISTORY



*FY 21 figure represents JBC action as of March 16, 2020

DEPARTMENT OF NATURAL RESOURCES APPROPRIATIONS FY 2007-08 TO FY 2010-11					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	REAPPROPRIATED FUNDS
FY 2007-08	$211,142,943	$30,258,368	$156,795,840	$16,903,787	7,184,948
FY 2008-09	234,769,579	31,057,499	179,001,019	17,333,292	7,377,769
FY 2009-10	225,420,833	26,634,588	174,244,140	17,236,282	7,305,823
FY 2010-11	245,934,482	26,419,333	191,814,141	19,728,647	7,972,361
Increase/(Decrease)	$34,791,539	($3,839,035)	$35,018,301	$2,824,860	787,413
Percent Change	16.5%	(12.7%)	22.3%	16.7%	11.0%