

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF BUDGET BRIEFING

DEPARTMENT OF NATURAL RESOURCES

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

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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**FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF NATURAL RESOURCES

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

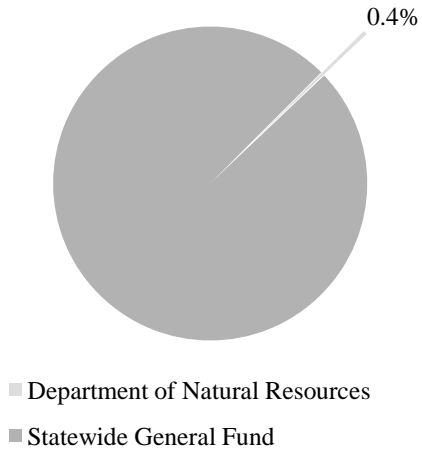
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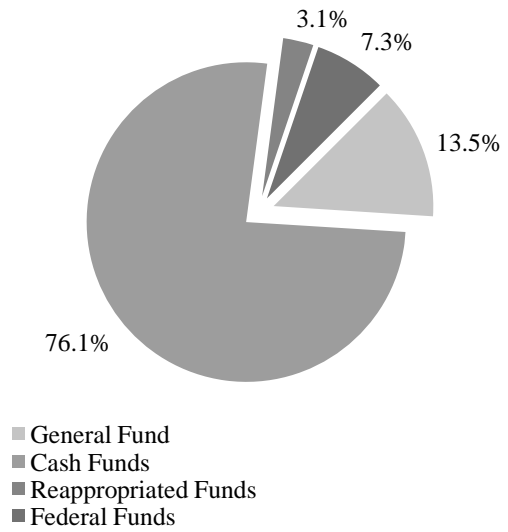
**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Natural Resources**

GRAPHIC OVERVIEW

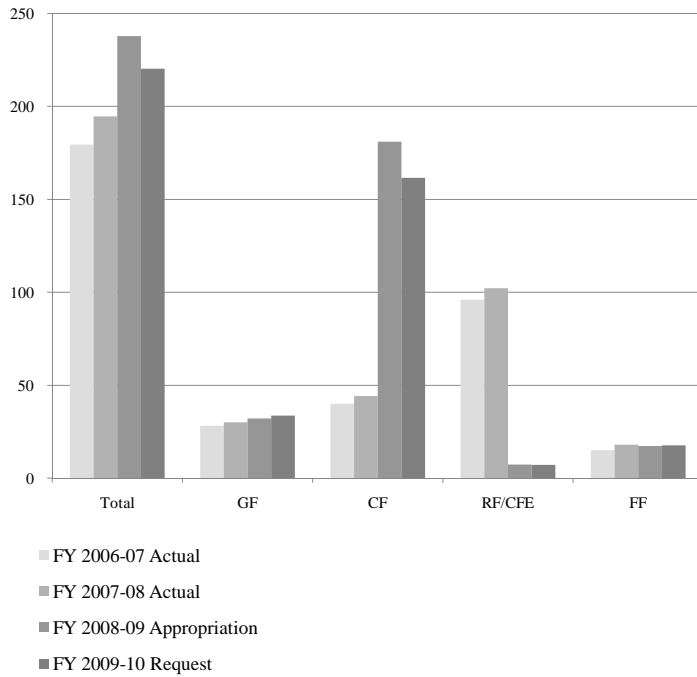
Department's Share of Statewide General Fund



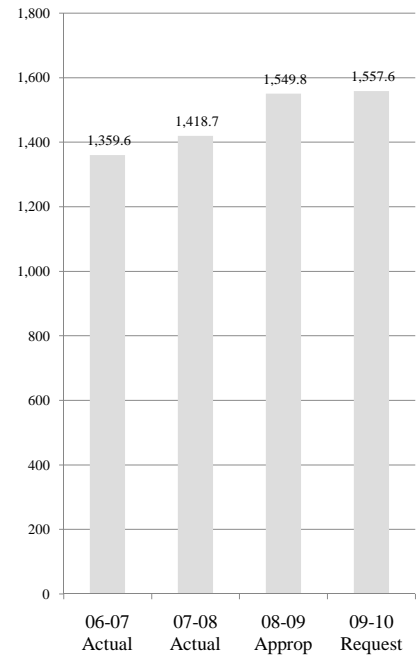
Department Funding Sources



**Budget History
(Millions of Dollars)**

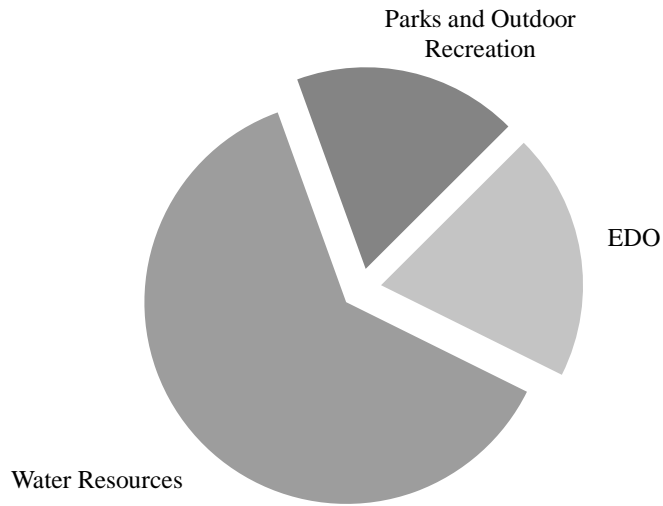


FTE History

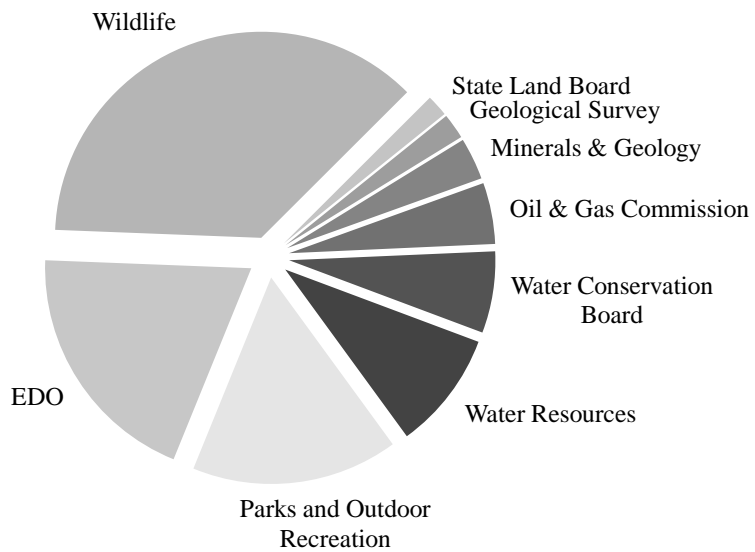


Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



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

DEPARTMENT OVERVIEW

Key Responsibilities

- The **Division of Reclamation, Mining, and Safety** regulates the development and reclamation of mining sites.
- The **Colorado Geological Survey** seeks to enhance the economic vitality of the state, protect citizens from adverse conditions and to provide information using geological tools.
- The **Oil and Gas Conservation Commission** promotes responsible development of oil and gas.
- The **State Board of Land Commissioners** manages state-owned lands for agriculture, minerals development, and commercial purposes, to benefit public schools and other trust beneficiaries.
- The division of **Parks and Outdoor Recreation** manages 40 established state parks, three park projects, and various recreation areas.
- The **Colorado Water Conservation Board** promotes conservation of the state's water resources to ensure maximum use and flood prevention.
- The **Water Resources Division** ("State Engineer's Office") administers and enforces water rights throughout the state.
- The **Division of Wildlife** manages the state's 960 game and non-game wildlife species through the issuance of hunting and fishing licenses, the enforcement of wildlife regulations, and the administration of more than 250 state wildlife areas.

Factors Driving the Budget

Funding for the entire department consists of 13.5 percent General Fund, 76.1 percent cash funds, 3.1 percent reappropriated funds, and 7.3 percent federal funds.

Severance Tax (Operational Account) Expenditures

Section 39-29-108 (2), C.R.S., provides that 50 percent of severance tax revenues are credited to the Severance Tax Trust Fund and 50 percent of the revenues are used by the Department of Local Affairs for grants and distributions to local governments impacted by mining activities. Of the revenue credited to the Severance Tax Trust Fund, 50 percent is allocated to the Perpetual Base Account of the Severance Tax Trust Fund (or 25 percent of total severance tax revenues), which is used by the Colorado Water Conservation Board for water construction projects. The other 50 percent of Severance Tax Trust Fund revenues (or 25 percent of total severance tax revenues) is allocated to the Operational Account to fund programs that "promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water."

Historically, severance tax revenues have been highly variable. The available severance tax revenues to the Operational Account influences the funding levels for many programs in the Department. House Bill 08-1398 divided programs funded from the Operational Account into two tiers. The tier 1 programs support the day-to-day operations of the Department of Natural Resources, including paying salaries for employees. The tier 2 programs support grants, loans, research, and construction. The required reserve for tier 1 programs was reduced from twice the annual appropriations to one times the appropriations. A new reserve requirement was established for tier 2 programs equal to 15 percent of the authorized expenditures. The distribution of funding for tier 2 programs is staggered with 40 percent released July 1, 30 percent released January 4, and the final 30 percent released April 1. Tier 2 programs are subject to proportional reduction if mid-year revenue projections indicate there are insufficient funds.

	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Estimate	FY 09-10 Estimate
Beginning balance	\$18,149,884	\$25,399,591	\$50,851,610	\$40,012,876	\$46,588,101	\$54,476,805
Revenues	36,555,003	64,468,852	33,312,271	39,367,947	73,472,500	49,327,500
Total available	\$54,704,887	\$89,868,443	\$84,163,881	\$79,380,823	\$120,060,601	\$103,804,305
Tier 1 Programs	6,205,296	7,167,084	8,669,679	9,715,887	14,970,997	14,494,842
Tier 2 Programs	23,100,000	31,849,749	35,481,326	23,076,835	50,612,799	39,601,072
Ending balance	25,399,591	50,851,610	40,012,876	46,588,101	54,476,805	49,708,391
Reserve	12,410,592	26,896,272	28,864,470	32,431,774	22,450,835	20,435,003
Unobligated	12,988,999	23,955,338	11,148,406	14,156,327	32,025,970	29,273,388

State Board of Land Commissioners

The State Board of Land Commissioners (State Land Board) manages properties for eight trusts set up in either the Colorado Constitution or in statute. By far the largest trust managed by the State Land Board is the Public School Trust (School Trust). Approximately 98 percent of the revenue generated by the State Land Board is attributable to the School Trust.

Pursuant to H.B. 08-1335 (known as the BEST bill) 35 percent of the gross amount of income received during the fiscal year from income, mineral royalties, and interest derived from state public school lands is deposited in the Public School Capital Construction Assistance (PSCCA) Fund. Up to \$11 million may be appropriated in the School Finance Act. Any remaining revenue is deposited in the Public School Fund (the Permanent Fund) or reinvested by the State Land Board to purchase other lands.

	FY03-04 Actual	FY04-05 Actual	FY05-06 Actual	FY06-07 Actual	FY07-08 Actual
SCHOOL TRUST REVENUE					
School Trust-Total Revenues	<u>\$36,445,680</u>	<u>\$53,771,940</u>	<u>\$63,868,553</u>	<u>\$61,151,881</u>	<u>\$69,495,847</u>
Mineral Rental	986,720	1,253,324	1,751,130	1,614,907	2,023,401

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08
Mineral Royalties/Bonuses	24,517,032	40,121,204	50,399,909	46,715,425	53,105,648
Surface Rental	6,793,722	7,988,701	8,009,916	8,371,449	8,819,293
Commercial/Other	3,937,968	4,033,546	3,478,051	3,259,564	5,172,228
Land Sales	25,054	75,707	11,286	60,021	4,085
Interest and Penalties	106,389	149,153	126,634	16,694	315,960
Timber Sales	78,795	150,305	91,627	1,113,821	55,232

Increase in Oil and Gas Activity

The Colorado Oil and Gas Conservation Commission (OGCC) is responsible for promoting the exploration, development, and conservation of Colorado's oil and natural gas resources. Colorado has experienced a significant increase in oil and gas drilling activity, which has dramatically affected the Colorado Oil and Gas Conservation Commission's workload and necessary expenditures with which to respond to the rising needs.

Oil and Gas Conservation Commission	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Actual	FY 07-08 Estimate	FY 08-09 Estimate
<u>Workload Activity</u>						
Drilling Permits Received	3,847	5,829	6,664	7,661	8,000	8,000
Number of Active Wells	28,032	30,324	32,021	35,686	39,400	43,400
Active Drilling Rigs	63	83	97	113	114	114
OGCC Expenditures ^{1/}	\$3,623,183	\$3,977,718	\$6,067,702	\$6,533,355	\$11,312,474	\$9,766,711
Total FTE	35.3	38.0	43.4	53.0	76.0	80.0

^{1/} Division-only expenditures include all fund sources; does not include centrally appropriated items funded in the Executive Director's Office.

State Parks

Funding for state parks is primarily a mixture of General Fund and cash funds from fees. The following table shows the level of General Fund relative to total funds for the Division of Parks and Outdoor Recreation.

State Parks Funding Mix¹	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Estimated	FY 2009-10 Request
General Fund - State Parks	\$5,244,382	\$6,398,814	\$6,656,991	\$7,216,116	\$6,845,379
<i>Percent Change</i>	<i>n/a</i>	<i>22.0%</i>	<i>4.0%</i>	<i>8.4%</i>	<i>(5.1)%</i>
Total Funds - State Parks	\$33,775,172	\$29,565,977	\$30,661,504	\$39,189,929	\$39,691,629
<i>Percent Change</i>	<i>n/a</i>	<i>(12.5)%</i>	<i>3.7%</i>	<i>27.8%</i>	<i>1.3%</i>

State Parks Funding Mix^{/1}	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Estimated	FY 2009-10 Request
State Parks Visitation	11,393,494	11,305,183	11,833,500	12,070,170	12,311,573
<i>Percent Change</i>	<i>n/a</i>	<i>(0.8)%</i>	<i>4.7%</i>	<i>2.0%</i>	<i>2.0%</i>

^{/1} Includes centrally appropriated items funded in the Executive Director's Office.

Great Outdoors Colorado (GOCO) Board Grants

Both the Division of Parks and Outdoor Recreation and the Division of Wildlife receive funding from the GOCO Board, as established in Article XXVII of the Colorado Constitution. The GOCO grants are not subject to legislative authority and thus are reflected for information only. The GOCO grants to the Division of Parks and Outdoor Recreation are used for developing new parks (capital) as well as enhancing and maintaining existing parks (operating). The GOCO grants to the Division of Wildlife are used for species protection, habitat development, watchable wildlife, and wildlife education.

Great Outdoors Colorado Board Grants	FY 2005-06 Actual	FY 2006- 07Actual	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Request
Parks Capital Budget	\$11,198,000	\$4,362,000	\$4,475,000	\$4,225,000	\$14,300,000
Parks Operating Budget	<u>4,462,000</u>	<u>4,143,000</u>	<u>4,025,000</u>	<u>4,404,000</u>	<u>4,335,000</u>
Total GOCO Grants to Parks	\$15,660,000	\$8,505,000	\$8,500,000	\$8,629,000	\$18,635,000
<i>Percent of Parks' Expenditures</i>	<i>25.9%</i>	<i>23.3%</i>	<i>23.5%</i>	<i>10.8%</i>	<i>n/a</i>
Wildlife Capital Budget	\$1,982,633	\$2,091,323	\$13,940,282	\$6,200,000	\$6,200,000
Wildlife Operating Budget	<u>7,356,096</u>	<u>6,168,566</u>	<u>6,421,006</u>	<u>2,416,065</u>	<u>2,366,065</u>
Total Grants to Wildlife	\$9,338,729	\$8,259,889	\$20,361,288	\$8,616,065	\$8,566,065
<i>Percent of DOW Expenditures</i>	<i>16.1%</i>	<i>10.0%</i>	<i>12.0%</i>	<i>11.5%</i>	<i>n/a</i>

Division of Water Resources General Fund

This division, also referred to as the Office of the State Engineer, receives over 70 percent of the Department's total General Fund appropriation. The majority of the Division's General Fund appropriation is associated with personal services costs. In FY 2006-07, the fees authorized by S.B. 03-181 sunsetted and the \$3.2 million in cash funding was replaced with General Fund.

Division of Water Resources^{1/} Long Bill General Fund	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Approp.	FY 09-10 Request
General Fund - Division	\$17,337,475	\$19,881,174	\$21,330,695	\$22,561,998	\$23,472,558
<i>Percent Change</i>	<i>0.0%</i>	<i>14.7%</i>	<i>7.3%</i>	<i>5.8%</i>	<i>4.0%</i>

Division of Water Resources ^{1/} Long Bill General Fund	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Approp.	FY 09-10 Request
Total Department General Fund	\$22,990,632	\$28,139,256	\$30,059,280	\$32,095,946	\$33,764,732
<i>Div. GF as % of Department GF</i>	<i>75.4%</i>	<i>70.7%</i>	<i>71.0%</i>	<i>70.3%</i>	<i>62.5%</i>

^{1/} Only reflects centrally appropriated personal services ("POTS") appropriated in the EDO.

Division of Wildlife

For FY 2008-09, the Division of Wildlife's \$82.3 million appropriation represents 36.9 percent of the Department's total operating budget. The following table describes the Division's various revenue sources.

Division of Wildlife Revenue Sources	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Estimate	FY 09-10 Request
Wildlife Cash Fund	\$64,284,437	\$64,290,892	\$73,268,829	\$67,191,667
Federal Funds	10,387,691	13,235,312	11,026,427	10,401,074
GOCO Board Grants	6,117,667	6,423,686	6,200,000	6,200,000
Habitat Partnership Cash Fund	2,169,274	2,686,662	2,500,000	2,500,000
Species Conservation Trust Fund	400,000	0	0	0
Colorado Outdoor Magazine Subscriptions	550,000	739,978	550,000	550,000
Non-game Wildlife Voluntary Tax Contributions	500,000	500,000	0	0
Other	<u>1,011,217</u>	<u>2,162,525</u>	<u>1,265,000</u>	<u>1,265,000</u>
Total DOW Budget	\$85,420,286	\$90,039,055	\$94,810,256	\$88,107,741

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

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 Administrative Support Staff and Contract Funding	0	246,154	0	0	246,154	4.0
2 Highway Avalanche Forecasting	0	0	40,456	(6,000)	34,456	0.0
3 Capitol Complex Leased Space Funding Mix Executive Director's Office. The Department requests authority to reallocate leased space funding and staff. The State Land Board is currently building a new office space at 1127 Sherman Str. on land it owns. The Board plans to move all its staff from the Centennial Building to the new office space by May 1, 2009. Parks would like to move 12 FTE into space vacated by the State Land Board in the Centennial Building. <i>Statutory authority: Colorado Constitution, Article IX, Section 9-10. Section 33-10-101, C.R.S. to Section 33-15-112, C.R.S.</i>	11,929	(40,261)	0	0	(28,332)	0.0
4 Contract Coordinator Colorado Water Conservation Board. The CWCB is requesting 1.0 FTE (General Professional IV) and \$74,011 cash funds (CWCB Construction Fund) to manage an increase in workload and to complete contracts for projects in the CWCB. <i>Statutory authority: Sections 37-60-102 and 112, C.R.S.</i>	0	74,011	0	0	74,011	1.0
5 Ground Water Resource Characterization for Climate Change Planning	0	148,044	0	0	148,044	0.0
6 Colorado River Specialist Colorado Water Conservation Board. The CWCB is requesting 1.0 FTE (Physical Science Researcher/Scientist III) and \$101,825 cash funds (Operational Account of the Severance Tax Trust Fund) to help with increased workload on Colorado River issues brought about by recent drought, concerns about global warming, and the recently signed 7-State Colorado River Basin States Agreement. <i>Statutory authority: Section 37-60-106, C.R.S. and Section 37-60-115, C.R.S.</i>	0	101,825	0	0	101,825	1.0
7 Increased Funding for Leased Space	34,668	1,685	0	167	36,520	0.0

Decision Item	GF	CF	RF	FF	Total	FTE
<p>Executive Director's Office. The Department anticipates signing eight leases that are expiring in FY 2008-09 and will be renewed for FY 2009-10 at a higher rate (increase of between 0 and 5 percent). The Division of Wildlife is renewing one lease in Salida and one lease in Steamboat springs; the Division of Reclamation, Mining, and Safety is renewing a lease in Grand Junction; the State Land Board is renewing a lease in Pueblo; and the Division of Water Resources is renewing four leases: one in Durango, one in La Junta, one in Pagosa Springs, and one in Pueblo. <i>Statutory authority: Section 24-75-112, C.R.S. and Section 37-92-202 (1)(b), C.R.S.</i></p>						
8	0	175,690	0	0	175,690	2.0
<p>Decision Support System Staff and Operating</p> <p>Colorado Water Conservation Board. The CWCB requests 2.0 FTE (Physical Science Researcher/Scientist III) and \$175,690 cash funds (Operational Account of the Severance Tax Trust Fund) to help in the operation and maintenance of the Colorado Decision Support System (CDSS) under the Water Information Section. These staff will work on task related to updating, maintaining, and using the Decision Support System tools to provide various analyses for the CWCB on the Yampa, Colorado, Gunnison, San Juan, Rio Grande and South Platte River basins. <i>Statutory authority: Section 37-60-102, C.R.S. and Section 37-60-112, C.R.S.</i></p>						
9	0	0	0	0	0	1.5
<p>Legal Protection / Acquisition Specialist and Assistant</p> <p>Colorado Water Conservation Board. The CWCB is requesting 1.5 FTE to work on the Legal Protection and Water Acquisition components of Colorado's Instream Flow and Natural Lake Level Program ("ISF Program"). The 1.0 FTE will assist the Section's Legal Protection and Acquisitions Specialist with approximately 210 active water court cases and with acquisitions of water for instream flow use. The 0.5 FTE will provide case management support for litigation activities related to the ISF Program. Funding for the FTE is requested to come from \$1.0 million annual, continuous appropriation authorized via the CWCB Water Projects Bill (HB 08-1346 and Section 37-60-123.7, C.R.S.). <i>Statutory authority: Section 37-60-106, C.R.S. and Section 37-92-102 (3), C.R.S.</i></p>						
10	0	20,000	0	0	20,000	0.0
Abandoned Mine Reclamation Fund Balance						
11	0	0	0	0	0	0.0
<p>Vehicle Leased Space</p> <p>Colorado Water Conservation Board/Executive Director's Office. The CWCB requests transferring \$1,260 cash funds (Colorado Water Conservation Board Construction Fund) from the division's operating expenses line item to the Executive Director's Office, Leased Space line item in order to pay for a parking space for a FY 2008-09 approved additional vehicle to be parked in the State of Colorado parking garage located at 14th Street and Lincoln Avenue. <i>Statutory authority: Section 24-75-112 (1) (V) (g), C.R.S. and Section 24-75-112 (1) (V) (1), C.R.S.</i></p>						
12	0	30,000	0	0	30,000	0.0
<p>Satellite Monitoring System</p> <p>Water Resources Division. The Division requests \$30,000 cash funds (Satellite Monitoring Cash Fund) be added due to an increase in operation and maintenance expenses. <i>Statutory authority: Section 37-80-102 (10), C.R.S.</i></p>						
13	0	1,084	0	0	1,084	0.0

Decision Item	GF	CF	RF	FF	Total	FTE
Additional Field Vehicle						
NP-1	12,127	82,833	670	766	96,396	0.0
Statewide Postage Increase and Mail Equipment Upgrade Various Department Lines. The Department is requesting an increase to various lines in order to accommodate an increase in postage rates (Department of Personnel, DI #5). The <i>Statutory authority: Section 24-30-1104, C.R.S.</i>						
NP-2	318,831	1,202,233	4,030	20,302	1,545,396	0.0
Statewide Fleet Operating Various Department Lines. The Department is requesting an increase to various line items in order to accommodate increases in statewide vehicle variable costs including fuel and maintenance costs (Department of Personnel, DI#-1). <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i>						
NP-3	35,868	(19,563)	0	(23,328)	(7,023)	0.0
Statewide Vehicle Lease Payments Executive Director's Office. The Department is requesting an adjustment to its Vehicle Lease Payments line item in order to account for a statewide request from the Department of Personnel to replace fleet vehicles. <i>Statutory authority: Section 24-30-1117, C.R.S.</i>						
NP-4	47,939	(66,351)	17,797	2,426	1,811	0.0
Statewide Workers Compensation Adjustment Executive Director's Office. The Department is requesting an increase to its Workers' Compensation line item in order to account for an increase to statewide expenses related to a Department of Personnel Ombuds Program Base Increase decision item (DI #-7) in order to mitigate state business risks related to employee concerns in the workplace. <i>Statutory authority: Section 24-50-604, C.R.S.</i>						
Total	461,362	1,957,384	62,953	(5,667)	2,476,032	9.5

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BASE REDUCTION ITEM PRIORITY LIST

Base Reduction	GF	CF	RF	FF	Total	FTE
BR-1	0	(84,000)	0	0	(84,000)	(2.0)
Online Water Information						
<p>Water Resources Division. The Division requests to make all of its water records information available to the public via the internet and reducing the need for 2.0 FTE. The Division requests transferring \$84,000 General Fund spending authority from the personal services line to the operating line and reducing an equal amount in cash fund spending authority. The Division requests the transfer of General Fund as a result of loss in fee revenue. <i>Statutory authority: Section 24-72-201, C.R.S. and Section 37-80-102 (1)(f), C.R.S.</i></p>						
Total	0	(84,000)	0	0	(84,000)	(2.0)

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 Board, Water Resources Division, Division of Wildlife)**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request.

**Total Requested Change for Entire Department, FY 2008-09 to FY 2009-10
 (millions of dollars)**

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$32.1	\$181.0	\$7.4	\$17.4	\$237.9	1,549.8
FY 2009-10 Request	33.8	161.5	7.3	17.6	220.2	1,557.6
Increase / (Decrease)	\$1.7	(\$19.5)	(\$0.1)	\$0.2	(\$17.7)	7.8
Percentage Change	5.3%	-10.8%	-1.4%	1.1%	-7.4%	0.5%

**Total Requested Change for EDO, Parks, CWCB, WRD, and DOW Only, FY 2008-09 to
 FY 2009-10 (millions of dollars)**

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$32.1	\$158.3	\$6.5	\$12.9	\$209.8	1,327.3
FY 2009-10 Request	33.8	140.0	6.4	13.0	193.2	1,331.3
Increase / (Decrease)	\$1.7	(\$18.3)	(\$0.1)	\$0.1	(\$16.6)	4.0
Percentage Change	5.3%	-11.6%	-1.5%	0.8%	-7.9%	0.3%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation, for the portion of the Department covered in this briefing packet. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total	FTE
Executive Director's Office						
Various Other and Centrally Appropriated Items	\$378,625	(\$24,616)	(\$116,043)	\$112,718	\$350,684	0.4
Vehicle Leased Space (DI-13, NP-3)	35,868	(18,479)	0	(23,328)	(5,939)	0.0

Category	GF	CF	RF	FF	Total	FTE
Leased Space (various DIs)	26,168	(4,287)	0	167	22,048	0.0
Capitol Complex Leased Space (DI-3)	20,429	(20,429)	0	0	0	0.0
S.B. 08-186 SCTF	0	(11,163,886)	0	0	(11,163,886)	0.0
Subtotal	\$461,090	(\$11,231,697)	(\$116,043)	\$89,557	(\$10,797,093)	0.4
Parks						
Salary Increases	\$229,671	\$534,471	\$0	\$0	\$764,142	0.0
Postate and Fleet Operating (NP-1, NP-2)	67,466	245,463	0	0	312,929	0.0
Annualize S.B. 08-226 Aquatic Nuisance Species	0	(587,931)	0	0	(587,931)	0.0
Indirect Costs	0	(61,526)	0	9,522	(52,004)	0.0
Subtotal	\$297,137	\$130,477	\$0	\$9,522	\$437,136	0.0
CWCB						
Contract Coordinator (DI-4), River Specialist (DI-6), CDSS (DI-8), Legal Specialist (DI-9), DI-11, NP-1, NP-2	\$0	\$344,002	\$0	\$0	\$344,002	5.5
Salary Increases	0	135,272	0	0	135,272	0.0
Annualize H.B. 08-1346	0	(7,721,000)	0	0	(7,721,000)	0.0
Other Miscellaneous	0	10,252	0	2,942	13,194	0.0
Subtotal	\$0	(\$7,231,474)	\$0	\$2,942	(\$7,228,532)	5.5
Water Resources						
Salary Increases	\$566,655	\$13,038	\$0	\$0	\$579,693	0.0
Fleet Operating Costs (NP-2)	259,905	0	0	0	259,905	0.0
Satellite Monitoring (DI-12)	0	30,000	0	0	30,000	0.0
Federal Grants	0	0	0	10,782	10,782	0.0
Annualize H.B. 08-1346	0	(350,000)	0	0	(350,000)	0.0
Online Water Information (BR-1)	84,000	(84,000)	0	0	0	(2.0)
Indirect Costs	0	(15,213)	0	1,213	(14,000)	0.0
Subtotal	910,560	(406,175)	0	11,995	516,380	(2.0)
Wildlife						
Salary and Related Increases	\$0	\$2,170,635	\$0	\$1,542	\$2,172,177	0.0
Fleet Operating Expenses (NP-2)	0	933,801	0	0	933,801	0.0
Postage Increase (NP-1)	0	38,750	0	0	38,750	0.0

Category	GF	CF	RF	FF	Total	FTE
Annualize S.B. 08-226 Aquatic Nuisance Species	0	(2,612,700)	0	0	(2,612,700)	0.0
Indirect Costs	0	(132,413)	0	0	(132,413)	0.0
Subtotal	\$0	\$398,073	\$0	\$1,542	\$399,615	0.0
Total Change	\$1,668,787	(\$18,340,796)	(\$116,043)	\$115,558	(\$16,672,494)	3.9

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Natural Resources
(Executive Director's Office, Parks and Outdoor Recreation, Colorado Water Conservation Board, Water Resources Division, Division of Wildlife)

INFORMATIONAL ISSUE:

ISSUE: Division of Parks and Outdoor Recreation / Department of Natural Resources Performance Audit. June 2008 - Status of Implementation.

The State Auditor completed an audit report of the Division of Parks and Outdoor Recreation and the Department of Natural Resources in June 2008. The report found that the Division needs to improve controls over its management and expenditure of the public funds with which it is entrusted. The key findings were in the areas of financial management, procurement and contract management, personnel management, asset management, and oversight and accountability.

SUMMARY:

- ❑ The report presents several key findings in the areas of *financial management* (GOCO funding, Lottery funding, and financial controls); *procurement and contract management* (contract deliverables and payments, personal services procurement, and capital construction contracts); *personnel management* (personnel system oversight and misuse of temporary employee status); *asset management* (capital assets, use of state assets, and use of state vehicles); and *oversight and accountability*. **Appendix E**
- ❑ As a result of the audit report, the GOCO board rescinded on July 16, 2008, the conditional approval of the \$8.6 million in GOCO funds for investments in Colorado State Parks. Subsequently, Parks has taken steps to address many of the audit findings and requested interim operating funding in an amount of \$2.5 million. The GOCO board conditionally approved the interim funding. **Appendix F**
- ❑ The Department and the Division of Parks and Outdoor Recreation agreed to all 28 audit recommendations and committed a timeline to implement changes as early as June 2008 and as late as December 2010. The Department also committed to informing the Parks Board and the public on the progress of implementation of audit findings and recommendations. **Appendix G and Appendix H**

RECOMMENDATION:

Since staff is presenting this issue to members of the Joint Budget Committee as an information issue, staff is not making any specific recommendations except to inform the Committee of significant changes that are taking place within State Parks management and other significant changes that will be implemented in the near future.

DISCUSSION:

The June 2008 audit report presents a stark state of affairs at State Parks and the Department of Natural Resources. As a result of the audit, the GOCO board considered it prudent to rescind its award of \$8.6 million dollars in GOCO funds and has since implemented stricter accounting of receipts prior to reimbursement of any interim funding which was recently approved.

According to the Department, **Appendix G**, State Parks has taken the recommendations of the audit report and the GOCO board reaction very seriously, and is taking specific steps to comply with the audit recommendations. Parks has broken the major recommendations into four categories and has begun to address them in that order: 1). Leadership; 2) Controls; 3) Accountability; and 4) Training.

1). Leadership. Parks has hired new managers to implement the recommendations of the audit report, including a new parks director, chief financial officer, controller, budget and accounting staff. The Board and the parks director have hired a consultant to undertake a comprehensive review of Board oversight practices and develop a governance manual that outlines the specific responsibilities of the Parks Board, the Division, the Director, and the Department.

2). Controls. The Parks Board will be tasked to review, shape and approve all agency budget requests and spending plans. Various new controls were implemented to address payment of vendor invoices, procurement card purchases, new personal services contracting, construction contracting and modifications, as well as restricting free use of state park facilities by parks staff.

GOCO bills and tracking. Parks will be devoting significantly more time and effort to make sure that enough detail and accountability is provided to GOCO prior to disbursement of GOCO funds, as this is a specific requirement of GOCO.

Capital assets. Parks does not currently have accurate information related to the condition of the Division's capital assets. The Division has started a process of compiling and verifying physical inventory of assets and assessing the current condition of those assets as well as the capital need. This process is scheduled to be implemented by December 2009. Without such a physical inventory and capital needs inventory, Parks is in no condition to perform an accurate and reliable funding need analysis, which also negatively impacts the soundness of decisions that are made in regards to expenditure of limited funds and in particular how to apportion limited funding between new capital development, existing capital maintenance needs, or operating needs.

Lottery fund tracking. The department has started to track lottery expenditures by park, however, the department still does not have the capability to provide accurate and meaningful reports on lottery, and other revenues by expenditure category. JBC staff feels that this capability is very important to being able to analyze revenue streams and tie them to expenditure streams in order to be able to manage and expend funds reasonably and in coherence with statutory and constitutional limitations. The audit recommended that the Division increase its use of lottery funds on operations and maintenance needs. This will potentially reduce the strain on other revenue streams such as

General and cash funds. In the long-term, the Division has requested an opinion from the Attorney General's Office to more clearly understand the legal constraints and requirements on Lottery funds.

Capital assets. By June 2009, the Division plans to adopt a comprehensive asset management system/process that allows the division to analyze its funding streams and how best to invest capital dollars.

3). Accountability. The goal of the Division in the accountability realm is to require managers to supervise employees in a more direct manner by requiring additional rules and regulations that contract, project and fund managers adhere to. In particular, the Department is assigning responsibility to accountants for specific accounts and all the processes necessary to maintain the integrity of those accounts. The Division has also taken several individual disciplinary actions against staff members responsible for the management of contracts identified in the audit report. In addition, the Division has been forced to perform investigations into personal services contracts and employment practices in order to make sure that temporary employees were not employed on a permanent basis through a succession of various short-term personal services contracts.

4). Training and communication. Since the beginning of the year, the Department has implemented training sessions related to the findings of the audit report in areas such as: procurement card procedures and management, contracting and procurement for capital development projects, general fiscal management and procurement for parks, and personal services contracts training. According to the recommendations of the audit report, the Division will need to perform more rigorous training for staff on an on-going basis.

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

BRIEFING ISSUE

ISSUE: Division of Parks and Outdoor Recreation Condition of Capital Assets and Use of Lottery Proceeds

Two of the Division of Parks and Outdoor Recreation June 2008 Audit Report findings were that Division management does not have complete or accurate information on the condition of its existing assets or its future capital needs, the other finding was that the Division has invested considerable lottery moneys for capital development purposes, and has limited its investment of lottery moneys for park operations.

SUMMARY:

- ❑ Currently, the Division of Parks and Outdoor Recreation does not have complete or accurate information on the condition of its existing assets or its future capital needs. According to the state audit report, without a comprehensive list of the condition of its assets, the Division cannot plan effectively for the acquisition of new assets or how best to protect, maintain, or improve its current assets.
- ❑ The audit reports that the Division spends a significant portion of its lottery funding for capital construction and improvement projects (79 percent of a total of \$57.3 million received for fiscal years 2003 through 2007) without a corresponding consideration of how lottery funding will be used for the short- and long-term operating costs at these same lottery-funded parks. During the same time period the division only spent 9 percent on operations and maintenance.

RECOMMENDATION:

Staff recommends the Joint Budget Committee discuss the Division's rationale for the way it expends lottery revenues given the fact that the Division does not currently have complete or accurate information on the condition of its existing assets or its future capital and operating needs.

DISCUSSION:

Maintenance and renovation. In the spring of 2007, a list of projects related to health and safety and protection of facilities and resources was compiled by park managers, engineers, landscape architects, project managers, and region managers from each of the Division's three regions. The list identified a total of nearly \$150.7 million in projects related to health and safety and protection of

facilities and resources, including new capital assets and repair or replacement of existing capital assets. This list does not include a list of remaining projects including projects related to improving and building roads and dams, acquiring land, and developing new parks. According to the state audit, because a number of individuals from different parks and regions were involved in compiling the list, additional analysis will be needed to ensure that all projects were identified, and that projects were identified using consistent criteria.

The audit emphasizes that without a comprehensive review of the condition and needs of capital assets, the Division cannot plan effectively for the acquisition of new assets or the protection, maintenance, or improvement of current assets. The Division has committed to developing a capital development project five-year plan that will include a comprehensive capital asset program inventory and accurate assessment of the condition of structures and facilities. The Division has committed to implementing such a plan by December 2009.

Use of Lottery proceeds.

Section 1 of Article XXVII states that:

(1) The people of the State of Colorado intend that the net proceeds of every state-supervised lottery game operated under the authority of Article XVIII, Section 2 shall be guaranteed and permanently dedicated to the **preservation, protection, enhancement and management** of the state's wildlife, park, river, trail and open space heritage, except as specifically provided in this article. [Emphasis added.]

Section 24-35-210 (4.1)(c), C.R.S., specifies that the Division may use lottery funding for:

(c) The lottery money available for appropriation to the division of parks and outdoor recreation pursuant to paragraph (b) of this subsection (4.1) shall be appropriated and expended for the acquisition and development of new state parks, new state recreation areas, or new recreational trails, for the expansion of existing state parks, state recreation areas, or recreational trails, or for capital improvements of both new and existing state parks, state recreation areas, or recreational trails. Except as provided in section 33-60-105, C.R.S., in addition to appropriation for the division's capital construction budget, **said lottery money may be appropriated for the division's operating budget for expenditures attributable to the maintenance and operation of state parks**, state recreation areas, or recreational trails, or any portions thereof, that have been acquired or developed with lottery money.

In reviewing the Division's administration and accounting for lottery funds, the audit identified fundamental flaws in its overall financial management and accountability of lottery funding.

In particular, the audit reports that the Division is interpreting the constitution and statutes in an arbitrary and unsubstantiated manner to allow it to cap lottery spending on operating expenses to \$506,000. The auditor reports that the Division spends a significant portion of its lottery funding for capital construction and improvement projects (79 percent of a total of \$57.3 million received for fiscal years 2003 through 2007) without a corresponding consideration of how lottery funding will be used for the short- and long-term operating costs at these same lottery-funded parks. During

the same time period the division only spent 9 percent on operations and maintenance. The table below shows a five year lottery funding revenue to the Division. As a reference, **Appendix I** shows a two year total revenue and expenditure reconciliation for the Division.

Parks Lottery 10 % Distribution	
FY 2002-03	\$11,094,041
FY 2003-04	10,912,949
FY 2004-05	10,879,398
FY 2005-06	12,555,109
FY 2006-07	<u>11,899,545</u>
Total	57,341,042

The audit concludes that by investing lottery funds primarily in park capital construction and improvement projects and not investing these moneys in operating parks, the Division is obligating other funding sources, in particular General Funds and cash funds from user fees, and thus committing the General Assembly and park users to finance these park operations indefinitely.

The Division has requested an opinion from the Attorney General's office on interpreting the constitutional and statutory expenditure guidelines on lottery funding. Of particular interest to the Division is the

Section 8 of Article XXVII states that:

No substitution allowed. The people intend that the allocation of lottery funds required by this article of the constitution be in addition to and not a substitute for funds otherwise appropriated from the General Assembly to the Colorado Department of Natural Resources and its divisions.

Staff has discussed this section with the AG's and feels that a legal interpretation might help determine if the no substitution section would prevent the Legislature from implementing a recommendation from the audit report and either reducing or changing the parks operating funding split between the General Fund, parks fees, and lottery proceeds.

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APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change Requests
	Actual	Actual	Appropriation	Request	

DEPARTMENT OF NATURAL RESOURCES
Executive Director: Harris Sherman

(1) EXECUTIVE DIRECTOR'S OFFICE

(A) Administration and Information Technology Services

Personal Services	4,582,375	4,740,550	5,096,415	5,354,312	
FTE	<u>52.6</u>	<u>55.4</u>	<u>59.4</u>	<u>59.8</u>	
General Fund	0	0	240,588	587,352	
Cash Funds	2,286,842	2,133,854	0	0	
Cash Funds Exempt / Reappropriated Funds	2,295,533	2,606,696	4,855,827	4,766,960	
Health, Life, and Dental	<u>5,604,779</u>	<u>6,704,124</u>	<u>8,122,170</u>	<u>9,268,820</u>	
General Fund	2,027,673	1,614,859	1,878,076	2,143,214	
Cash Funds	582,353	1,458,016	5,295,616	6,043,226	
Cash Funds Exempt / Reappropriated Funds	2,537,840	3,179,794	292,835	334,176	
Federal Funds	456,913	451,455	655,643	748,204	
Short-term Disability	<u>97,433</u>	<u>118,210</u>	<u>131,403</u>	<u>127,930</u>	
General Fund	33,220	25,925	28,010	27,270	
Cash Funds	12,450	28,829	87,584	85,268	
Cash Funds Exempt / Reappropriated Funds	44,489	51,154	5,607	5,459	
Federal Funds	7,274	12,302	10,202	9,933	
S.B. 04-257 Amortization Equalization Disbursement	<u>659,938</u>	<u>1,078,513</u>	<u>1,610,101</u>	<u>1,968,162</u>	
General Fund	233,748	232,658	337,559	412,635	

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Department of Natural Resources

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APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests
Cash Funds	82,632	262,590	1,077,969	1,317,679	
Cash Funds Exempt / Reappropriated Funds	295,277	469,702	69,014	84,363	
Federal Funds	48,281	113,563	125,559	153,485	
S.B. 06-235 Supplemental AED	<u>0</u>	<u>214,102</u>	<u>749,125</u>	<u>1,230,101</u>	
General Fund	0	41,546	152,620	250,615	
Cash Funds	0	51,042	505,298	829,716	
Cash Funds Exempt / Reappropriated Funds	0	97,855	32,351	53,123	
Federal Funds	0	23,659	58,856	96,647	
Salary Survey and Senior Executive Service	<u>2,350,337</u>	<u>3,052,424</u>	<u>3,372,345</u>	<u>2,326,321</u>	
General Fund	736,064	732,883	624,902	431,072	
Cash Funds	264,665	739,567	2,489,482	1,717,302	
Cash Funds Exempt / Reappropriated Funds	1,297,067	1,515,021	182,791	126,093	
Federal Funds	52,541	64,953	75,170	51,854	
Performance-based Pay Awards	<u>0</u>	<u>1,297,157</u>	<u>1,428,940</u>	<u>0</u>	
General Fund	0	297,912	324,273	0	
Cash Funds	0	320,726	997,742	0	
Cash Funds Exempt / Reappropriated Funds	0	644,191	66,259	0	
Federal Funds	0	34,328	40,666	0	
Shift Differential	<u>21,620</u>	<u>12,251</u>	<u>19,373</u>	<u>21,534</u>	
General Fund	21,620	3,675	5,812	6,460	
Cash Funds	0	8,576	13,561	15,074	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests
Workers' Compensation	<u>1,677,395</u>	<u>935,612</u>	<u>1,193,258</u>	<u>1,195,069</u>	
General Fund	392,282	119,864	152,872	200,811	
Cash Funds	57,723	177,442	1,039,018	972,667	
Cash Funds Exempt / Reappropriated Funds	1,225,852	636,971	0	17,797	
Federal Funds	1,538	1,335	1,368	3,794	
Operating Expenses	<u>1,232,748</u>	<u>1,253,963</u>	<u>1,261,883</u>	<u>1,262,553</u>	
Cash Funds	288,667	308,730	1,060,977	1,060,977	
Cash Funds Exempt / Reappropriated Funds	938,744	939,896	195,569	196,239	
Federal Funds	5,337	5,337	5,337	5,337	
Legal Services	2,595,125	2,968,731	3,300,795	3,300,795	
<i>Hours Equivalent</i>	<u>38,293</u>	<u>41,215</u>	<u>43,952</u>	<u>43,952</u>	
General Fund	942,115	859,540	876,300	876,300	
Cash Funds	575,615	815,710	2,338,720	2,338,720	
Cash Funds Exempt / Reappropriated Funds	1,060,488	1,266,849	37,600	37,600	
Federal Funds	16,907	26,632	48,175	48,175	
Administrative Law Judge Services - CFE / RF	82	0	0	0	
Purchase of Services from Computer Center	<u>593,892</u>	<u>427,670</u>	<u>686,562</u>	<u>686,562</u>	
General Fund	22,945	5,938	9,533	9,533	
Cash Funds	570,947	421,732	519,710	519,710	
Cash Funds Exempt / Reappropriated Funds	0	0	157,319	157,319	
Multiuse Network Payments	<u>836,283</u>	<u>1,024,275</u>	<u>1,058,888</u>	<u>1,058,888</u>	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests
General Fund	351,786	249,305	257,730	257,730	
Cash Funds	466,272	753,665	731,043	731,043	
Cash Funds Exempt / Reappropriated Funds	13,406	15,671	62,113	62,113	
Federal Funds	4,819	5,634	8,002	8,002	
Payment to Risk Management & Property Funds	<u>897,964</u>	<u>806,305</u>	<u>1,168,937</u>	<u>1,168,937</u>	
General Fund	321,132	144,167	209,005	209,005	
Cash Funds	61,437	203,698	924,260	924,260	
Cash Funds Exempt / Reappropriated Funds	510,762	453,130	27,698	27,698	
Federal Funds	4,633	5,310	7,974	7,974	
Vehicle Lease Payments	<u>2,189,194</u>	<u>2,087,881</u>	<u>2,561,870</u>	<u>3,123,687</u>	
General Fund	723,079	326,466	365,018	464,794	NP-3
Cash Funds	104,604	393,556	2,126,719	2,597,908	DI-13
Cash Funds Exempt / Reappropriated Funds	1,326,864	1,330,093	0	0	
Federal Funds	34,647	37,766	70,133	60,985	
Information Technology Asset Maintenance	<u>276,529</u>	<u>281,540</u>	<u>282,477</u>	<u>282,477</u>	
General Fund	105,354	53,746	53,746	53,746	
Cash Funds	133,944	190,563	125,957	125,957	
Cash Funds Exempt / Reappropriated Funds	24,995	24,995	90,538	90,538	
Federal Funds	12,236	12,236	12,236	12,236	
Leased Space	<u>810,094</u>	<u>928,634</u>	<u>1,232,822</u>	<u>1,268,009</u>	DI-3, DI-4, DI-6, DI-7,
General Fund	478,807	476,295	492,842	519,010	DI-8, DI-11
Cash Funds	229,142	344,047	716,692	723,459	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Cash Funds Exempt / Reappropriated Funds	81,659	89,512	0	0	
Federal Funds	20,486	18,780	23,288	25,540	
Capitol Complex Leased Space	<u>754,453</u>	<u>871,159</u>	<u>866,705</u>	<u>866,705</u>	
General Fund	267,078	244,752	243,501	263,930	DI-3
Cash Funds	294,522	403,721	348,807	328,378	
Cash Funds Exempt / Reappropriated Funds	101,583	117,297	169,706	169,706	
Federal Funds	91,270	105,389	104,691	104,691	
Communications Services Payments	<u>909,642</u>	<u>946,136</u>	<u>988,238</u>	<u>988,238</u>	
General Fund	375,707	117,234	117,207	117,207	
Cash Funds	533,647	828,603	871,031	871,031	
Cash Funds Exempt / Reappropriated Funds	288	299	0	0	
					Request vs. Appropriation
(1) (A) Administration and Information					
Technology Services	26,089,883	29,749,237	35,132,307	35,499,100	1.0%
FTE	<u>52.6</u>	<u>55.4</u>	<u>59.4</u>	<u>59.8</u>	<u>0.4</u>
General Fund	7,032,610	5,546,765	6,369,594	6,830,684	7.2%
Cash Funds	6,545,462	9,844,667	21,270,186	21,202,375	-0.3%
Cash Funds Exempt / Reappropriated Funds	11,754,929	13,439,126	6,245,227	6,129,184	-1.9%
Federal Funds	756,882	918,679	1,247,300	1,336,857	7.2%
(B) EPA Wetlands Grant - Federal Funds	374,262	0	0	0	n/a

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
					Request vs. Appropriation
(C) H.B. 06-1311 (Species Cons. Trust Fund) - CF	1,771,842	0	0	0	n/a
(D) H.B. 07-1182 (Species Cons. Trust Fund) - CF	0	1,212,148	0	0	n/a
(E) S.B. 08-168 (Species Cons. Trust Fund) - CF	0	0	11,163,886	0	-100.0%
					Request vs. Appropriation
(1) EXECUTIVE DIRECTOR'S OFFICE					
- SUBTOTAL	28,235,987	30,961,385	46,296,193	35,499,100	-23.3%
FTE	<u>52.6</u>	<u>55.4</u>	<u>59.4</u>	<u>59.8</u>	<u>0.4</u>
General Fund	7,032,610	5,546,765	6,369,594	6,830,684	7.2%
Cash Funds	8,317,304	11,056,815	32,434,072	21,202,375	-34.6%
Cash Funds Exempt / Reappropriated Funds	11,754,929	13,439,126	6,245,227	6,129,184	-1.9%
Federal Funds	1,131,144	918,679	1,247,300	1,336,857	7.2%

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
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(6) PARKS AND OUTDOOR RECREATION

(A) State Park Operations	21,830,210	23,184,410	25,810,590	26,861,438	NP-1, NP-2
FTE	<u>234.9</u>	<u>248.3</u>	<u>260.7</u>	<u>260.7</u>	
General Fund	2,723,011	5,466,161	5,783,168	6,080,305	
Cash Funds	17,428,296	14,870,622	19,582,033	20,335,744	
Cash Funds Exempt / Reappropriated Funds	1,436,395	2,494,124	0	0	
Federal Funds	242,508	353,503	445,389	445,389	
					Request vs. Appropriation
(A) State Park Operations - Subtotal	21,830,210	23,184,410	25,810,590	26,861,438	4.1%
FTE	<u>234.9</u>	<u>248.3</u>	<u>260.7</u>	<u>260.7</u>	<u>0.0</u>
General Fund	2,723,011	5,466,161	5,783,168	6,080,305	5.1%
Cash Funds	17,428,296	14,870,622	19,582,033	20,335,744	3.8%
Cash Funds Exempt / Reappropriated Funds	1,436,395	2,494,124	0	0	n/a
Federal Funds	242,508	353,503	445,389	445,389	0.0%

(B) Great Outdoors Colorado (GOCO) Board Grants

Land and Water Protection - Cash Funds	0	0	709,000	709,000	
Land and Water Protection - CFE / RF	764,000	651,000	0	0	
FTE	2.0	2.0	2.0	2.0	
Operations and Maintenance - Cash Funds	0	0	1,969,000	1,969,000	
Operations and Maintenance - CFE / RF	231,491	1,806,000	0	0	
FTE	7.5	14.5	14.5	14.5	

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Statewide Programs - Cash Funds	0	0	1,657,000	1,657,000	
Statewide Programs - CFE / RF	2,010,879	1,362,037	0	0	
FTE	6.5	6.0	6.0	6.0	
					Request vs. Appropriation
(B) GOCO Board Grants - Subtotal	3,006,370	3,819,037	4,335,000	4,335,000	0.0%
FTE	<u>16.0</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>	<u>0.0</u>
Cash Funds	0	0	4,335,000	4,335,000	0.0%
Cash Funds Exempt / Reappropriated Funds	3,006,370	3,819,037	0	0	n/a
(C) Special Purpose					
Snowmobile Program - CF	672,960	997,958	1,003,878	1,007,001	NP-1
FTE	0.0	0.2	1.3	1.3	
River Outfitters Regulation - CF	67,686	77,001	74,466	74,466	
Off-Highway Vehicle Program - CF	341,750	336,465	379,124	402,224	NP-1
FTE	0.0	3.0	3.0	3.0	
Federal Grants - FF	417,197	506,047	518,516	518,516	
S.B. 03-290 Enterprise Fund - CF	0	0	200,000	200,000	
S.B. 03-290 Enterprise Fund - CFE/ RF	244,463	185,189	0	0	
System Operations and Support - CF	0	0	735,000	735,000	

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System Operations and Support - CFE / RF	413,093	485,368	0	0	
Connectivity at State Parks - CF	0	0	370,000	370,000	
Connectivity at State Parks - CFE / RF	245,125	123,628	0	0	
Asset Management - CF	0	0	300,000	300,000	
Asset Management - CFE / RF	349,653	407,256	0	0	
Voice Over Internet Protocol - CF	0	0	0	0	
Voice Over Internet Protocol - CFE / RF	0	224,935	0	0	
Law Enforcement Equipment - CF	0	0	126,780	126,780	
Law Enforcement Equipment - CFE / RF	0	0	0	0	
S.B. 08-226 Aquatic Nuisance Species - CF	0	0	3,289,392	2,701,461	
FTE	0	0	7.0	7.0	
Indirect Cost Assessment	<u>1,241,685</u>	<u>1,511,433</u>	<u>1,346,673</u>	<u>1,294,669</u>	
Cash Funds	1,134,232	1,318,075	1,283,850	1,222,324	
Federal Funds	107,453	193,358	62,823	72,345	
					Request vs. Appropriation
(C) Special Purpose - Subtotal	3,993,612	4,855,280	8,343,829	7,730,117	-7.4%
FTE	<u>0.0</u>	<u>3.2</u>	<u>11.3</u>	<u>11.3</u>	<u>0.0</u>
Cash Funds	2,216,628	2,729,499	7,762,490	7,139,256	-8.0%
Cash Funds Exempt / Reappropriated Funds	1,252,334	1,426,376	0	0	n/a

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Federal Funds	524,650	699,405	581,339	590,861	1.6%
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					Request vs. Appropriation
(6) PARKS AND OUTDOOR RECREATION					
- SUBTOTAL	28,830,192	31,858,727	38,489,419	38,926,555	1.1%
FTE	<u>250.9</u>	<u>274.0</u>	<u>294.5</u>	<u>294.5</u>	<u>0.0</u>
General Fund	2,723,011	5,466,161	5,783,168	6,080,305	5.1%
Cash Funds	19,644,924	17,600,121	31,679,523	31,810,000	0.4%
Cash Funds Exempt / Reappropriated Funds	5,695,099	7,739,537	0	0	n/a
Federal Funds	767,158	1,052,908	1,026,728	1,036,250	0.9%

(7) COLORADO WATER CONSERVATION BOARD

(A) Administration

Personal Services	2,511,934	2,564,748	2,939,094	3,189,771	DI-4, DI-6, DI-9
FTE	27.4	26.8	31.0	34.5	
Operating Expenses	89,890	89,569	100,027	127,984	DI-4, DI-6, DI-11, NP-1, NP-2
Interstate Compacts	289,529	306,406	350,337	350,337	
Western States Water Council Dues	25,000	27,500	27,500	27,500	
River Decision Support Systems	508,111	510,262	534,728	720,930	DI-8
FTE	5.0	5.0	5.0	7.0	

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					Request vs. Appropriation
(A) Administration - Subtotal	3,424,464	3,498,485	3,951,686	4,416,522	11.8%
FTE	<u>32.4</u>	<u>31.8</u>	<u>36.0</u>	<u>41.5</u>	<u>5.5</u>
Cash Funds	339,777	339,777	3,655,659	4,120,495	12.7%
Cash Funds Exempt / Reappropriated Funds	3,084,687	3,158,708	296,027	296,027	0.0%

(B) Special Purpose

Intrastate Water Management and Development - CF	0	0	470,980	470,980	
(SWSI) Water Supply Management, Development, and Implementation Assistance - CFE ¹	0	443,646	0	0	
Federal Emergency Management					
Assistance	146,120	81,659	146,120	146,120	
FTE	<u>2.0</u>	<u>1.9</u>	<u>2.0</u>	<u>2.0</u>	
Cash Funds (CWCB)	0	0	13,941	13,941	
Cash Funds Exempt / Reappropriated Funds (CWCB)	13,941	0	0	0	
Federal Funds	132,179	81,659	132,179	132,179	
Weather Modification - CF (Fees)	9,900	11,220	25,000	25,000	
Water Conservation Program - CF (CWCB)	0	0	270,548	274,405	
Water Conservation Program - CFE / RF (CWCB)	169,877	180,501	0	0	
FTE	1.5	2.2	4.0	4.0	

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H.B. 05-1254 (Water Efficiency Grant Program) - CF ²	0	0	600,029	600,029	
H.B. 05-1254 (Water Efficiency Grant Program) - CFE / RF ²	285,392	525,127	0	0	
FTE	N/A	0.0	1.0	1.0	
Severance Tax Projects - CF	963,018	1,262,099	1,275,500	1,275,500	
HB 05-1177 (Negotiation of Interbasin Compacts) - CF (Sev Tax)	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Interbasin Compacts (HB 06-1400) - CF	547,055	1,057,578	0	0	
FTE	0.5	1.7	3.7	3.7	
Platte River Basin Cooperative Agreement					
Cash Funds (CWCB)	0	0	238,598	242,269	
Cash Funds Exempt / Reappropriated Funds (CWCB)	228,726	200,745	0	0	
FTE	1.0	1.0	1.0	1.0	
S.B. 02-87 Colorado Watershed Protection Fund - CF	0	0	119,942	119,942	
S.B. 02-87 Colorado Watershed Protection Fund - CFE / RF	98,639	70,333	0	0	
Indirect Cost Assessment	<u>415,606</u>	<u>450,535</u>	<u>461,627</u>	<u>481,731</u>	
Cash Funds (CWCB)	0	0	455,380	472,542	
Cash Funds Exempt / Reappropriated Funds (CWCB)	402,711	446,108	0	0	
Federal Funds	12,895	4,427	6,247	9,189	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Water Construction Fund Bill - CF ³	0	0	7,721,000	0	
Water Construction Fund Bill - CFE / RF	3,981,555	2,575,885	0	0	
S.B. 06-193 Study - CF	123,860	0	0	0	
					Request vs. Appropriation
(B) Special Purpose - Subtotal	6,969,748	6,859,328	11,329,344	3,635,976	-67.9%
FTE	<u>5.0</u>	<u>6.8</u>	<u>11.7</u>	<u>11.7</u>	<u>0.0</u>
Cash Funds	1,643,833	2,330,897	11,190,918	3,494,608	-68.8%
Cash Funds Exempt / Reappropriated Funds	5,180,841	4,442,345	0	0	n/a
Federal Funds	145,074	86,086	138,426	141,368	2.1%

¹ The name of this line item was changed in FY 2008-09 to "Intrastate Water Management and Development".

² S.B. 07-008 expanded the Water Efficiency Grant Program and appropriated \$82,749 and 1.0 FTE to the CWCB in FY 08. The Department was appropriated \$600,029 in FY 09 and is requesting a continuation appropriation for FY 2009-10.

³ Funding for this area is provided through a special bill: the annual water projects bill (H.B 08-1346). Since the amount for the FY 2009-10 bill is not known at this time, the Department's request appears to be lower by the amount of the FY 2008-09 appropriation.

					Request vs. Appropriation
(7) COLORADO WATER CONSERVATION BOARD					
- SUBTOTAL	10,394,212	10,357,813	15,281,030	8,052,498	-47.3%
FTE	<u>37.4</u>	<u>38.6</u>	<u>47.7</u>	<u>53.2</u>	<u>5.5</u>
Cash Funds	1,983,610	2,670,674	14,846,577	7,615,103	-48.7%
Cash Funds Exempt / Reappropriated Funds	8,265,528	7,601,053	296,027	296,027	0.0%
Federal Funds	145,074	86,086	138,426	141,368	2.1%

(8) WATER RESOURCES DIVISION ("State Engineer's Office")

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Personal Services	17,393,013	17,910,062	18,773,384	19,324,641	
FTE	<u>238.2</u>	<u>252.3</u>	<u>263.6</u>	<u>261.4</u>	BR-1
General Fund	17,017,841	17,633,652	18,250,306	18,800,340	
Cash Funds (Mostly Gr. Water Management Fee)	357,662	258,879	523,078	524,301	
Cash Funds Exempt / Reappropriated Funds	17,510	17,531	0	0	
Operating Expenses	<u>1,506,838</u>	<u>1,606,419</u>	<u>1,540,479</u>	<u>1,807,059</u>	
General Fund	1,012,903	1,045,631	1,045,971	1,396,551	BR-1, NP-1, NP-2
Cash Funds	403,511	376,706	494,508	410,508	
Cash Funds Exempt / Reappropriated Funds	90,424	184,082	0	0	
Interstate Compacts - General Fund	76,002	75,906	76,002	76,002	
Republican River Compact Compliance -General Fund	46,278	46,035	316,744	321,012	
FTE	1.0	1.0	4.7	5.0	
Satellite Monitoring System	359,225	360,129	369,049	404,497	
FTE	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	244,225	245,129	254,160	259,838	
Cash Funds	115,000	115,000	114,889	144,659	DI-12
Augmentation of Water for Sand and Gravel Extraction - CF	36,970	12,651	44,400	44,400	
Dam Emergency Repair - H.B. 92-1131 - Cash Funds	0	0	50,000	50,000	

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Federal Grants - FF (Mostly FEMA)	120,404	148,943	84,000	94,782	
River Decision Support Systems - CF	0	0	379,255	391,300	
River Decision Support Systems - CFE / RF	361,413	366,003	0	0	
FTE	3.8	4.0	4.0	4.0	
H.B. 03-1334 Temporary Interruptible Water Supply Agreements - CF	0	0	61,589	61,589	
S.B. 04-225 Well Enforcement - CF	0	1,489	1,489	1,489	
Indirect Cost Assessment	<u>49,500</u>	<u>60,744</u>	<u>56,670</u>	<u>42,670</u>	
Cash Funds	23,678	33,938	56,062	40,849	
Cash Funds Exempt / Reappropriated Funds	22,750	24,331	0	0	
Federal Funds	3,072	2,475	608	1,821	
Expenditure of Water Project Bill Funds - CF (CWCB)	0	0	350,000	0	
Expenditure of Water Project Bill Funds - CFE / RF (CWCB)	297,429	253,743	0	0	
					Request vs. Appropriation
(8) WATER RESOURCES DIVISION - SUBTOTAL	20,247,072	20,842,124	22,103,061	22,619,441	2.3%
FTE	<u>245.0</u>	<u>259.3</u>	<u>274.3</u>	<u>272.4</u>	<u>(1.9)</u>
General Fund	18,397,249	19,046,353	19,943,183	20,853,743	4.6%
Cash Funds	936,821	798,663	2,075,270	1,669,095	-19.6%
Cash Funds Exempt / Reappropriated Funds	789,526	845,690	0	0	n/a
Federal Funds	123,476	151,418	84,608	96,603	14.2%

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(9) DIVISION OF WILDLIFE

(A) Division Operations

(1) Director's Office	1,949,930	1,706,473	2,048,629	2,125,056	
FTE	<u>16.0</u>	<u>14.8</u>	<u>18.0</u>	<u>18.0</u>	
Cash Funds	0	0	1,927,903	2,004,800	NP-1, NP-2
Cash Funds Exempt / Reappropriated Funds	1,821,369	1,566,578	0	0	
Federal Funds	128,561	139,895	120,726	120,256	
(2) Wildlife Management	59,439,853	66,505,722	64,911,962	67,678,621	
FTE	<u>532.7</u>	<u>565.7</u>	<u>554.4</u>	<u>554.4</u>	
Cash Funds	0	0	54,651,146	57,413,194	NP-1, NP-2
Cash Funds Exempt / Reappropriated Funds	49,551,488	54,259,742	0	0	
Federal Funds	9,888,365	12,245,980	10,260,816	10,265,427	
(3) Technical Services	6,176,835	6,078,066	6,516,885	6,734,659	
FTE	<u>55.8</u>	<u>56.2</u>	<u>61.0</u>	<u>61.0</u>	
Cash Funds	0	0	6,498,895	6,719,268	NP-1, NP-2
Cash Funds Exempt / Reappropriated Funds	6,156,141	6,053,227	0	0	
Federal Funds	20,694	24,839	17,990	15,391	
(4) Information Technology	2,597,976	2,811,805	2,893,500	2,977,368	
FTE	<u>17.6</u>	<u>16.5</u>	<u>18.0</u>	<u>18.0</u>	
Cash Funds	0	0	2,893,500	2,977,368	NP-2
Cash Funds Exempt / Reappropriated Funds	2,597,976	2,811,805	0	0	

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Federal Funds	0	0	0	0	
					Request vs. Appropriation
(A) Division Operations - Subtotal	70,164,594	77,102,066	76,370,976	79,515,704	4.1%
FTE	<u>622.1</u>	<u>653.2</u>	<u>651.4</u>	<u>651.4</u>	<u>0.0</u>
Cash Funds	0	0	65,971,444	69,114,630	4.8%
Cash Funds Exempt / Reappropriated Funds	60,126,974	64,691,352	0	0	n/a
Federal Funds	10,037,620	12,410,714	10,399,532	10,401,074	0.0%

(B) Special Purpose

Wildlife Commission Discretionary Fund - CF	0	0	160,000	160,000	
Wildlife Commission Discretionary Fund - CFE / RF	90,987	160,000	0	0	
Game Damage Claims and Prevention - CF	0	0	1,050,000	1,050,000	
Game Damage Claims and Prevention - CFE / RF	849,279	1,050,000	0	0	
Instream Flow Program - CF	0	0	296,027	296,027	
Instream Flow Program - CFE / RF	296,027	296,027	0	0	
Habitat Partnership Program - CF	0	0	2,500,000	2,500,000	
Habitat Partnership Program - CFE / RF	2,169,274	2,686,662	0	0	
S.B. 08-226 Aquatic Nuisance Species - CF	0	0	3,917,244	1,304,544	
Indirect Cost Assessment - Total Funds	<u>3,126,508</u>	<u>3,215,026</u>	<u>3,413,878</u>	<u>3,281,465</u>	

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Cash Funds	0	0	3,413,878	3,281,465	
Cash Funds Exempt / Reappropriated Funds	3,126,508	2,791,872	0	0	
Federal Funds	0	423,154	0	0	
					Request vs. Appropriation
(B) Special Purpose - Subtotal	<u>6,532,075</u>	<u>7,407,715</u>	<u>11,337,149</u>	<u>8,592,036</u>	<u>-24.2%</u>
Cash Funds	0	0	11,337,149	8,592,036	-24.2%
Cash Funds Exempt / Reappropriated Funds	6,532,075	6,984,561	0	0	n/a
Federal Funds	0	423,154	0	0	n/a

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					Request vs. Appropriation
(9) DIVISION OF WILDLIFE - SUBTOTAL	76,696,669	84,509,781	87,708,125	88,107,740	0.5%
FTE	<u>622.1</u>	<u>653.2</u>	<u>651.4</u>	<u>651.4</u>	<u>0.0</u>
Cash Funds	0	0	77,308,593	77,706,666	0.5%
Cash Funds Exempt / Reappropriated Funds	66,659,049	71,675,913	0	0	n/a
Federal Funds	10,037,620	12,833,868	10,399,532	10,401,074	0.0%

					Request vs. Appropriation
DEPARTMENT OF NATURAL RESOURCES (EDO, Parks, CWCB, WRD, and DOW)					
TOTAL FUNDS	164,404,132	178,529,830	209,877,828	193,205,334	-7.9%
FTE	<u>1,208.0</u>	<u>1,280.5</u>	<u>1,327.3</u>	<u>1,331.3</u>	<u>4.0</u>
General Fund	28,152,870	30,059,279	32,095,945	33,764,732	5.2%
Cash Funds	30,882,659	32,126,273	158,344,035	140,003,239	-11.6%
Cash Funds Exempt / Reappropriated Funds	93,164,131	101,301,319	6,541,254	6,425,211	-1.8%
Federal Funds	12,204,472	15,042,959	12,896,594	13,012,152	0.9%

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

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 08-13 (Schwartz/Fischer): Severance Tax Trust Fund Operational Account Appropriations.** Reduces the maximum percentage of the Operational Account of the Severance Tax fund that may be appropriated to the Colorado Oil and Gas Conservation Commission and the Division of Reclamation, Mining, and Safety by five percent each. Allows appropriations from the Operational Account of the Severance Tax Fund of up to five percent of the balance to the Division of Wildlife to monitor, manage, mitigate, and research the impacts of mineral or mineral fuel production activities on wildlife, and up to five percent of the balance to the Division of Parks and Outdoor Recreation to operate, maintain, and improve state parks located in areas impacted by energy development. Appropriates from the Operational Account of the Severance Tax Fund to the Department of Natural Resources: \$1,234,058 for the Division of Parks and Outdoor Recreation; \$1,519,927 for the Division of Wildlife; and \$750,000 to construct a boat ramp at Nighthorse Reservoir.

- ❑ **S.B. 08-168 (Isgar/Curry): Species Conservation Trust Fund.** Appropriates \$11,163,886 from the Species Conservation Trust Fund (SCTF) to the Department of Natural Resources for programs to conserve native species that have been listed as threatened or endangered under state or federal law, or are candidate species or are likely to become candidate species as determined by the United States Fish and Wildlife Service. The bill also changes the funding of the SCTF by delaying a transfer from the Operational Account of the Severance Tax Trust Fund to the SCTF from FY 2007-08 to FY 2008-09 and changing the timing of transfers to the SCTF specified in S.B. 06-229.

- ❑ **S.B. 08-226 (Isgar/Butcher and McFadyen): Aquatic Nuisance Species Prohibition.** Authorizes regulations and penalties related to aquatic nuisance species. For FY 2008-09, transfers \$1,250,000 from the Wildlife Cash Fund plus \$2,667,244 from the Operational Account of the Severance Tax Trust Fund (total of \$3,917,244) to the newly created Division of Wildlife Aquatic Nuisance Species Fund, and appropriates the balance in the fund to the Division of Wildlife. In addition, for FY 2008-09, transfers \$3,289,392 from the Operational Account of the Severance Tax Trust Fund to the newly created Division of Parks and Outdoor Recreation Aquatic Nuisance Species Fund and appropriates the balance in the fund to the Division of Parks and Outdoor Recreation. Reduces FY 2008-09 transfers from the Operational Account of the Severance Tax Trust Fund to the Species Conservation Trust Fund by \$750,000. For FY 2009-10 and every year thereafter, transfers from the Operational Account of the Severance Tax Trust Fund \$4,006,005 with \$2,701,461 for the Division of

Parks and Outdoor Recreation Aquatic Nuisance Species Fund and \$41,304,544 for the Division of Wildlife Aquatic Nuisance Species Fund.

- ❑ **H.B. 08-1346 (Curry/Isgar): Funding for Colorado Water Conservation Board Projects.** Loans \$60,600,000 for the Republican River Water Conservation District Water Activity Enterprise - Republican River Compact Compliance Pipeline from the Severance Tax Trust Fund Perpetual Base Account. Loans \$11,217,060 for the Pagosa Area Water & Sanitation District Water Activity Enterprise - Dry Gulch Reservoir Project Land Purchase from the Colorado Water Conservation Board Construction Fund. Appropriates \$7,071,000 cash funds from the Colorado Water Conservation Board Construction Fund to the Department of Natural Resources in FY 2008-09 for various projects. Transfers \$1,000,000 from the Operational Account of the Species Conservation Trust Fund to the Colorado Water Conservation Board Construction Fund and appropriates this amount to the Colorado Water Conservation Board in the Department of Natural Resources to finance a tamarisk control cost-sharing grant program.

- ❑ **H.B. 08-1387 (Buescher/Veiga): Low-Income Energy Assistance Funding.** Re-authorizes low-income energy assistance programs. Replaces cash fund appropriations from the Operational Account of the Severance Tax Trust Fund made in the 2008 Long Bill (H.B. 08-1375) of \$7,050,000 to the Governor's Office and \$5,950,000 to the Department of Human Services with transfers from the Operational Account into newly created funds that are continuously appropriated to the Department of Human Services and the Governor's Office. Authorizes new transfers of \$13 million per year in state fiscal years 2009-10, 2010-11, and 2011-12 from the Operational Account of the Severance Tax Trust Fund to the following funds:
 - 25 percent to the Department of Human Services Low-income Energy Assistance Fund;
 - 25 percent to the Energy Outreach Colorado Low-income Energy Assistance Fund; and
 - 50 percent to the Governor's Energy Office Low-income Energy Assistance Fund.By placing the extension of funding within the structure of H.B. 08-1398, makes the funding for low-income energy assistance programs subject to the reserve requirements and proportional reductions if there are insufficient revenues that are specified for all tier 2 programs. Specifies a slightly different installment structure than other tier 2 programs under HB 08-1398, by requiring all of the funding to the Governor's Energy Office Low-income Energy Assistance Fund to be made on July 1, all of the funding to the Department of Human Services Low-income Energy Assistance Fund to be made on January 4, and all of the funding to the Energy Outreach Colorado Low-income Energy Assistance Fund to be made on April 1. Changes the qualification levels for the Governor's Energy Office Home Energy Efficiency Program.

- ❑ **H.B. 08-1398 (Buescher/Johnson): Operational Account of the Severance Tax Trust Fund.** Repeals and reenacts statutes governing the distribution of funds from the Operational Account of the Severance Tax Trust Fund with relocations, technical corrections,

and repeals of out-dated language. Changes the reserve requirements for the Operational Account of the Severance Tax Trust Fund as follows:

- Reduces the reserve from twice the appropriations for the core operations of the Department of Natural Resources ("tier 1 programs") to one times the appropriations, plus 15 percent of all other transfers from the operational account grant, research, and construction programs ("tier 2 programs");
 - Changes the dates for transfers out of the Operational Account for tier 2 programs:
 - 40 percent transfers July 1,
 - 30 percent transfers January 4, and
 - 30 percent transfers April 1.
 - Reduces transfers from the Operational Account for tier 2 programs proportionately if the Legislative Council Staff revenue forecast indicates there will be insufficient funds to maintain the reserve.
- ☐ **S.B. 07-8 (Taylor/Curry): Expansion of the Water Efficiency Grant Program.** Authorizes any state or local governmental entity that provides water at retail to customers to participate in the water efficiency grant program administered by the Colorado water conservation board. Extends the repeal of the program to July 1, 2012. Transfers revenues from the Operational Account of the Severance Tax Trust Fund to the Water Efficiency Grant Program Cash Fund. Appropriates \$82,749 and 1.0 FTE in FY 2007-08 to the Department of Natural Resources for allocation to the Colorado Water Conservation Board.
- ☐ **S.B. 07-122 (Isgar/Curry): Funding of Colorado Water Conservation Board Projects.** Funds a variety of water-related projects from the Colorado Water Conservation Board Construction Fund (CWCB Construction Fund) and the Perpetual Base Account of the Severance Tax Trust Fund. Funding mechanisms include loans, direct appropriations, and fund transfers.
- ☐ **S.B. 07-198 (Isgar/Roberts): Funding of Projects to Monitor the Seepage of Coalbed Methane Gas.** Creates the Coalbed Methane Seepage Cash Fund which consists of funds appropriated from the Oil and Gas Conservation and Environmental Response Fund. Requires the General Assembly to make the following appropriations to the Coalbed Methane Seepage Cash Fund: (1) up to \$2,003,400 for FY 2007-08; (2) up to \$2,003,400 for FY 2008-09; and (3) up to \$445,200 for FY 2009-10. Authorizes the Oil and Gas Conservation Commission to use the moneys in the fund for a project to determine the most cost-effective methods of mitigating the seepage of methane gas along the outcrop of the Fruitland formation in La Plata county; and for the installation of wells to monitor the seepage of methane gas in the Fruitland formation in Archuleta county. Appropriates \$2,003,400 from the Oil and Gas Conservation and Environmental Response Fund to the Coalbed Methane Seepage Cash fund for FY 2007-08.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Natural Resources
(Executive Director's Office, Parks and Outdoor Recreation, Colorado Water Conservation Board, Water Resources Division, Division of Wildlife)

APPENDIX C: UPDATE OF FY 2008-09
LONG BILL (H.B. 08-1375) FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

None.

Requests for Information

50 Department of Natural Resources, Executive Director's Office – The Department of Natural Resources has committee resource and FTE to examining energy impacts on the Eastern Plains and throughout Colorado. The Joint Budget Committee is requesting a report from the Department of Natural Resources by November 1, 2008, explaining the impact on native ecosystems, prairie wildlife, and the impact on rural lifestyle, including farming and ranching.

Comment: The Department informed staff that it intends to submit the requested information by December 5, 2008.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Natural Resources
(Executive Director's Office, Parks and Outdoor Recreation, Colorado Water Conservation Board, Water Resources Division, Division of Wildlife)

APPENDIX D: UPDATE OF FY 2007-08
LONG BILL FOOTNOTES (S.B. 07-239)

Long Bill Footnotes

106 Department of Natural Resources, Parks and Outdoor Recreation, State Park Operations -The Division of Parks and Outdoor Recreation is requested to provide the Joint Budget Committee with a status report on the deployment of the Voice Over Internet Protocol (VOIP) System. This report is requested to include a summary of costs to implement the system and a summary of savings and cost avoidance attributable to the system. This report is requested to be submitted to the Joint Budget Committee by June 30, 2008.

Comment: The Department informed staff that it intends to submit the requested information by December 5, 2008.

Key Findings

Financial Management

We found that the Division needs to improve controls over its management and expenditure of the public funds with which it is entrusted:

- **GOCO funding.** We found that neither the Division's legacy grant applications nor annual investment requests submitted to GOCO contained sufficient detail or cost information to indicate clearly the ways in which the Division intended to spend these GOCO funds. Although key information was lacking, GOCO awarded the Division \$4.5 million and \$44 million, respectively, for the two legacy grants and the five annual investment requests we reviewed. We also found that 9 of 12 reimbursement requests submitted by the Division to GOCO during Fiscal Year 2006 contained errors or discrepancies in year-to-date expenditures ranging from \$5 to \$1.9 million. Finally, we found that the Division failed to record in COFRS, the State's accounting system, all revenues and expenditures related to its GOCO-financed projects. The largest discrepancy was for Fiscal Year 2003. GOCO's records indicated that the Division received a total of \$17.8 million in GOCO funding; however, the Division recorded only \$7.1 million in COFRS, a difference of \$10.7 million. As of the end of our audit, the Division was unable to resolve all discrepancies between GOCO's and the Division's records. This represents a material weakness in the Division's internal controls over financial reporting.
- **Lottery funding.** We found that in Fiscal Years 2003 through 2007, the Division spent about \$47 million in direct lottery proceeds. Of this total, the Division invested 79 percent in park capital construction and improvement projects and invested only 9 percent in operations. As a result, the Division is increasing the pressure on taxpayers—through the need for general funds and park user fees—to cover the ongoing costs of operations at parks acquired and developed with lottery moneys. Further, during the four-year period from June 30, 2003 to June 30, 2007, the Division's Lottery Fund balance increased from \$9.7 million to \$17.5 million, or by 80 percent, which indicates the Division has not adequately monitored or maximized its use of lottery funds to address short- and long-term needs.
- **Financial controls.** We found that out of a sample of 330 payments totaling \$16.5 million during Fiscal Years 2006 and 2007, there were 124 payments (38 percent) totaling more than \$8 million that did not conform with State Fiscal Rules or other requirements. Of the 261 procurement card (ProCard) transactions we tested for Fiscal Years 2005 through 2007, 62 transactions (24 percent) totaling about \$71,000 had problems, such as unallowable expenditures, lack of supporting documentation, missing approvals, and various other errors. Finally, we found insufficient controls over the Division's practices for cash collections for fees, park passes, and other services due to problems with adequate segregation of duties,

cash handling, reporting, and reconciliation procedures. Weak cash handling practices increase the risk of fraud or abuse.

Procurement and Contract Management

During Fiscal Years 2003 through 2007, personal services and capital construction contracts averaged about 27 percent of the Division's total expenditures. We found that the Division's and Department's procurement and contract management practices did not ensure all contracts and payments controlled costs or complied with statutes, rules, policies, and guidelines:

- **Contract deliverables and payments.** We identified 6 contracts completed between July 2004 and September 2007 with questionable payments totaling more than \$2 million out of our sample of 23 personal services contracts valued at \$3.4 million. Questionable expenditures included payments: (1) for work performed outside of the contract scope, (2) made without evidence of deliverables, (3) for work performed before a contract was executed, and (4) that exceeded the contract budget.
- **Personal services procurement.** We found that 16 of the 23 personal services contracts we reviewed violated one or more statutes or rules related to the State Procurement Code or the state personnel system and, thus, should not have been approved. Ten contracts did not comply with constitutional and statutory protections for the state personnel system, 11 violated statutes and guidelines that prohibit contracting with state employees and contractors for the same work within 6 months of the end of their employment or contract with the State, and 4 were sole source procurements that did not meet the statutory criteria for a sole source purchase.
- **Capital construction contracts.** We identified 5 contracts with amendments or modifications that increased the contract's total cost by more than 70 percent out of a sample of 27 capital construction contracts valued at \$22.8 million and procured between April 2001 and September 2007. We also identified three construction contracts where the Division paid contractors for additional work without advance authorization through a contract modification or amendment, in violation of Division policy. Finally, we found that the Division processed 65 of 83 contract modifications (78 percent) as emergency modifications and for just under one-half of these modifications, the Division could not provide evidence of the events constituting an emergency.

Personnel Management

As of Fiscal Year 2007, the Division had 262 FTE and spent \$23.8 million on personnel, including state FTE and nonpermanent staff. We found that the Division's lack of compliance with state personnel system laws and rules has led to a long-standing pattern of questionable personnel actions:

- **Personnel system oversight.** We reviewed 14 of the 70 employee transfers approved by the Division and Department during Fiscal Years 2006 and 2007 and found that 6 employees

received discretionary pay increases of up to 10 percent that they were not qualified to receive. The Division granted these pay increases despite a Department salary study indicating these employees were not qualified to receive the raises. Additionally, we found some Division managers were directly involved in the selection and hiring, performance evaluation, and daily supervision of family members or friends, which could give rise to the perception of favoritism.

- **Misuse of temporary employee status.** We found that from 2002 through 2007 the Division violated personnel system laws and circumvented the FTE appropriation process by routinely hiring 16 individuals, through a succession of temporary employment arrangements, to fill permanent staffing needs. These 16 individuals increased the actual FTE in these affected program areas by 23 percent, from 30 appropriated FTE to an average of 37 full-time positions. We also identified 5 other positions that the Division filled with 20 different temporary (seasonal) workers on a year-round basis, in violation of state personnel rules.

Asset Management

The Division has extensive assets, including buildings, boat docks, vehicles, furnishings and antiques, various types of equipment, and retail items for sale to the public. We found the Division lacks controls to ensure that its assets are accounted for, valued, protected, maintained, and used appropriately to support the Division's operations:

- **Capital assets.** We found the Division does not have complete or accurate information on the condition of its assets or future capital needs. Therefore, the Division cannot plan effectively for the acquisition of new assets or for the protection, maintenance, or improvement of its current assets. We also found that the Division could reduce design costs for capital construction projects by developing a design library and reusing designs for standard buildings.
- **Use of state assets.** We found that some Department and Division staff circumvented the standard reservation processes to use the fully furnished cabins at Mueller State Park to benefit themselves, their friends, other staff at the Division, and organizations with which the Division does business. During 2005 and 2006, the Division staff granted 7 complimentary stays for employees or friends; occupied the cabins on 18 different occasions 8 of which were during periods of high demand, such as holidays; and reserved cabin stays before the cabins were available to the public on the reservation system.
- **Use of state vehicles.** We found that the Division improperly authorized two employees to commute in state vehicles at a cost of nearly \$40,400 between January 2004 and October 2007 and did not report these benefits as taxable income on the two employees' W-2 forms.

Oversight and Accountability

Our audit identified repeated and significant problems with oversight of and accountability for a broad range of Division functions and operations that raise questions about the Division's system of internal controls and its culture of accountability. Responsibility for these problems is shared by the Parks Board, the Department, and the Division. Specifically, we found the Parks Board does not have self-governance policies that clearly define the Board's responsibilities with respect to monitoring internal control, financial accountability and reporting, or Division performance. We also found that the Department has not provided sufficient oversight of the Division's financial, accounting, purchasing, and human resource activities and, in some instances, has carried out practices in violation of statutes and rules. Finally, we found the Division has not consistently apprised the Parks Board of key issues and decisions for the Board's review and approval, resulting in service delays in opening parks to the public, unnecessary costs to taxpayers, and loss of revenue.

Our recommendations and the responses from the Division of Parks and Outdoor Recreation, the Board of Parks and Outdoor Recreation, the Department of Natural Resources, and the State Board of the Great Outdoors Colorado Trust Fund can be found in the Recommendation Locator and in the body of the report.

**The State Board of the
GREAT OUTDOORS COLORADO TRUST FUND
Resolution #2008-21
October 24, 2008**

**A Resolution awarding Investments from Outdoor Recreation Resources Purpose Funds
through Colorado State Parks**

WHEREAS:

1. The Board conditionally approved \$8,628,733 for fiscal year 2008 investments through Colorado State Parks.
2. Since the time of the March 28, 2008 Board approval, the State Auditor completed its' review and findings of the financial controls and performance issues at Colorado State Parks.
3. The findings and recommendations contained in the State Auditor report amplify GOCO's prior concerns about the lack of internal controls and reveals new information supporting findings of non-compliance with several key business and financial functions involving GOCO investments through Colorado State Parks.
4. The GOCO Board rescinded the conditional approval of the \$8,628,733 in funds for investments through Colorado State parks on July 16, 2008.
5. Colorado State Parks has taken steps to address many of these findings, including issuing new directives, policies, procedures and training to provide better internal controls.
6. Colorado State Parks has requested interim funding in an amount of \$2,473,000 for project and program investments consistent with the original investment proposal conditionally approved by the Board in March 2008.

Accordingly, the Board RESOLVES:

1. That the investments described in State Parks' FY 2008-2009 Interim Investment Proposal request listed in the attachment for a total of \$2,473,000 are approved for GOCO funding with the following condition:

This approval constitutes an agreement to allow expenditures for these projects and programs, however, disbursement of funds will not occur without receipts for all reimbursement requests.

Further, GOCO will engage the services of an outside CPA firm to assess the adequacy of internal controls for cash disbursements at State Parks. The scope of the review and selection of the CPA will be mutually agreed upon by GOCO and State Parks. Selection of the CPA and a contract for services will occur no later than December 1, 2008 and the assessment will begin no later than February 1, 2009 with work to be completed prior to submission and approval of State Parks' request for FY 2009/2010 GOCO funding.

2. The award of the \$2,473,000 will be effective July 1, 2008. Operations funds are available through June 30, 2009 and capital funds are available through June 30, 2011 (consistent with the procedures of the State Legislature's Capital Development Committee) before an investment would be considered overdue and brought back to the GOCO Parks and Outdoor Recreation Committee.
3. The Executive Director is hereby empowered to make minor adjustments and additions in the funding awards, in consultation with the Director of State Parks, except that any shift in the use of these funds from Capital to Operations must be brought to the GOCO Board for approval.

Attest:

Kae Rader, Secretary



MEMORANDUM

TO: GOCO Parks Subcommittee members, John Swartout, Lise Aangeenbrug

FROM: Dean Winstanley, Director

DATE: October 9, 2008

SUBJECT: Status of Performance Audit Implementation

Introduction

This memorandum will provide an update on progress that Colorado State Parks has made in addressing the problems identified in the June 2008 Performance Audit. The Department of Natural Resources, the Division and the Parks Board take this audit extremely seriously and understand why the GOCO Board rescinded the Division's FY 2008-09 funding on July 16th.

Progress to Date

A year ago, Colorado State Parks began to take action to correct the problems that were coming to light through the performance audit process. State Parks remains committed to directing the necessary resources to fully address and implement the recommendations contained in the audit. Both the Parks Board and I have made it very clear to Division leadership and our entire Division staff that this work will continue to be our top priority. We also have the full support of the Department of Natural Resources.

The analysis and the 28 recommendations contained in the 2008 performance audit were organized into five chapters. As State Parks addresses these recommendations and other problems identified in the audit, we will track and report on our progress on a regular basis. I have attached a copy of a report that details our progress to date; please see the *Audit Implementation* tab of the Interim Funding Request notebook for more information.

In addition to the above referenced report, I am providing GOCO with a summary of our progress on the audit in another format that is contained in this memorandum. The comments and recommendations contained in the audit essentially fall out into four categories that we will cover in this memo: 1) Leadership; 2) Controls; 3) Accountability; and 4) Training.

1) Leadership

Our ability to implement the audit and to regain and maintain trust with our staff, the Department, GOCO, the General Assembly and other stakeholders relies on strong leadership. Since the audit began in 2007, the Division, the Department and the Board have moved aggressively to make many significant and positive changes to State Parks leadership. These new leaders are committed to implementing all the necessary changes highlighted in the audit and to set an ethical example for all State Parks staff.

Tasks Completed:

Parks Board:

- Three new Parks Board members were appointed by Gov. Bill Ritter on September 9, 2008. Jim Pribyl (Boulder), Laurie Mathews (Denver) and Gary Butterworth (Colorado Springs) have joined Bill Kane (Aspen) and Lenna Watson (Grand Junction) on the Parks Board. The appointment of new board members provides a fresh start in defining roles and responsibilities between board and staff and board leadership and direction for the Division. Addressing these governance issues will be the primary focus of the board in the coming months.

Parks Staff:

- I was hired as the new State Parks Director on November 13, 2007. I am committed to leading by example and ensuring that the Division conducts all of its business in an ethical, accountable and transparent manner.
- On March 17, 2008, Steve Cassin was hired as the new Chief Financial Officer to oversee the agency's Financial Services Section. With 23 years of experience in the state system and an MBA, Steve has already demonstrated his leadership and ability to make positive changes in the quality of information and services provided by this critical part of our operations.
- I hired a new Controller and she is in the process of improving the quality of information and services from our accounting section. She is also re-organizing the accounting section to improve efficiencies, including the assurance that effective financial controls are in place to manage all funds.
- Changes have been made in our agency's top leadership to more effectively implement the audit, ensure a culture of accountability and implement other needed changes that will emanate throughout the agency. For instance, I moved two individuals with the energy and perspective to help serve as new leaders in the agency to address the challenges facing State Parks over the next year.

Department of Natural Resources:

- New DNR Assistant Director, Doug Robotham, was hired in July 2008 to actively ensure roles and responsibilities between the Department, the Division and the Board are clarified and are followed in the coming years. Doug brings a strong resume to the job and is committed to supporting the Division in whatever way he can.

Tasks In Process:

- I am orienting our new Board on their roles and responsibilities at a one-day retreat on October 24, 2008. This includes the re-organization and improvement of our new Board member orientation book.
- The Director and the Board chair have begun re-designing the way Board meetings are planned, approved, conducted and recorded. This includes Board Chair development and approval of the agenda, improvement of staff items included in the packet, and re-design of board minutes. This will be completed by October 10, 2008 to be ready for the next Board meeting on November 6-7.
- With the assistance of GOCO and the Foundation for Colorado State Parks, the Board and the State Parks Director have begun working with a consultant to undertake a comprehensive review of Board oversight practices and develop a governance manual that outlines the specific responsibilities of the Parks Board, the Division, the Director, and the Department of Natural Resources. These efforts include:
 - Assess Board governance structure.
 - Recommend ways to improve governance of the State Parks Board through work with the State Parks Director and key stakeholders.
 - Provide orientation to new Board members.
 - Identify a more thorough process for developing a governance structure and manual for the Parks Board that meets the requirements as described in the audit.

Longer Term Tasks:

- Standing Leadership Team and Board agenda items to ensure that the audit is implemented.
- Development of draft Board governance manual and policies by March 2009.
- Final adoption of Board governance manual and policies by June 2009.

2) Controls

Management of a complex organization like State Parks requires controls, policies and procedures to ensure decisions are carried out and, through proper documentation, can be substantiated in an audit of that decision making. Controls provide checks and balances and ensure that policies, procedures and other agency decisions are followed. They are a crucial component of effective management to ensure that employees throughout the organization are held accountable.

Tasks Completed:

- The Parks Board will review, shape and approve all agency budget requests and spending plans, including those related to GOCO funding. This new process will be in place until the Parks Board and the Department of Natural Resources complete their review of governance alternatives and adopt a new system of approvals.

- A new controller and accountant have been hired. Responsibilities in the accounting section have been reorganized to enhance the integrity of accounting process.
- The Division implemented interim controls and procedures to address two major financial processes: (1) payment of vendor invoices and (2) Procurement Card purchases. These accounted for the majority of problems identified in the performance audit related to expenditure controls. New instructions for preparing and processing invoices have also been prepared.
- The Division has established new procedures to be followed by grantees in State Parks' Trails Grants program, in new personal services contracting procedures and checklists, and in an expanded review and approval of expenditures. Relative to this last item, two separate reviews of all transactions utilizing GOCO funds are being conducted.
- The Division reviewed all land acquisitions in FY 07-08, including those financed by GOCO, to insure that the appropriate value was recorded on State Parks' books. This will be continued into the future.
- Controls were established in July 2008 to dramatically limit the use of emergency modifications to construction contracts. Requests for emergency modifications are being and will continue to be carefully scrutinized by the leadership team when appropriate. The routing process for a standard modification will be analyzed to determine ways to improve the process and limit the use of emergency modifications.
- The Procurement Card Guide has been revised to emphasize the areas identified in the audit and to clarify consequences for violations/errors. The Procurement Card Administrator has begun receiving the Transaction/Card Decline Report and continues to review the Split Purchase Report on a monthly basis. Team Leaders review, on a monthly basis, the Object of Expenditures Report for their assigned divisions regarding both appropriateness of expenditures and account coding.
- Interim guidance was provided to staff in June 2008 restricting all free use of park facilities. Until updated policies/administrative directives are finalized, any exemptions to this interim guidance must be approved by the Director. State Parks has reviewed two sets of governance documents dealing with complimentary passes and fee waiver requests. The existing Parks Board directive covering these issues will be split into four separate policies covering complimentary passes, permits, gift certificates and fee waiver requests. Staff is also reviewing the administrative directives covering these issues. This will be finalized in November 2008.

Tasks In Process:

- **GOCO Bills:** State Parks staff has been working over the past several months to improve and the quality, accuracy and transparency of billing statements submitted to GOCO. The majority of these efforts have been devoted to activities occurring "upstream" of the preparation of the monthly billings, such as improving the documentation, review and approval of payments to vendors when they are initially made by State Parks and putting other

controls in place. This in turn first required changes in staffing and organization structure in the financial management section of State Parks. Due December 2008.

- **GOCO Tracking:** Once GOCO and State Parks agree on the type and level of budget detail that needs to accompany funding proposals, State Parks will incorporate that into monthly billing statements – i.e., information will be provided in each billing statement that breaks grant expenditures down into this same level of detail. Further, each billing statement will include a recap of grant expenditures to date and grant balances. Due December 2008.
- **Capital Assets:** To ensure the Division has accurate information to prioritize renovation of our park facilities, we have started the process of compiling and verifying a physical inventory of assets, reconciling with existing (partial) databases, and assessing the current condition of those assets. We have conducted a survey of capital asset inventorying and management best practices. Additionally, Utah’s statewide capital construction manager will spend two days with Colorado State Parks staff in October 2008 to review Utah’s capital management practices, procedures, systems and organization and answer questions. State Parks has also acquired and is evaluating a capital management system, including an effective business planning tool, and is surveying the market for a commercial off-the-shelf software package for capital asset tracking.
- **Lottery Fund Tracking:** While Lottery expenditures by park are now tracked on COFRS, the Division will implement quality assurance procedures by December 2008 to insure that the information is complete and accurate at the park level.
- **Contract Management:** The Department will be hiring a central contract monitor to manage a statewide contract database for the Department, as well as to develop and deliver training for project managers in the field, or to any employee that is responsible for a contract. The Department hopes to hire this FTE in January, 2009.
- The Department has developed a draft tracking mechanism to ensure that former temporary employees are not hired as contractors within 6 months of their employment. This will be reviewed by other HR professionals, finalized, approved and implemented in fall 2008.

Longer Term Tasks:

- **Long-Term Planning and Budgeting:** How State Parks uses its Lottery funding will be considered along with all current revenue sources as we develop a comprehensive agency financial plan to direct operating and capital budgeting and expenditures in future years. The Division has requested an informal opinion from the Colorado Attorney General’s Office to clearly understand the legal constraints and requirements of our Lottery funds. This project will not only address a key audit recommendation but will implement an objective identified in our agency’s 5-year Strategic Plan. This will be approved and directed largely by our Parks Board and in consultation with

the Department, the General Assembly and GOCO. We anticipate having this plan in place by June 2009.

- **Capital Assets:** The Division is reviewing “best practices” exhibited by public and private organizations with capital assets similar in size and scope to Colorado State Parks. By June 2009, the Division plans to adopt a comprehensive asset management system/process that ensures extensive consideration is given to every capital dollar invested. The system that is selected and implemented will include, at a minimum, the following components:
 - Asset Inventory
 - Condition Assessment
 - Planning and Budget
 - Capital Project Management
 - Reporting
 - Organizational Structure

A more detailed description of the agency’s envisioned approach to capital development is included in the *Interim Funding Request* notebook.

3) Accountability

It is vital that staff throughout the agency understand that they will be held accountable in a way that is consistent with expectations of their supervisors and all applicable rules, policies and procedures. Employees will be evaluated against these expectations; this applies to everyone in the agency.

Tasks Completed:

- In October 2008, the Director required that supervisors add specific, additional language to the performance plans of all employees who manage contracts, agency funds or other staff. This new language specifically holds staff accountable for complying with state fiscal, personnel, and procurement rules. Performance plans will be amended by November 2008 and further refined to address audit-related accountability issues when new plans are developed on April 1, 2009.
- In June 2007, the Chief Financial Officer was re-assigned and removed from management responsibilities of the agency’s Financial Services section. He has since resigned.
- Responsibilities in the accounting section have been reorganized to provide greater accountability. Each accountant is now responsible for specific accounts and all the processes necessary to maintain the integrity of those accounts.
- An investigation was performed in summer 2008 that determined that there were no instances where individuals were employed through a succession of non-permanent arrangements between July 1, 2007 and the present.
- Contract responsibilities will be added to the Delegation Agreement that currently outlines the responsibilities between the Department’s and the Division’s accounting/procurement staff. The Position Descriptions Questionnaires (job descriptions) for the contract staff in the Department

Accounting/Procurement Section have been reviewed and future plans will include at least one Individual Performance Objective specific to this recommendation.

- In January 2008, disciplinary action was taken against a staff member responsible for a number of the personal services contract problems identified in the audit. In addition to a corrective action letter, supervisory and financial management responsibilities were taken away from this individual.
- In January 2008, the Director rescinded commuter status for two of the three State Parks employees who had been operating under this status. Only the Division's Chief of Law Enforcement is currently allowed to commute in a state vehicle. To comply with IRS rules, one employee was required to reimburse the state. Department and Division roles and responsibilities have been clarified and any future commuting arrangements will be authorized in accordance with State Fleet Management rules and requirements, as well as Internal Revenue Service laws and regulations.

Tasks In Process:

- Delineation of roles and responsibilities with regard to personnel system oversight will be documented through a Memorandum of Understanding between the Division and the Department. The Division is surveying all parks and programs regarding the use of temps on a long-term, ongoing basis. Based on this survey, State Parks will begin evaluating staffing needs and making adjustments as needed. Where possible, we will replace seasonal employees with full time employees and will have most of this completed by March 2009.
- Performance plans for staff in the Department's Executive Director's office who are accountable for personnel functions will include specific objectives for compliance with personnel rules and laws. This language has been drafted and is under review for implementation in spring 2009.
- The Division is committed to developing a capital development project five-year plan that will include an effective and comprehensive capital asset program inventory and an accurate assessment of the condition of structures and facilities. This capital construction planning information will be incorporated into a future development phase of the Division's internet-based Capital Project Tracking and Reporting System. As referenced previously, the Division will seriously consider establishing a centralized, management-level position for a person who will be tasked with these capital construction leadership responsibilities.

4) Training & Communication

A consistent theme through many of the State Auditor's Office recommendations was the need for improved and ongoing training at many levels of our organization. Training and ongoing communication are vital to ensure that all employees not only understand what will be required of them, but why. Inadequate or inconsistent training and communication lies at the heart of a large percentage of the concerns raised by the audit.

Tasks Completed:

- Since January 2008, more than 25 separate training sessions related to audit findings have been held statewide, covering the following topics:
 - Procurement Card procedures and management (four sessions in the spring, summer and fall of 2008).
 - Contracting and procurement for capital development projects (five sessions in the spring and summer of 2008),
 - General fiscal management and procurement for parks/programs, covering subject areas including fiscal rules, expenditure accounting, segregation of duties, cash management, and approvals (six sessions in spring 2008).
 - Object code training (two sessions in spring 2008).
 - Financial Data Warehouse training (two sessions in spring and summer 2008).
 - Supervisory essentials training covering issues including employment law, state personnel rules, the departmental code of ethics and performance management (four sessions in August and September, 2008).
 - Personal services contracts training (two sessions in spring 2008).
- In March 2008, all supervisors were required to complete online performance plan management training and to pass an exam.
- In July 2008, we hired a Communications Manager. A large part of her responsibilities are to improve and enhance internal communications within State Parks.

Tasks In Process:

- In early November 2008, two days of training will be provided to all State Parks managers to focus entirely on top training needs identified in the Performance Audit.
- Division leadership is considering mandatory training on procurement and contract rules and requirements for all capital construction project managers. Added scrutiny is being applied to contracts and concerns are elevated to Parks management staff when appropriate.
- “Supervisory essentials” training will be provided on annual basis.
- Clear, written direction from the Department regarding the use of temporary staff has been created. This will be distributed to all Parks staff by the end of September 2008.

Conclusion

As you can see from the above summary, Colorado State Parks has been and will be working hard to address the issues identified in the July 2008 State Auditor’s Office report. All of us at State Parks want to earn the trust of our partners, including GOCO, and believe that the steps we have taken so far, and the ones we intend to take, clearly demonstrate our commitment to addressing the challenges the Division faces.

State Parks also faces the responsibility of running our many programs and operations. To do this we must balance the need to establish systems and processes for improvement with the day-to-day reality of managing the agency. Therefore, the Parks Board and Division respectfully request that the GOCO Board to approve the \$2.473 million in interim FY 2008-09 funding. These funds will allow the Division to continue to provide the kind of excellent, uninterrupted services the public values and to progress toward completing the various important projects around the state. State Parks is requesting an effective date of July 1, 2008 for all interim funding requests. All interim requests are based on 12 months of expenses.

We are ready and willing to do what is necessary to answer any of your questions on our progress or our plans. We would like to expedite this process so that we do not cause any disruption to our plans or services. We would like to request a decision by the GOCO Board by October 24th, which would follow a meeting of the GOCO Parks Subcommittee sometime before that date.

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Responses: Proposed Timeline for Implementation – Status Report As Of: November 6, 2008

Rec. #	Issue	Entity	Due Date	Status	Next Steps
1	Parks/GOCO	Parks	Dec-08	Ongoing meetings with GOCO Staff	GOCO/Parks MOU GOCO Board/Parks Board Review Mar-09
a.	GOCO requirements			GOCO and Parks staff have agreed on budget format	
b.	Standardize requests			GOCO and Parks staff have agreed on billing statement format	
2	GOCO Revenues	Parks			
a.	Controls over receipt of GOCO funds		Jul-08	Partially Implemented. Interim controls drafted. FY 07-08 revenues reviewed and verified.	Discuss direct payments with GOCO staff. Issue interim controls.
b.	Reconcile GOCO revenues in State financial system		Jun-09	Partially implemented FY 07-08 complete on DPOR side FY 03-07 90% complete on DPOR side	Request GOCO records on payments to Parks.
c.	Reconciliation FY 1993-2008		Dec-10		Action plan for 1993-2002 data being developed
d.	Capital Asset List		Dec-10	Continuing to collect best practices for developing capital asset inventory. Have reviewed Utah and US BOR practices.	Develop timeline
3	Lottery in Operating	Parks			
a.	Discontinue Lottery Cap			Implemented	Implemented
b.	Tracking System		Mar-10	Implemented for FY 08-09	Collect and compile historical expenditure data
c.	Methodology - Funding Capital Projects		Dec-08	AG's Opinion requested	Incorporate into FY 10-11 budget cycle
d.	Planning Process		Jun-09		Develop comprehensive financial plan Revise capital planning process
4	Lottery reporting to GA	Parks	Oct-09		Report to General Assembly Fall, 2009. Note: First report will be based on the close of FY 08-09
4	Lottery reporting to GA	Board	Oct-09		
5	Expenditure Controls	Parks			

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a.	Payment Process		Dec-08	Interim controls implemented	Gather input and finalize procedures Monitor compliance with procedures
b.	Training		Dec-08	Training provided at November 5, 2008 Training Conference	
c.	Staff Accountability		May-09	HR developed core competency language – Standard IPO/Core Competency/Performance Factors At Director’s request, performance plans updated in Oct./Nov 2008	Performance Plans developed for 2009-10 and beyond will require this IPO and Core competency
6	ProCards	Parks	Dec-08		
a.	Document/Review Process			Interim controls implemented	Gather input and finalize procedures Monitor compliance with procedures
b.	ProCard Training			Implemented	Training is ongoing
7	ProCard Oversight - DNR	Depart ment	Dec-08		
8	Cash Collection, etc.	Parks	May-09	Team reviewed Cheyenne Mountain State Park Revenue Manual Draft policy developed by team Addressed at November 5, 2008 Managers Training Session	Update - Financial Services Manual
a.	Controls over Cash Collection			Interim procedures developed and implemented on trial basis	Gather input and feedback and finalize procedures Monitor compliance with procedures
b.	Control Access to Inventory			Interim procedures developed and implemented on trial basis	Gather input and feedback and finalize procedures Monitor compliance with procedures
c.	Reconciliation Process			Interim procedures developed and implemented on trial basis	Gather input and feedback and finalize procedures Monitor compliance with procedures
d.	Policies and Procedures			Interim procedures developed and implemented on trial basis	Gather input and feedback and finalize procedures Monitor compliance with procedures
e.	Best Practices			Best practices reviewed and incorporated in draft procedures	Gather input and feedback and finalize procedures Monitor compliance with procedures
9	PS Contract Deliv. & Pmnts	Parks		Controls were put into place September, 2007	
a.	Staff Accountability		May-09	Accountability factor added to all FY 08-09 performance plans	

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b.	Training		Dec-08	Training Session –Nov-08 Mgrs Mtg DNR Training 4/2, 4/24, 4/30, 5/7, 5/20, 5/22/08	
c.	Personnel Action		Sep-08	Completed. Director worked with AG and Dept. Determination was made that Division received fair value for the investment made in this research under both contacts and payment for this work by the State of Colorado was appropriate.	
10	PS Procurement	Parks		Task orders for PS Contracts are no longer used. Policy effective 09/17/07 initiated contract monitoring process, justification requirements.	
a.	Training		Dec-08	Training Session Nov-08 Mgrs Mtg DNR Training 4/2, 4/24, 4/30, 5/7, 5/20, 5/22/08	
b.	Review Process		Aug-08		
11	Cap. Const. Projects	Parks		Conducted a Facility Maintenance and Capital Construction Program Management Workshop with Utah Division of Facilities Construction and Management (DFCM) for 38 State Parks and DNR staff members on Oct 15-16	Gary is meeting with Arkansas State Parks Capital Development Manager to review their facility and construction management program on Nov. 17. Scheduled a Construction Management and Asset Management Workshop with the CO State Architects Office and CO Risk Management Office on Dec. 2
a.	Tracking System		Dec-10	In process of reviewing construction project automated tracking systems in use by Utah DFCM, CO Office of the State Architect,. Reviewing asset management database used by CO Risk Management Office.	
b.	Emergency Mods		Jul-09	With the exception of Public Health & Safety issues, Capital Construction emergency modifications have been eliminated.	
c.	Training/Supervision		May-09	Provided Training Workshop –Oct 15-16 Scheduled Training Session at Mgrs Mtg –Nov. 5-6	

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d.	Process		Jul-09		
12	Capital Contractor Selection	Parks			
a.	Training		Feb-09	June 5, 2008 meeting with Capital Construction Project Managers to review appropriate evaluation process	Training for Contract Monitors
b.	Staff Accountability		May-09	Additions to Performance Plans during mid-year review (Dec/08)	
13	Controls over Personnel	Parks			
a.	Clarify Roles/Resp		Mar-09	Department HR Director has reviewed and commented on Division Policies and Procedures that relate to personnel.	
b.	Training		Spring 09		
c.	Staff Accountability		May-09	July/08 – Core Competency for Supervision and Performance Mgmt added to plans for all DNR Supervisors.	Revise Performance Plans Complete
14	Legal use of Temps	Parks			
a.	Assess Need for FTE		Oct-09		
b.	Budget Request		Feb-10		
c.	Training		Feb-09		
d.	Admin. Directives		Sep-08		
e.	Tracking		Aug-08		
15	Use of Temps - Legal Review	Dept.		July/08 – Review of non-perm relationships conducted by DNR HRO. No additional relationships identified as inappropriate comb of temp or short-term contracts were used to inappropriately supplement staff resources.	Complete
16	SWP Program Review	Parks	Jan-09	New jobs descriptions have been generated for all park temp position and will be used for advertising open position and for central coordination	
a.	Eliminate SWP Classification			July/08 – Review of non-perm relationships conducted by DNR HRO. No additional relationships identified as inappropriate comb of temp or short-term contracts were used to inappropriately supplement staff resources.	Complete

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b.	Review Policies/Procedures			New jobs descriptions have been generated for all park temp position and will be used for advertising open position and for central coordination	
c.	Central Coordination				Request FTE Position - Division HR Resource Specialist
17	SWP Timekeeping	Parks	May-09	DNR Human Resources provided Supervisor Training for State Park managers and supervisors (that addressed legal use of temps) on Aug. 14- Sept. 10.	
a.	Policies/Procedures				
b.	Training				
c.	Employee Accountability				
18	Facility Maint. & Renov. Plan	Parks		Conducted a Facility Maintenance and Capital Construction Program Management Workshop with Utah Division of Facilities Construction and Management (DFCM) for 38 State Parks and DNR staff members on Oct 15-16	Scheduled a Construction Management and Asset Management Workshop with the CO State Architects Office and CO Risk Management Office on Dec. 2
a.	Review Condition		Dec-09		
b.	Prioritize Needs		Dec-09		Ongoing
c.	Tracking System		Jul-09	In process of reviewing construction project automated tracking systems in use by Utah DFCM, CO Office of the State Architect,. Reviewing asset management database used by CO Risk Management Office.	
19	Facility Plans & Design	Parks	May-09	Reviewing capabilities of DNR servers for electronic storage of data. Review of storage and management methods by other agencies for best practices. Ongoing meeting with design team for library design and use.	Ongoing
20	Comp. Overnight Stays	Parks	Nov-08	Interim Guidance provided to Division Staff. Staff work group assigned on 8//08 to review the existing Parks Board Policies and Administrative Directives that	The draft policies and directives will be submitted for review and comment to the Department Controller on Nov. 18.

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				<p>included original documents: Policy B-177 and Administrative Directive B-177. This Division work group recommended major editing and reformatting. The new documents address the following:</p> <ol style="list-style-type: none"> 1. Complimentary Passes (daily and annual) 2. Complimentary Permits (rental fees, campsite fees, group shelter fees. etc.) 3. Complimentary Gift Certificates 4. Fee Waiver Request <p>Draft policies and directives were provided to the Division Leadership Team for their review and edits on Sept. 19</p>	
a.	Policy/Procedures				
b.	Requirements				
c.	Guidelines				
21	Commuter Vehicles	Parks			
a.	Review Current Agreements		Done	Implemented	
b.	IRS Requirements		Jul-08	Implemented	
c.	Future Commuting Arrangements		Done	Implemented	
d.	Roles/Responsibilities		Done	Implemented	
22	Non-state Empl. - Vehicles	Parks	Oct-08	Richard Storm, Chief of Law Enforcement, completed research. Provided draft policy for Director's review.	Sr. Staff and EDO Review.
23	Size of Vehicle Fleet	Parks	Jul-09	List of alternative vehicles has been compiled. Fleet list and Fleet rules will be available by 9/30/08. Gary met with Gov Energy Office staff and will meet with additional staff shortly.	Obtain inventory and stats from Fleet CARS program (Melany) Determine Fleet req./standards Contact Energy Office (Gary Thorson) Arrange Meeting with Sr. Staff
24	Cabin Inventory	Parks	Jun-09	Team is reviewing and development standard inventory reporting forms. Will set a meeting with financial services staff regarding damage deposit issue.	Create standard inventory list Create Policy/Protocol Resolve damage deposit issue (input from Susan/Liena)

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					Report to Sr. Staff
25	RMNA Controls	Parks		DNR and Parks staff conducted meeting with RMNA Executive Director and Finance Manager on Oct. 6	A follow-up with RMNA Executive Director and Finance Manager on Nov. 4
a.	Point of Sale System		Jan-09		
b.	RMNA Reporting		Jul-09		
26	Self-Governance Policies	Dept.	July-09	Working with 3 rd party consultant to help with Governance review and development. Developing deliverables and timeline for completion. Working closely with Board and DNR.	
27	Governance Review & Devel.	Parks Board	Jun-09	Working with 3 rd party consultant to help with Governance review and development. Developing deliverables and timeline for completion. Working closely with Board and DNR.	Dean Winstanley will coordinate with EDO/ Parks Board
28	Governance - Reporting to LAC	Parks Board	Feb-09		
28	Governance - Reporting to LAC	Parks	Feb-09		

**COLORADO DEPARTMENT OF NATURAL RESOURCES
DIVISION OF PARKS AND OUTDOOR RECREATION**

**Financial Summary
FY 06-07 FY 07-08**

	FY 06-07	FY 07-08	Change	%	
Revenues					
Parks Passes and Entry Fees	8,465,850	9,644,732	1,178,882	15%	1/
Permits and User Fees	6,010,956	5,453,543	-557,413	9%	2/
Registration Fees	5,520,036	6,990,401	1,470,365	10%	3/
Concession Income	1,181,695	1,360,035	178,340	2%	
Sale of Goods, Services	500,459	472,751	-27,708	1%	
Federal and State Grants	6,272,993	6,476,097	203,104	10%	
GOCO Grants	15,630,292	10,075,022	-5,555,270	21%	4/
Lottery 10% Distribution	11,899,545	12,230,013	330,468	20%	
Interest Income	879,962	904,092	24,130	1%	
Other Revenues	<u>598,167</u>	<u>985,236</u>	<u>387,069</u>	1%	
Subtotal, Earned Revenue	<u>56,959,955</u>	<u>54,591,922</u>	<u>-2,368,033</u>		
General Fund	<u>5,536,535</u>	<u>6,420,962</u>	<u>884,427</u>	10%	
Total Revenue	<u>62,496,490</u>	<u>61,012,884</u>	<u>-1,483,606</u>	100%	
Expenditures					
Personal Services	23,841,665	25,203,106	1,361,441	40%	5/
Operating	12,682,098	12,620,345	-61,753	21%	
Transfers	1,202,961	2,008,553	805,592	3%	
Grants / Intergovernmental	5,544,375	5,998,260	453,885	10%	
Capital Construction			0		
Land, Water Acquisition	401,804	344,593	-57,211	1%	
Improvements	<u>18,066,557</u>	<u>13,377,921</u>	<u>-4,688,636</u>	26%	
Subtotal Capital Construction	<u>18,468,361</u>	<u>13,722,514</u>	<u>-4,745,847</u>	27%	
Total Expenditures	<u>61,739,460</u>	<u>59,552,778</u>	<u>-2,186,682</u>	100%	
Net Income	<u>757,030</u>	<u>1,460,106</u>	<u>703,076</u>		6/

Notes

Source: COFRS (Colorado State accounting system); figures are for all funds combined for the fiscal years ending June 30.

- 1/ Split roughly 50:50 between annual and daily passes. Most fees were raised 11/15/07.
- 2/ Campground, cabin and yurt fees; use and utility fees; some fees raised 9/1/07. Accounting change FY 07-08 deferred \$1.26 million in revenue to FY 08-09.
- 3/ Boat, Snowmobile (raised 10/1/07) , River outfitter, and OHV registration fees (raised 4/1/08)
- 4/ Decline in FY 08 due to reduced level of work in progress on capital projects
- 5/ Includes salary and benefits of full time employees (290), seasonal employees, and contracts
- 6/ \$550,000 loss in Parks Cash fund, \$1.8 million increase in OHV fund, \$250,000 increase in lotter fund.