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1. Department Figure Setting Recommendations – pages 2 through 140 of the PDF file.  
Presented February 20, 2007
2. JBC Staff Technical Comebacks — pages 141 through 144 of the PDF file.  
Presented March 15, 2007

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2007-08 FIGURE SETTING:  
DEPARTMENT OF NATURAL RESOURCES**

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

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**FY 2007-08 FIGURE SETTING  
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:**

**DEPARTMENT OF NATURAL RESOURCES**

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**DEPARTMENT OF NATURAL RESOURCES**  
**Executive Director: Harris Sherman**

**(1) EXECUTIVE DIRECTOR'S OFFICE**

Primary functions: provides budgeting, accounting, financial management, human resources, information technology, public information, and environmental education coordination for all divisions. Cash fund sources include various funds as reflected in individual division descriptions. Cash funds exempt is comprised of statewide and departmental indirect.

**(A) Administration and Information Technology Services**

Personal Services	2,782,704	4,267,668	4,748,846	5,068,603	4,963,165	DI #5, #13
FTE	<u>37.8</u>	<u>52.1</u>	<u>58.6</u>	<u>62.6</u>	<u>60.6</u>	
Cash Funds	693,436	2,053,227	2,320,385	2,625,303	2,617,840	
Cash Funds Exempt	2,089,268	2,214,441	2,428,461	2,443,300	2,345,325	
Health, Life, and Dental	<u>3,868,316</u>	<u>4,426,463</u>	<u>5,604,779</u>	<u>6,720,725</u>	<u>6,704,124</u>	
General Fund	1,375,658	1,558,727	2,027,673	2,445,319	2,342,458	
Cash Funds	395,625	443,305	582,353	750,560	730,417	
Cash Funds Exempt	1,786,033	2,063,110	2,537,840	3,074,435	3,179,794	
Federal Funds	311,000	361,321	456,913	450,411	451,455	
Short-term Disability	<u>124,103</u>	<u>120,307</u>	<u>97,433</u>	<u>105,420</u>	<u>119,541</u>	
General Fund	41,568	39,996	33,220	35,503	39,650	
Cash Funds	15,216	14,885	12,450	13,132	12,023	
Cash Funds Exempt	57,716	55,953	44,489	46,933	56,171	
Federal Funds	9,603	9,473	7,274	9,852	11,697	
S.B. 04-257 Amortization Equalization Disbursement	n/a	<u>222,573</u>	<u>659,938</u>	<u>1,070,214</u>	<u>1,090,802</u>	DI #1, #3, #4, #5,
General Fund		77,274	233,748	361,015	355,838	#6, #7, #8, #9, #10,
Cash Funds		25,315	82,632	139,262	110,977	#13, #14, #17, BA
Cash Funds Exempt		102,634	295,277	458,456	516,011	
Federal Funds		17,350	48,281	111,481	107,976	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Supplemental Amortization Equalization Disbursement	n/a	0	0	200,651	216,662	DI #1, #3, #4, #5,
General Fund		0	0	75,212	63,544	#6, #7, #8, #9, #10,
Cash Funds		0	0	29,930	23,120	#13, #14, #17, BA
Cash Funds Exempt		0	0	95,509	107,503	
Federal Funds		0	0	0	22,495	
Salary Survey and Senior Executive Service	<u>1,772,694</u>	<u>2,759,497</u>	<u>2,439,181</u>	<u>3,610,509</u>	<u>Pending</u>	
General Fund	565,132	885,364	736,064	1,276,150		
Cash Funds	212,122	338,843	289,082	481,496		
Cash Funds Exempt	951,860	1,456,744	1,354,470	1,754,944		
Federal Funds	43,580	78,546	59,565	97,919		
Performance-based Pay Awards	<u>976,567</u>	0	0	<u>783,975</u>	<u>Pending</u>	
General Fund	319,286	0	0	269,961		
Cash Funds	118,462	0	0	110,022		
Cash Funds Exempt	512,324	0	0	381,928		
Federal Funds	26,495	0	0	22,064		
Shift Differential - General Fund	26,730	14,854	21,620	12,251	12,251	
Workers' Compensation	<u>2,848,004</u>	<u>2,565,831</u>	<u>1,677,395</u> S/	<u>1,421,421</u>	<u>Pending</u>	Budget Amendment
General Fund	516,275	521,488	392,282	403,490		
Cash Funds	191,406	124,944	57,723	48,191		
Cash Funds Exempt	2,098,613	1,899,435	1,225,852	967,712		
Federal Funds	41,710	19,964	1,538	2,028		
Operating Expenses	<u>1,253,068</u>	<u>1,259,063</u>	<u>1,262,568</u>	<u>1,275,281</u>	<u>1,266,573</u>	DI #5, #13
Cash Funds	306,612	312,607	317,332	330,045	321,337	
Cash Funds Exempt	941,119	941,119	939,899	939,899	939,899	
Federal Funds	5,337	5,337	5,337	5,337	5,337	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Legal Services	2,255,110	2,507,423	2,738,044	S/	2,991,749	Pending DI #1, #14, #16
<i>Hours Equivalent</i>	<u>36,627</u>	<u>38,905</u>	<u>40,402</u>		<u>44,152</u>	<u>43,952</u>
General Fund	735,769	746,450	1,008,990		1,008,990	
Cash Funds	380,664	445,460	623,115		708,747	
Cash Funds Exempt	1,052,263	1,280,733	1,060,613		1,228,686	
Federal Funds	86,414	34,780	45,326		45,326	
Administrative Law Judge Services - CFE	0	0	82		0	Pending
Purchase of Services from Computer Center	<u>176,325</u>	<u>170,542</u>	<u>593,892</u>	S/	<u>209,944</u>	<u>Pending</u>
General Fund	7,719	6,589	22,945		8,111	
Cash Funds	168,606	163,953	570,947		201,833	
Multiuse Network Payments	<u>868,911</u>	<u>847,605</u>	<u>836,283</u>	S/	<u>955,061</u>	<u>Pending</u> Statewide DI
General Fund	312,174	305,256	351,786		372,835	
Cash Funds	551,227	519,862	466,272		559,333	
Cash Funds Exempt	0	19,561	13,406		16,839	
Federal Funds	5,510	2,926	4,819		6,054	
Payments to Risk Management & Property Funds	<u>458,616</u>	<u>325,854</u>	<u>897,964</u>	S/	<u>938,218</u>	<u>Pending</u> Budget Amendment
General Fund	183,638	95,277	321,132		340,535	
Cash Funds	55,757	10,742	61,437		66,110	
Cash Funds Exempt	219,099	218,751	510,762		525,400	
Federal Funds	122	1,084	4,633		6,173	
Vehicle Lease Payments	<u>2,926,475</u>	<u>2,237,160</u>	<u>2,295,586</u>	S/	<u>2,952,276</u>	<u>Pending</u> DI #1, #3, #9, #10, #17, #19, #20 Statewide DI
General Fund	832,421	722,379	754,908		977,383	
Cash Funds	136,059	136,305	130,000		231,269	
Cash Funds Exempt	1,913,705	1,342,965	1,373,617		1,698,255	
Federal Funds	44,290	35,511	37,061		45,369	

	<u>FY 2004-05</u> Actual	<u>FY 2005-06</u> Actual	<u>FY 2006-07</u> Appropriation	Request	<u>FY 2007-08</u> Recommend	Change Requests
Information Technology Asset Maintenance	<u>353,429</u>	<u>282,477</u>	<u>282,477</u>	<u>282,477</u>	<u>282,477</u>	
General Fund	105,354	105,354	105,354	105,354	105,354	
Cash Funds	176,520	132,175	139,892	139,892	139,892	
Cash Funds Exempt	59,319	32,712	24,995	24,995	24,995	
Federal Funds	12,236	12,236	12,236	12,236	12,236	
Leased Space	<u>726,278</u>	<u>747,262</u>	<u>852,838</u> S/	<u>957,548</u>	<u>928,832</u>	DI #1, #3, #4, #17,
General Fund	414,398	415,326	484,690	529,626	492,333	#20, BA (Lone Mesa),
Cash Funds	181,197	214,088	258,936	312,951	317,210	BA (Glenwood Office)
Cash Funds Exempt	107,427	95,069	86,124	91,832	95,277	BA (Technical)
Federal Funds	23,256	22,779	23,088	23,139	24,012	
Capitol Complex Leased Space	<u>743,834</u>	<u>730,095</u>	<u>754,453</u>	<u>855,279</u>	<u>Pending</u>	Budget Amendment
General Fund	263,318	258,455	267,078	302,770		
Cash Funds	276,426	271,320	294,522	333,882		
Cash Funds Exempt	114,104	111,996	101,583	115,159		
Federal Funds	89,986	88,324	91,270	103,468		
Communications Services Payments	<u>395,179</u>	<u>771,743</u>	<u>909,642</u> S/	<u>871,758</u>	<u>Pending</u>	
General Fund	188,500	305,101	375,707	344,641		
Cash Funds	0	466,642	533,647	527,117		
Cash Funds Exempt	206,679	0	288	0		
Federal Funds	0	0	0	0		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	FY 2007-08 Recommend	Change Requests
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**(1) (A) Administration and Information**

<b>Technology Services</b>	22,556,343	24,256,417	26,673,021	31,283,360	15,367,765	
FTE	<u>37.8</u>	<u>52.1</u>	<u>58.6</u>	<u>62.6</u>	<u>60.6</u>	
General Fund	5,887,940	6,057,890	7,137,197	8,869,146	3,347,884	
Cash Funds	3,859,335	5,673,673	6,740,725	7,609,075	4,249,696	
Cash Funds Exempt	12,109,529	11,835,223	11,997,758	13,864,282	7,157,472	
Federal Funds	699,539	689,631	797,341	940,857	612,713	

S/ Includes the following supplemental adjustments in total funds pursuant to S.B. 07-172: (a) a \$1,112,433 reduction for Workers' Compensation; (b) a \$57,605 increase for Legal Services; (d) a \$420,835 increase for Purchase of Services from Computer Center; (d) a \$4,012 reduction for Multiuse Network Payments; (e) a \$396,840 increase for Payment to Risk Management and Property Funds; (f) a \$159,821 reduction for Vehicle Lease Payments; (g) a \$4,471 reduction for Leased Space; and (h) an \$80,988 increase for Communications Services Payments.

<b>(B) EPA Wetlands Grant - Federal Funds</b>	405,538	395,141	364,605	0	0	
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<b>(C) H.B. 06-1311 (Species Cons. Trust Fund) - CFE</b>	n/a	4,517,488	3,150,000	0	0	
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**(1) EXECUTIVE DIRECTOR'S OFFICE**

<b>- SUBTOTAL</b>	22,961,881	29,169,046	30,187,626	31,283,360	15,367,765	
FTE	<u>37.8</u>	<u>52.1</u>	<u>58.6</u>	<u>62.6</u>	<u>60.6</u>	
General Fund	5,887,940	6,057,890	7,137,197	8,869,146	3,347,884	
Cash Funds	3,859,335	5,673,673	6,740,725	7,609,075	4,249,696	
Cash Funds Exempt	12,109,529	16,352,711	15,147,758	13,864,282	7,157,472	
Federal Funds	1,105,077	1,084,772	1,161,946	940,857	612,713	

**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY (formerly Minerals and Geology)**

Primary Functions: Provides regulation and enforcement related to the development and reclamation of mining sites. Primary sources of cash funds are severance tax and fees on metal and aggregate mining operations.

**(A) Coal Land Reclamation**

Program Expenses	1,934,651	2,072,211	2,036,515	2,070,807	2,065,336	
FTE	<u>21.4</u>	<u>21.6</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
Cash Funds	406,276	516,600	568,397	538,647	1,491,504	
Federal Funds	1,528,375	1,555,611	1,468,118	1,532,160	573,832	



	<b>FY 2004-05</b> Actual	<b>FY 2005-06</b> Actual	<b>FY 2006-07</b> Appropriation	<b>Request</b>	<b>FY 2007-08</b> Recommend	<b>Change Requests</b>
Coal Program Support - Cash Funds	58,950	N/A	N/A	N/A	N/A	
FTE	1.0					
Indirect Cost Assessment	<u>136,734</u>	<u>132,768</u>	<u>138,229</u>	<u>143,589</u>	<u>143,589</u>	
Cash Funds	33,812	21,449	29,028	33,589	33,589	
Federal Funds	102,922	111,319	109,201	110,000	110,000	
<b>(A) Coal Land Reclamation</b>	2,130,335	2,204,979	2,174,744	2,214,396	2,208,925	
FTE	<u>22.4</u>	<u>21.6</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	
Cash Funds	499,038	538,049	597,425	572,236	1,525,093	
Federal Funds	1,631,297	1,666,930	1,577,319	1,642,160	683,832	
<b>(B) Inactive Mines</b>						
Program Costs	504,246	892,107	1,338,012	1,359,841	1,354,298	
FTE	<u>13.6</u>	<u>13.6</u>	<u>12.4</u>	<u>12.4</u>	<u>12.4</u>	
Cash Funds Exempt	0	435,253	500,000	500,000	494,457	
Federal Funds	504,246	456,854	838,012	859,841	859,841	
Mine Site Reclamation	27,805	201,175	405,000	405,000	404,600	
FTE	<u>0.0</u>	<u>0.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	
Cash Funds (Severance Tax)	27,805	201,175	375,000	375,000	374,600	
Cash Funds Exempt	0	0	30,000	30,000	30,000	
Reclamation of Forfeited Mine Sites - CF	N/A	N/A	N/A	342,000	342,000	DI #11
Abandoned Mine Safety - Cash Funds (Sev. Tax)	111,665	111,665	111,665	111,665	111,611	
FTE	0.2	0.2	0.2	0.2	0.2	
Indirect Cost Assessment	<u>103,215</u>	<u>51,461</u>	<u>96,359</u>	<u>60,607</u>	<u>60,607</u>	
Cash Funds	38,106	0	687	10,480	10,480	
Federal Funds	65,109	51,461	95,672	50,127	50,127	
<b>(B) Inactive Mines</b>	746,931	1,256,408	1,951,036	2,279,113	2,273,116	
FTE	<u>13.8</u>	<u>13.8</u>	<u>13.8</u>	<u>13.8</u>	<u>13.8</u>	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Cash Funds	177,576	312,840	487,352	839,145	838,691	
Cash Funds Exempt	0	435,253	530,000	530,000	524,457	
Federal Funds	569,355	508,315	933,684	909,968	909,968	

**(C) Minerals**

Program Costs	1,913,542	1,920,985	1,968,845	2,072,330	2,066,937	DI #1
FTE	<u>22.9</u>	<u>20.3</u>	<u>22.9</u>	<u>23.9</u>	<u>23.9</u>	
Cash Funds (Sev Tax, Fees)	1,822,620	1,824,901	1,870,469	1,972,524	1,963,590	
Cash Funds Exempt	90,922	96,084	98,376	99,806	103,347	
Indirect Cost Assessment - Cash Funds	106,904	101,955	121,212	127,094	127,094	

<b>(C) Minerals</b>	2,020,446	2,022,940	2,090,057	2,199,424	2,194,031	
FTE	<u>22.9</u>	<u>20.3</u>	<u>22.9</u>	<u>23.9</u>	<u>23.9</u>	
Cash Funds	1,929,524	1,926,856	1,991,681	2,099,618	2,090,684	
Cash Funds Exempt	90,922	96,084	98,376	99,806	103,347	

**(D) Mines Program**

Colorado and Federal Mine Safety Program	551,040	410,727	481,853	488,942	487,824	
FTE	<u>5.0</u>	<u>4.3</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	
Cash Funds	273,816	279,968	293,681	293,340	292,222	
Federal Funds	277,224	130,759	188,172	195,602	195,602	

Blaster Certification Program	97,518	102,265	103,866	103,717	103,494	
FTE	<u>1.0</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds	20,479	21,476	21,743	21,712	21,734	
Federal Funds	77,039	80,789	82,123	82,005	81,760	

Indirect Cost Assessment	<u>19,431</u>	<u>22,553</u>	<u>28,372</u>	<u>24,530</u>	<u>24,530</u>	
Cash Funds	6,541	13,950	16,372	16,957	16,957	
Federal Funds	12,890	8,603	12,000	7,573	7,573	

<b>(D) Mines Program</b>	667,989	535,545	614,091	617,189	615,848	
FTE	<u>6.0</u>	<u>5.2</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	

	<b>FY 2004-05</b> <b>Actual</b>	<b>FY 2005-06</b> <b>Actual</b>	<b>FY 2006-07</b> <b>Appropriation</b>	<b>Request</b>	<b>FY 2007-08</b> <b>Recommend</b>	<b>Change Requests</b>
Cash Funds	300,836	315,394	331,796	332,009	330,913	
Federal Funds	367,153	220,151	282,295	285,180	284,935	

**(E) Emergency Response Costs - Cash Funds** N/A N/A 25,000 25,000 25,000

**(F) Other Severance Tax Projects**

Shrub Establishment Research - Cash Funds 19,998 0 0 0 0

**(G) Minerals, Energy, and Geology Education**

Assessment - Cash Funds N/A N/A N/A 78,000 0 DI #21

<b>(2) DIVISION OF RECLAMATION, MINING, AND SAFETY - SUBTOTAL</b>	5,585,699	6,019,872	6,854,928	7,413,122	7,316,920	
FTE	<u>65.1</u>	<u>60.9</u>	<u>65.7</u>	<u>66.7</u>	<u>66.7</u>	
Cash Funds	2,926,972	3,093,139	3,433,254	3,946,008	4,810,381	
Cash Funds Exempt	90,922	531,337	628,376	629,806	627,804	
Federal Funds	2,567,805	2,395,396	2,793,298	2,837,308	1,878,735	

\* Prior to FY 2006-07, this division was known as the Division of Minerals and Geology. The name was changed pursuant to S.B. 06-140.

**(3) COLORADO GEOLOGICAL SURVEY**

Primary functions: providing sound geologic information to the public and local gov't. Cash funds are from severance tax revenues and from fees for geological services provided. Cash funds exempt are from transfers from other state agencies for geological services and from grants and donations.)

Environmental Geology and Geological

Hazards Program	1,857,828	1,988,873	2,600,334	2,964,177	2,365,652	DI #7, #22
FTE	<u>15.7</u>	<u>14.9</u>	<u>18.2</u>	<u>18.2</u>	<u>16.2</u>	
Cash Funds	1,199,469	1,232,038	1,230,586	1,590,119	1,321,886	
Cash Funds Exempt	438,443	482,713	770,793	773,628	446,295	
Federal Funds	219,916	274,122	598,955	600,430	597,471	

Coalbed Methane Stream Depletion Study - CF (Severance) 0 0 153,000 0 0

Mineral Resources and Mapping	1,201,066	1,145,068	1,312,779	1,518,568	1,397,631	DI #7
FTE	<u>9.4</u>	<u>9.7</u>	<u>9.5</u>	<u>11.5</u>	<u>10.5</u>	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Cash Funds	915,326	919,836	997,499	1,201,350	1,081,908	
Federal Funds	285,740	225,232	315,280	317,218	315,723	
Colorado Avalanche Information Center	561,671	577,182	579,446	591,869	590,158	
FTE	<u>7.2</u>	<u>6.8</u>	<u>7.3</u>	<u>7.3</u>	<u>7.3</u>	
Cash Funds	144,958	149,079	149,654	153,162	151,451	
Cash Funds Exempt	394,328	406,359	405,792	414,615	414,615	
Federal Funds	22,385	21,744	24,000	24,092	24,092	
Indirect Cost Assessment - FF	61,512	28,161	32,125	23,954	23,954	
<b>(3) COLORADO GEOLOGICAL SURVEY</b>						
- SUBTOTAL	3,682,077	3,739,284	4,677,684	5,098,568	4,377,395	
FTE	<u>32.3</u>	<u>31.4</u>	<u>35.0</u>	<u>37.0</u>	<u>34.0</u>	
Cash Funds	2,259,753	2,300,953	2,530,739	2,944,631	2,555,245	
Cash Funds Exempt	832,771	889,072	1,176,585	1,188,243	860,910	
Federal Funds	589,553	549,259	970,360	965,694	961,240	

**(4) OIL AND GAS CONSERVATION COMMISSION**

(Primary functions: promoting and regulating responsible development of oil and gas natural resources. Cash sources are from the Oil and Gas Conservation and Environmental Response Fund and Severance Tax. Cash exempt sources are from Oil and Gas Fund reserves.)

Program Costs	2,729,533	3,174,352	4,321,272	4,863,782	4,853,967	DI #2, #4, #6, #20,
FTE	<u>33.3</u>	<u>36.0</u>	<u>47.0</u>	<u>53.0</u>	<u>53.0</u>	#23, and BA
Cash Funds	2,229,533	3,164,555	2,160,935	4,165,591	4,155,776	
Cash Funds Exempt	500,000	9,797	2,160,337	698,191	698,191	
Underground Injection Program - FF	77,296	97,878	96,559	96,559	96,559	
FTE	2.0	2.0	2.0	2.0	2.0	
Plugging and Reclaiming Abandoned Wells - CFE	213,799	216,897	220,000	220,000	220,000	
Environmental Assistance and Complaint Resolution	<u>360,302</u>	<u>264,676</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Cash Funds	0	0	312,033	312,033	312,033	
Cash Funds Exempt	360,302	264,676	0	0	0	
Emergency Response - CFE	0	0	1,500,000	1,500,000	1,500,000	
Special Environmental Protection and Mitigation Studies - CF	0	0	500,000	500,000	500,000	
Piceance and D-J Basin Water Studies and Environmental Data Tool Development - CFE	0	46,525	0	0	0	
Phase II Raton Basin Gas Seep Investigation - CFE	0	0	188,625	0	0	
Hearing and Environmental Record Imaging and Indexing - CF	74,980	22,015	0	0	0	
Data Cleanup Project - CF	0	0	0	119,356	119,356	DI #18
Indirect Cost Assessment - CF	167,273	155,375	186,702	223,260	223,260	
<b>(4) OIL &amp; GAS CONSERVATION COMMISSION</b>						
<b>- SUBTOTAL</b>	<b>3,623,183</b>	<b>3,977,718</b>	<b>7,325,191</b>	<b>7,834,990</b>	<b>7,825,175</b>	
FTE	<u>35.3</u>	<u>38.0</u>	<u>49.0</u>	<u>55.0</u>	<u>55.0</u>	
Cash Funds	2,471,786	3,341,945	3,159,670	5,320,240	5,310,425	
Cash Funds Exempt	1,074,101	537,895	4,068,962	2,418,191	2,418,191	
Federal Funds	77,296	97,878	96,559	96,559	96,559	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>

**(5) STATE BOARD OF LAND COMMISSIONERS**

(Primary Functions: Manages around 2.6 million surface acres and 4.5 million mineral acres of state trust lands for the benefit of 8 public trusts, the largest of which is the School Trust (96% of holdings). Both cash and cash funds exempt sources are from the Trust Administration Fund; cash funds represent revenue from leases, timber sales and interest, and cash funds exempt sources represent revenue from property sales or use of non-renewable minerals.)

Program Costs	2,562,845	2,623,613	2,678,712	3,043,413	3,695,905	DI #8, #14, #17
FTE	32.7	31.5	34.0	38.0	38.0	
State Trust Land Asset Management and Analysis	567,509	659,509	659,509	659,509	0	
Document Imaging Project	162,577		One-time annual funding not continued			
Indirect Cost Assessment	140,657	147,377	167,095	157,555	157,555	

<b>(5) STATE LAND BOARD - SUBTOTAL</b>	3,433,588	3,430,499	3,505,316	3,860,477	3,853,460	
FTE	<u>32.7</u>	<u>31.5</u>	<u>34.0</u>	<u>38.0</u>	<u>38.0</u>	
Cash Funds	40,000	115,000	894,846	979,729	1,042,286	
Cash Funds Exempt	3,393,588	3,315,499	2,610,470	2,880,748	2,811,174	

a/ Senate Bill 05-196 continuously appropriated \$1,000,000 cash funds exempt for the SLB Investment and Development Fund. As these moneys are continuously appropriated, they are not appropriated by the General Assembly and are not shown in the Long Bill, nor are the reflected in the JBC staff numbers pages.

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>

**(6) PARKS AND OUTDOOR RECREATION**

Primary function: manages new and existing parks and various recreation programs throughout the State. Cash fund sources include the

Parks Cash Fund and other special purpose cash funds. Cash funds exempt primarily represent GOCO Board grants and direct Lottery funds.

<b>(A) State Park Operations</b>	21,911,968	20,702,539	23,052,868	S/	25,110,298	25,058,560	DI #9, #10
FTE	<u>221.0</u>	<u>217.8</u>	<u>242.6</u>		<u>266.6</u>	<u>266.6</u>	
General Fund	3,769,392	2,401,289	2,709,397		3,366,860	2,609,087	BA - Lone Mesa
Cash Funds	15,916,922	17,036,182	17,732,511		19,103,984	19,810,019	BA - Cheyenne Mtn.
Cash Funds Exempt	1,911,398	947,060	2,191,060		2,191,060	2,191,060	BA - Technical
Federal Funds	314,256	318,008	419,900		448,394	448,394	

<b>(A) State Park Operations - Subtotal</b>	21,911,968	20,702,539	23,052,868		25,110,298	25,058,560	
FTE	<u>221.0</u>	<u>217.8</u>	<u>242.6</u>		<u>266.6</u>	<u>266.6</u>	
General Fund	3,769,392	2,401,289	2,709,397		3,366,860	2,609,087	
Cash Funds	15,916,922	17,036,182	17,732,511		19,103,984	19,810,019	
Cash Funds Exempt	1,911,398	947,060	2,191,060		2,191,060	2,191,060	
Federal Funds	314,256	318,008	419,900		448,394	448,394	

S/ Includes \$31,484 pursuant to S.B. 07-177. Of this amount, \$48,084 is cash funds, which is partially offset by a reduction of \$16,600 General Fund.

**(B) Great Outdoors Colorado (GOCO) Board Grants**

Land and Water Protection - CFE	610,181	661,614	764,000		651,000	651,000	
FTE	1.0	2.0	2.0		2.0	2.0	
Operations and Maintenance - CFE	458,883	1,728,381	869,000		1,806,000	1,806,000	
FTE	2.0	7.9	7.5		14.5	14.5	
Statewide Programs - CFE	1,326,383	2,041,432	2,103,000		1,568,000	1,568,000	
FTE	4.2	9.6	6.5		6.0	6.0	

<b>(B) GOCO Board Grants - Subtotal (CFE)</b>	2,395,447	4,431,427	3,736,000		4,025,000	4,025,000	
FTE	7.2	19.5	16.0		22.5	22.5	

**(C) Special Purpose**

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Snowmobile Program - CF	686,622	702,388	702,838	702,838	702,838	
River Outfitters Regulation - CF	73,818	54,224	74,466	74,466	74,466	
Off-Highway Vehicle Program - CF	343,487	335,524	363,476	372,504	371,897	
FTE	3.0	3.0	3.0	3.0	3.0	
Federal Grants - FF	336,310	588,400	518,516	518,516	518,516	
S.B. 03-290 Enterprise Fund - CFE	16,319	200,000	200,000	200,000	200,000	
System Operations and Support - CFE	N/A	N/A	426,000	730,000	730,000	
Connectivity at State Parks - CFE	N/A	N/A	353,000	370,000	370,000	
Asset Management - CFE	N/A	N/A	313,000	300,000	300,000	
Voice Over Internet Protocol - CFE	N/A	N/A	128,902	175,000	175,000	
Indirect Cost Assessment	<u>1,086,120</u>	<u>1,121,446</u>	<u>1,205,845</u>	<u>1,388,898</u>	<u>1,388,898</u>	
Cash Funds	934,644	928,927	1,134,232	1,324,039	1,324,039	
Federal Funds	151,476	192,519	71,613	64,859	64,859	
<b>(C) Special Purpose - Subtotal</b>	<b>2,542,676</b>	<b>3,001,982</b>	<b>4,286,043</b>	<b>4,832,222</b>	<b>4,831,615</b>	
FTE	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	
Cash Funds	2,038,571	2,021,063	2,275,012	2,473,847	2,473,240	
Cash Funds Exempt	16,319	200,000	1,420,902	1,775,000	1,775,000	
Federal Funds	487,786	780,919	590,129	583,375	583,375	



	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
<b>(6) PARKS AND OUTDOOR RECREATION</b>						
<b>- SUBTOTAL</b>	26,850,091	28,135,948	31,074,911	33,967,520	33,915,175	
FTE	<u>231.2</u>	<u>240.3</u>	<u>261.6</u>	<u>292.1</u>	<u>292.1</u>	
General Fund	3,769,392	2,401,289	2,709,397	3,366,860	2,609,087	
Cash Funds	17,955,493	19,057,245	20,007,523	21,577,831	22,283,259	
Cash Funds Exempt	4,323,164	5,578,487	7,347,962	7,991,060	7,991,060	
Federal Funds	802,042	1,098,927	1,010,029	1,031,769	1,031,769	

**(7) COLORADO WATER CONSERVATION BOARD**

(Primary Functions: Responsible for water development and planning, as well as floodplain management. From FY 1994-95 to FY 2000-01, funding for this Division was divided about equally between the General Fund and cash funds exempt reserves from the Colorado Water Conservation Board Construction Fund. Since FY 2001-02, the Division has been funded with this cash funds exempt source (Construction Fund) in lieu of General Fund, due to the General Fund budget shortfall).

**(A) Administration**

Personal Services	2,620,605	2,403,548	2,722,177	2,777,570	2,769,220	
FTE	26.7	26.0	30.0	30.0	30.0	
Operating Expenses	88,602	93,100	89,994	89,994	89,994	
Interstate Compacts	284,718	289,522	289,536	330,433	330,433	DI #15
Western States Water Council Dues	25,000	25,000	25,000	27,500	27,500	DI #15
River Decision Support Systems	488,381	468,671	508,235	516,452	515,153	
FTE	4.2	5.0	5.0	5.0	5.0	

<b>(A) Administration - Subtotal</b>	3,507,306	3,279,841	3,634,942	3,741,949	3,732,300	
FTE	<u>30.9</u>	<u>31.0</u>	<u>35.0</u>	<u>35.0</u>	<u>35.0</u>	
Cash Funds	339,777	339,777	339,777	339,777	339,777	
Cash Funds Exempt	3,167,529	2,940,064	3,295,165	3,402,172	3,392,523	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
<b>(B) Special Purpose</b>						
(SWSI) Water Supply Management, Development, and Implementation Assistance - CFE	0	0	470,980	470,980	470,980	
Federal Emergency Management Assistance	86,471	185,719	146,120	146,120	146,120	
FTE	<u>1.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
Cash Funds Exempt (CWCB)	0	160,907	13,941	13,941	13,941	
Federal Funds	86,471	24,812	132,179	132,179	132,179	
Weather Modification - CF (Fees)	19,002	8,918	25,000	25,000	25,000	
Water Conservation Program - CFE (CWCB)	162,086	173,208	179,738	183,278	182,824	
FTE	2.2	2.2	2.5	2.5	2.5	
H.B. 05-1254 (Water Efficiency Grant Program) - CFE		86,409	517,280	517,280	517,280	
Severance Tax Projects - CF	583,594	826,405	840,000	1,596,500	1,275,500	DI #12
HB 05-1177 (Negotiation of Interbasin Compacts) - CF (Sev. Tax)		209,802	237,444	237,129	236,656	
FTE		0.5	0.5	0.5	0.5	
House Bill 06-1400 (Interbasin Compacts) CF	0	0	855,481	1,108,425	1,108,425	
FTE	0.0	0.0	1.2	1.2	1.2	
Platte River Basin Cooperative Agreement - CFE (CWCB)	208,466	219,399	232,657	234,492	234,133	
FTE	1.0	1.0	1.0	1.0	1.0	
S.B. 02-87 Colorado Watershed Protection Fund - CFE	182,367	78,606	119,942	119,942	119,942	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Indirect Cost Assessment	<u>336,397</u>	<u>368,134</u>	<u>404,980</u>	<u>462,725</u>	<u>462,725</u>	
Cash Funds Exempt (CWCB)	322,673	356,789	389,816	448,126	448,126	
Federal Funds	13,724	11,345	15,164	14,599	14,599	
Water Construction Fund Bill - CFE	5,601,692	4,173,053	3,631,555 a/	0	0	
S.B. 06-193 Study - CF	0	0	125,000	0	0	
<b>(B) Special Purpose - Subtotal</b>	<b>7,180,075</b>	<b>6,329,653</b>	<b>7,786,177</b>	<b>5,101,871</b>	<b>4,779,585</b>	
FTE	<u>4.2</u>	<u>4.7</u>	<u>7.2</u>	<u>7.2</u>	<u>7.2</u>	
Cash Funds	602,596	1,045,125	2,082,925	2,967,054	2,645,581	
Cash Funds Exempt	6,477,284	5,248,371	5,555,909	1,988,039	1,987,226	
Federal Funds	100,195	36,157	147,343	146,778	146,778	

a/ Funding for this area is provided through a special bill: the annual water projects bill. As such the request for FY 2006-07 will "appear" lower than the final funding will be because it does not reflect the funding in the 2006 projects bill.

<b>(7) COLORADO WATER CONSERVATION BOARD</b>						
<b>- SUBTOTAL</b>	<b>10,687,381</b>	<b>9,609,494</b>	<b>11,421,119</b>	<b>8,843,820</b>	<b>8,511,885</b>	
FTE	<u>35.1</u>	<u>35.7</u>	<u>42.2</u>	<u>42.2</u>	<u>42.2</u>	
Cash Funds	942,373	1,384,902	2,422,702	3,306,831	2,985,358	
Cash Funds Exempt	9,644,813	8,188,435	8,851,074	5,390,211	5,379,749	
Federal Funds	100,195	36,157	147,343	146,778	146,778	

a/ Please note, the request appears to contain a decrease in funding; however, the FY 2007-08 request does not include funding for the annual water bill which is carried in separate special legislation. The funding for the annual water bill is included in the FY 2006-07 appropriation (H.B. 06-1313) but is not included in the Long Bill request for FY 2007-08, as is the practice. When the annual funding bill is adjusted for, there is a 13.5 percent increase.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	Request	FY 2007-08 Recommend	Change Requests
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**(8) WATER RESOURCES DIVISION ("State Engineer's Office")**

Primary functions: responsible for administration of the State's water resources. Cash funds are from the Groundwater Management Cash Fund and Cash Funds Exempt are CWCB Construction Fund.

Personal Services	15,260,987	15,943,082	17,709,234	18,345,130	18,291,158	DI #3
FTE	<u>227.9</u>	<u>235.1</u>	<u>261.3</u>	<u>266.4</u>	<u>266.4</u>	
General Fund	12,372,692	13,175,085	17,200,603	17,827,641	17,775,224	
General Fund Exempt	0	4,719	0	0	0	
Cash Funds (Mostly Groundwater Mgt. CF)	2,887,391	2,752,428	492,739 a/	501,629	500,121	
Cash Funds Exempt	0	10,850	15,892	15,860	15,813	
Federal Funds	904	0	0	0	0	
Operating Expenses	<u>1,330,423</u>	<u>1,390,032</u>	<u>1,508,586</u> S/	<u>1,650,957</u>	<u>1,557,404</u>	DI #3, #19
General Fund	719,036	900,524	1,014,078	1,062,896	1,062,896	BA (Glenwood Office)
General Fund Exempt	2,133	0	0	0	0	BA #3a (mileage)
Cash Funds	431,156	398,979	403,979	403,979	403,979	
Cash Funds Exempt	178,098	90,529	90,529	184,082	90,529	
Interstate Compacts - GF	70,900	74,298	76,002	76,002	76,002	
Republican River Compact Compliance	193,094	104,281	46,278	46,186	46,047	
FTE	<u>0.3</u>	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
General Fund	71,808	32,432	46,278	46,186	46,047	
General Fund Exempt	0	67,708	0	0	0	
Cash Funds Exempt	121,286	4,141	0	0	0	
Satellite Monitoring System	333,369	355,265	359,347	362,066	361,603	
FTE	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	235,229	240,265	244,347	247,066	246,603	
Cash Funds	94,443	115,000	94,443	94,443	94,443	
Cash Funds Exempt	3,697	0	20,557	20,557	20,557	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>
Augmentation of Water for Sand and Gravel Extraction	<u>28,050</u>	<u>30,723</u>	<u>44,400</u>	<u>44,400</u>	<u>44,400</u>	
Cash Funds	0	28,273	44,400	44,400	44,400	
Cash Funds Exempt	28,050	2,450	0	0	0	
Dam Emergency Repair - H.B. 92-1131						
Cash Funds Exempt	0	0	50,000	50,000	50,000	
Federal Grants - FF (Mostly FEMA)	92,187	62,385	54,554	79,595	79,595	
River Decision Support Systems - CFE	345,557	353,539	361,900	367,552	366,747	
FTE	3.3	3.7	4.0	4.0	4.0	
H.B. 03-1334 Temporary Interruptible Water Supply Agreements - CF	0	0	61,589	61,589	61,598	
S.B. 04-225 Well Enforcement - CF	0	342	1,489	1,489	1,489	
Indirect Cost Assessment	<u>105,041</u>	<u>206,242</u>	<u>47,542</u>	<u>60,009</u>	<u>60,009</u>	
Cash Funds	42,122	172,531	23,678	34,091	34,091	
Cash Funds Exempt	60,663	29,839	22,750	24,441	24,441	
Federal Funds	2,256	3,872	1,114	1,477	1,477	
Expenditure of Water Project Bill Funds - CFE (CWCB)	402,607	296,711	350,000	0	0	
<b>(8) WATER RESOURCES DIVISION - SUBTOTAL</b>	<b>18,162,215</b>	<b>18,816,900</b>	<b>20,670,921</b>	<b>21,144,975</b>	<b>20,996,052</b>	
FTE	<u>233.5</u>	<u>241.4</u>	<u>268.3</u>	<u>273.4</u>	<u>273.4</u>	
General Fund	13,469,665	14,422,604	18,581,308	19,259,791	19,206,772	
General Fund Exempt	2,133	72,427	0	0	0	
Cash Funds	3,455,112	3,467,553	1,122,317	1,141,620	1,140,121	
Cash Funds Exempt	1,139,958	788,059	911,628	662,492	568,087	
Federal Funds	95,347	66,257	55,668	81,072	81,072	

a/ Includes \$13,157 General Fund and 0.2 FTE appropriated pursuant to H.B. 06-1124.

S/ Includes a reduction of \$10,000 General Fund pursuant to S.B. 07-172.

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>		<b>FY 2007-08</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Appropriation</b>	<b>Request</b>	<b>Recommend</b>	<b>Change Requests</b>

**(9) DIVISION OF WILDLIFE**

Primary Function: Supports protection and management wildlife and related habitats; coordinates management of hunting, fishing, and watchable recreation programs; and provides education on wildlife and wildlife recreation. Cash funds exempt are primarily from hunting and fishing license fees as well as GOCO Board grants.

**(A) Division Operations**

(1) Director's Office	1,624,178	1,789,996	1,968,746	1,999,622	1,993,773	
FTE	<u>14.7</u>	<u>15.8</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	
Cash Funds Exempt	1,511,295	1,688,500	1,847,189	1,878,317	1,872,824	
Federal Funds	112,883	101,496	121,557	121,305	120,949	
(2) Wildlife Management	57,826,951	58,567,466	60,306,928	62,274,066	62,153,521	DI #24
FTE	<u>661.3</u>	<u>653.1</u>	<u>555.4</u>	<u>555.4</u>	<u>555.4</u>	
Cash Funds Exempt	49,617,539	49,333,869	49,932,303 a/	51,912,718	51,812,094	
Federal Funds	8,209,412	9,233,597	10,374,625	10,361,348	10,341,427	
(3) Technical Services	5,785,796	5,784,931	6,311,561	6,390,385	6,375,414	
FTE	<u>62.2</u>	<u>59.5</u>	<u>61.0</u>	<u>61.0</u>	<u>61.0</u>	
Cash Funds Exempt	5,771,096	5,760,595	6,293,271	6,372,132	6,357,215	
Federal Funds	14,700	24,336	18,290	18,253	18,199	
(4) Information Technology - CFE	3,059,153	2,942,035	2,751,020	2,820,960	2,816,199	
FTE	<u>16.5</u>	<u>18.8</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	
Cash Funds Exempt	2,622,353	2,784,601	2,751,020	2,820,960	2,816,199	
Federal Funds	436,800	157,434	0	0	0	

<b>(A) Division Operations - Subtotal</b>	68,296,078	69,084,428	71,338,255	73,485,033	73,338,907	
FTE	<u>754.7</u>	<u>747.2</u>	<u>652.4</u>	<u>652.4</u>	<u>652.4</u>	
Cash Funds Exempt	59,522,283	59,567,565	60,823,783	62,984,127	62,858,332	
Federal Funds	8,773,795	9,516,863	10,514,472	10,500,906	10,480,575	

a/ Includes \$400,000 cash funds appropriated pursuant to H.B. 06-1311.

	<b>FY 2004-05</b> <b>Actual</b>	<b>FY 2005-06</b> <b>Actual</b>	<b>FY 2006-07</b> <b>Appropriation</b>	<b>Request</b>	<b>FY 2007-08</b> <b>Recommend</b>	<b>Change Requests</b>
<b>(B) Special Purpose</b>						
Wildlife Commission Discretionary Fund - CFE	162,785	135,469	160,000	160,000	160,000	
Game Damage Claims and Prevention - CFE	890,526	679,249	1,050,000	1,050,000	1,050,000	
Instream Flow Program	<u>296,027</u>	<u>296,027</u>	<u>296,027</u>	<u>296,027</u>	<u>296,027</u>	
Cash Funds Exempt	74,007	296,027	296,027	296,027	296,027	
Federal Funds	222,020	0	0	0	0	
Habitat Partnership Program - CFE	1,825,861	1,777,273	2,500,000	2,500,000	2,500,000	
Indirect Cost Assessment - CFE	2,851,471	2,894,845	3,296,809	3,489,334	3,489,334	
<b>(B) Special Purpose - Subtotal</b>						
	<u>6,026,670</u>	<u>5,782,863</u>	<u>7,302,836</u>	<u>7,495,361</u>	<u>7,495,361</u>	
Cash Funds Exempt	5,804,650	5,782,863	7,302,836	7,495,361	7,495,361	
Federal Funds	222,020	0	0	0	0	
<b>(9) DIVISION OF WILDLIFE - SUBTOTAL</b>						
	74,322,748	74,867,291	78,641,091	80,980,394	80,834,268	
FTE	<u>754.7</u>	<u>747.2</u>	<u>652.4</u>	<u>652.4</u>	<u>652.4</u>	
Cash Funds Exempt	65,326,933	65,350,428	68,126,619	70,479,488	70,353,693	
Federal Funds	8,995,815	9,516,863	10,514,472	10,500,906	10,480,575	
<b>DEPARTMENT OF NATURAL RESOURCES</b>						
TOTAL FUNDS	169,308,863	177,766,052	194,358,787	200,427,226	182,998,095	
FTE	<u>1,457.7</u>	<u>1,478.5</u>	<u>1,466.8</u>	<u>1,519.4</u>	<u>1,514.4</u>	
General Fund	23,129,130	22,954,210	28,427,902	31,495,797	25,163,743	
Cash Funds	33,910,824	38,434,410	40,311,776	46,825,965	44,376,771	
Cash Funds Exempt	97,935,779	101,531,923	108,869,434	105,504,521	98,168,140	
Federal Funds	14,333,130	14,845,509	16,749,675	16,600,943	15,289,441	

**DEPARTMENT OF NATURAL RESOURCES  
FIGURE SETTING FY 2007-08**

JBC Working Papers - Decisions Subject to Change  
Staff Recommendation Does Not Represent Committee Decision

**(I) EXECUTIVE DIRECTOR'S OFFICE**

**(A) Administration and Information Technology Services**

Employees in this area are responsible for central administration responsibilities within the Department. It is comprised of the following units:

*Administration and Policy Development* - Responsible for program implementation pertaining to various boards, commissions and divisions in the Department; supports the Executive Director and other division personnel in dealings with local, county, and state agencies; and administers pass-through funding.

*Human Resources* - Responsible for the maintenance of records pertaining to all aspects personnel management; ensures compliance with applicable laws and regulations governing the Department's workforce; and assists with employee training.

*Accounting and Purchasing* - Directs and manages the centralized bookkeeping and procurement operations for the Department, which includes an operating budget of \$176.7 million, a capital construction budget of \$35.5 million, and revenues exceeding \$153.8 million.

*Budget and Financial Services* - Responsible for the formulation and execution of the Department's annual budget process, which includes interactions with division personnel, the Office of State Planning and Budgeting, the Joint Budget Committee, legislative staff, and the members of the General Assembly.

***Pending Line Items.*** The Executive Director's Office has line items that provide services to the entire Department, including services that the Department of Natural Resources purchases from the Department of Personnel and Administration and the Department of Law. The appropriation for many of these line items is determined through common policies approved by the JBC. Because the JBC has not completed figure setting for all common policies, the following line items will be reflected as "Pending" in this figure setting packet: (1) Salary Survey and Senior Executive Service, (2) Performance-based Pay Awards, (3) Workers' Compensation, (4) Administrative Law Judge Services, (5) Purchase of Services from Computer Center, (6) Multiuse Network Payments, (7) Payments to Risk Management and Property Funds, (8) Vehicle Lease Payments, (9) Capitol Complex Leased Space, and (10) Communication Services Payments.

Staff will make a recommendation to the JBC for the number of hours for legal services. The appropriation for "Legal Services" will be calculated using the number of approved legal services



hours with the blended rate approved by the JBC for the Department of Law's Legal Services to State Agencies (LSSA). Because the blended rate for the Department of Law has not been determined, this line item will also be shown as "Pending" in this figure setting packet.

***Fund Mix for Central Appropriations.*** In recent years, central appropriations that support the Division of Parks and Outdoor Recreation have been appropriated with 100.0 percent General Fund. Elsewhere in this figure setting packet, staff has recommended that all central appropriations for the Division of Parks and Outdoor Recreation be made with 30 percent General Fund and 70 percent cash funds from the Parks and Outdoor Recreation Cash Fund.

After all central appropriations are set through common policy figure setting, staff will present the impact of this recommendation to the JBC for final action. The figures shown in the Executive Director's Office tentatively reflect the prior policy of using exclusively General Fund for the Division of Parks and Outdoor Recreation.

***Decision Items.*** The Department submitted two decision items for the Executive Director's Office. Additionally, the Department submitted a number of decision items for other divisions that affected line items within the Executive Director's Office. These decision items are discussed elsewhere in this figure setting packet, but they affect the following line items: (1) Amortization Equalization Disbursement, (2) Supplemental Amortization Equalization Disbursement, (3) Vehicle Lease Payments, and (4) Leased Space.

The two decision items affecting the Executive Director's Office are as follows:

- ▶ Decision Item #5 – \$148,736 total funds and 2.0 FTE to help the Department respond to energy development in Colorado; and
- ▶ Decision Item #13 – \$98,878 total funds and 2.0 FTE for additional human resources staff.
- ***Decision Item #5 — Responding to Energy Development on Colorado's Lands.*** The Department of Natural Resources has requested an appropriation of \$148,736 and 2.0 FTE. Of the amount requested, \$10,504 is cash funds and \$138,232 is cash funds exempt. Both sources of funds are departmental indirect cost recoveries. Both positions are requested for the Executive Director's Office and will be based out of Denver. The Department requests these staff positions in response to the surging workload associated with the development of energy resources in Colorado, including effective state representation in federal resource planning processes. The request is summarized in the following table.

<b>Decision Item #5 – Responding to Energy Development on Colorado's Lands</b>				
<b>Executive Director's Office Line Item</b>	<b>Request</b>			
	<b>Cash Funds*</b>	<b>CFE*</b>	<b>Total</b>	<b>FTE</b>
Personal Services	0	138,232	138,232	2.0
Operating Expenses	8,708	0	8,708	
Amortization Eq. Disbursement	<u>1,796</u>	<u>0</u>	<u>1,796</u>	—
<b>Total</b>	<b>10,504</b>	<b>138,232</b>	<b>148,736</b>	<b>2.0</b>

\* Both fund sources are statewide and departmental indirect cost recoveries.

***Department Justification for the Request.*** The Department contends that the recent surge in energy development has increased the workload on the Department. The Department acknowledges that the General Assembly has already provided resources to the Department in response to this increase. For example, the Department received funding for 13.0 FTE for the Oil and Gas Conservation Commission. This was in response to an 88 percent increase in gas drilling permit applications from 2002 to 2005, the doubling of active drilling rigs, and other similar trends.

Energy development activities have the potential to affect the quality of life. The Department requests these FTE as a part of the Department's mission to preserve and enhance Colorado's natural resources for the benefit of current and future citizens and visitors. According to the request, DNR's role in the planning process for this development will effectively give people of the state a voice and a seat at the table as alternatives are being developed and evaluated.

1. 1.0 FTE (General Professional IV) will be dedicated exclusively to coordinating responses from 10 DNR Divisions to "cooperating agency" requests from the Federal Government. This position will help to comply with federal requirements for Environmental Impact Statements (EIS) that are required by the National Environmental Policy Act (NEPA) for site specific applications that are determined to have a significant impact. According to the request, virtually all gas leasing and oil shale leasing will require a full EIS to be performed.

This position will assume the following responsibilities:

- A. Coordinate with other state departments, including the Department of Public Health, and Environment, in the development of state policies regarding the development of energy resources in the state.
- B. Communicate the implications of energy development to the Executive Director of the Department and other parties, such as the Colorado General Assembly.
- C. Assist the BLM in modifying resource management plans. Historically, state participation in plan modifications was minimal. In 2005, the BLM modified its

planning regulations to ensure greater participation from governmental partners. Each plan revision takes from one to two years to complete. As of August 2006, eight plan revisions were under way dealing with threatened/endangered species, species of critical concern, visual impacts, water quality impacts, and quality of life impacts.

- D. Convey the state's policy to federal agencies.
2. 1.0 FTE (General Professional VI) will be an Assistant Director of the Department and will represent the Executive Director and the State on a myriad of energy issues. Currently, the Department has one assistant director that works directly with five divisions.<sup>1</sup> This position sits in a formal capacity, as the Executive Director. The position attends Board and Commission meetings for all of the divisions. Active participation is necessary at these meetings to ensure that the divisions are aware of policies established by the Governor and Executive Director. The Department has indicated in its request that the demands placed on the Assistant Director have increased significantly on issues related to energy issues. The request, if approved, would provide resources for an Assistant Director designated to focus exclusively on issues related to energy development in Colorado. This position would work exclusively with the Oil & Gas Commission and the Division of Reclamation, Mining, and Safety. This position would also supervise the NEPA coordinator that is requested as a part of this decision item.

***Staff Recommendation — Decision Item #5.*** Given the recent and significant increase in energy development in the state, staff believes that these positions are justified. Staff recommends that the JBC approve the request. **Staff recommends an appropriation of \$146,940 total funds and 2.0 FTE.** Of the amount recommended, \$8,708 is cash funds, and \$138,232 is cash funds exempt. This recommendation does not include the request for AED and Supplemental AED.

- ***Decision Item #13 — Additional Human Resources Staff.*** The Department of Natural Resources has requested an appropriation of \$98,878 cash funds and 2.0 FTE for additional human resources staff in the Executive Director's Office. Of the funds requested, \$90,690 is cash funds exempt (indirect cost recoveries from all divisions excluding the Division of Wildlife) and \$8,188 is cash funds (indirect cost recoveries from the Division of Wildlife). See the following table.

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<sup>1</sup> Forestry, State Land Board, Oil and Gas Conservation Commission, Reclamation, Mining and Safety, and Colorado Geological Survey.

Decision Item #13 – Additional Human Resources FTE				
Line Item	Request			
	Cash Funds	Cash Funds Exempt	Total	FTE
Personal Services	0	90,690	90,690	2.0
Operating Expenses	7,010	0	7,010	
Amortization Eq. Disbursement	<u>1,178</u>	<u>0</u>	<u>1,178</u>	—
<b>Total</b>	<b>8,188</b>	<b>90,690</b>	<b>98,878</b>	<b>2.0</b>

\* Both fund sources are statewide and departmental indirect cost recoveries.

**Department Justification.** The Department makes the following points to justify its request:

1. *New Positions to Fill.* The Department cites 20 new positions that were added in FY 2006-07 and an additional 219 temporary positions that were created over the two-year period from FY 2005-06 to FY 2006-07. The Department has had difficulty in filling positions. Last year, 255 positions were filled (17.5 percent of its total positions), which includes some positions that were filled more than one time because of turnover.
2. *High Turnover Rate.* The contends that they have had a higher turnover rate in recent years. The Department believes that turnover is higher because performance-based pay has not been fully funded. No specific data was provided to support this contention.
3. *Additional Work for Human Resources Staff.* The Department indicates that its human resources staff has a higher workload associated with recruiting. The Department provided data suggesting that the number of qualified applicants are diminishing (e.g., the applicant pool for Park Manager I positions declined from 107 applicants in early 2005 to 49 applicants in late 2005). The Department believes that it must develop strategies to recruit applicants and retain employees.
4. *High Workload for Existing Human Resources Staff.* The Department stated that, on average, its human resources staff is responsible for 20 selection processes at any point in time. The Department contends that optimal workload is 10 to 13 processes at any point in time. The Department also states that, on average across private and public sector entities, 0.9 Human Resources FTE are necessary per 100.0 agency FTE. When considering its temporary FTE, the Department contends its ratio is 1.0 HR FTE per 138.0 agency FTE.

**Staff Analysis.** Staff does not believe that the workload for the Department has increased significantly in recent years. Furthermore, the JBC approved an additional Human Resources FTE in the 2006 session (\$49,667 total funds and 1.0 FTE). The Department contends that failure to fund Performance-based Pay may have contributed to higher turnover in recent years. To the extent that this is true, it is not clear that additional human resources staff will address this problem. Finally, the

Department contends that it has had higher turnover in recent years. According to the Department of Personnel and Administration's Workforce Development Report, the Department of Natural Resources had one of the lowest turnover rates in the state in FY 2005-06 (9.8 percent compared with 12.3 percent for the Department of Corrections and 17.1 percent for the Department of Human Services). **Staff recommends that the JBC reject this request for additional human resources staff.**

**Personal Services**

<b>Executive Directors Office Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management and Administration	11.0	12.0	14.0	14.0
Policy Analysis and Financial Services	17.9	17.9	17.9	17.9
Human Resources	7.8	10.0	12.0	10.0
Information Technology	<u>15.4</u>	<u>18.7</u>	<u>18.7</u>	<u>18.7</u>
<b>Total</b>	<b>52.1</b>	<b>58.6</b>	<b>62.6</b>	<b>60.6</b>

**Staff recommends total funding of \$4,963,165 and 60.6 FTE for this line item** (see the following table). Personal services expenditures in the Executive Director's Office are funded solely from indirect cost recoveries.

<b>Summary of Recommendation – Executive Director's Office Personal Services — Department of Natural Resources</b>				
	<b>CF</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
FY 2006-07 Long Bill (H.B. 06-1385)	2,320,385	2,428,461	4,748,846	58.6
Annualize Salary Survey Awarded in FY 2006-07	<u>100,333</u>	<u>0</u>	<u>100,333</u>	<u>—</u>
<b>Continuation Estimate</b>	<b>2,420,718</b>	<b>2,428,461</b>	<b>4,849,179</b>	<b>58.6</b>
Common Policy Reduction (0.5%)	(12,104)	(12,142)	(24,246)	0.0
Decision Item #5 (NEPA Coordinator / Energy Dir.)	0	138,232	138,232	2.0
Decision Item #13 (Add'l Human Resources Staff)*	0	0	0	0.0
Fund Mix Adjustment	<u>209,226</u>	<u>(209,226)</u>	<u>0</u>	<u>0.0</u>
<b>Total Recommendation</b>	<b>2,617,840</b>	<b>2,345,325</b>	<b>4,963,165</b>	<b>60.6</b>
Potential Adjustment for Change in Indirect Costs	<u>TBD</u>	<u>TBD</u>	<u>0</u>	<u>n/a</u>
<b>Final Recommendation</b>	<b>TBD</b>	<b>TBD</b>	<b>4,963,165</b>	<b>60.6</b>

\* The Department requested \$90,690 cash funds exempt and 2.0 FTE for Decision Item #13, which is not recommended.

**Health, Life, and Dental**

**Staff recommends total funding of \$6,704,124 pursuant to common policy as approved by the Committee**, which is comprised of \$2,342,458 General Fund, \$730,417 cash funds, \$3,179,794 cash funds exempt, and \$451,455 federal funds.

### **Short-term Disability**

**Staff recommends total funding of \$119,541 pursuant to Committee common policy**, which is comprised of \$39,650 General Fund, \$12,023 cash funds, \$56,171 cash funds exempt, and \$11,697 federal funds. Please note that funding split allocations are preliminary.

### **Amortization Equalization Distribution**

**Staff recommends total funding of \$1,090,802 pursuant to Committee common policy**, which is comprised of \$355,838 General Fund, \$110,977 cash funds, \$516,011 cash funds exempt, and \$107,976 federal funds. Please note that funding split allocations are preliminary. This recommendation does not include any funds for decision items.

### **Supplemental Amortization Equalization Distribution**

**Staff recommends total funding of \$216,662 pursuant to Committee common policy**, which is comprised of \$63,544 General Fund, \$23,120 cash funds, \$107,503 cash funds exempt, and \$22,495 federal funds. Please note that funding split allocations are preliminary. This recommendation does not include any funds for decision items.

### **Salary Survey and Senior Executive Service**

Staff recommendation is **pending the approval of a common policy by the Committee** related to Salary Survey and Senior Executive Service

### **Performance-based Pay Awards**

Staff recommendation is **pending the approval of a common policy by the Committee** related to Performance-based Pay Awards.

### **Shift Differential**

**Staff recommends an appropriation of \$12,251 General Fund pursuant to common policy as approved by the Committee.**

### **Workers' Compensation**

Staff recommendation is **pending the approval of a common policy by the Committee** related to Workers' Compensation.

### **Operating Expenses**

**Staff recommends an appropriation of \$1,266,573 for this line item (see the following table).** These changes are summarized in the following table. The source of cash funds and cash funds exempt for this line item are indirect cost recoveries.

Summary of Recommendation – Executive Director's Office Operating Expenses — Department of Natural Resources				
	CF	CFE	FF	Total
FY 2006-07 Long Bill (H.B. 06-1385)	317,332	939,899	5,337	1,262,568
Annualize 2006 Decision Item	(3,005)	0	0	(3,005)
Decision Item #5 (NEPA Coordinator / Energy Dir.)	7,010	0	0	7,010
Decision Item #13 (Add'l Human Resources Staff)*	0	0	0	0
<b>Total Recommendation</b>	<b>321,337</b>	<b>939,899</b>	<b>5,337</b>	<b>1,266,573</b>
Potential Adjustment for Change in Indirect Costs	TBD	TBD	0	0
<b>Final Recommendation</b>	<b>TBD</b>	<b>TBD</b>	<b>5,337</b>	<b>1,266,573</b>

\* The Department requested \$8,708 cash funds for Decision Item #13, which is not recommended.

### Legal Services

The staff recommendation of 43,952 hours for this line item is **pending the approval of a legal services rate by the Committee**, which includes the recommendation for additional legal services hours for three decision items. These decision items are discussed elsewhere in this figure setting packet.

Department of Natural Resources - Legal Services									
	FY 2006-07 Appropriation			FY 2007-08 Request			FY 2007-08 Recommendation		
	Legal Services Hours	Rate	Total	Legal Services Hours	Rate	Total	Legal Services Hours	Rate	Total
Base Budget Hours	39,552	\$67.77	\$2,680,439	39,552	\$67.77	\$2,680,439	39,552	TBD	TBD
DI #1 (Oil Shale)				1,900	\$67.77	\$128,763	1,900	TBD	TBD
DI #14 (Land Board)				900	\$67.29	\$60,561	900	TBD	TBD
DI #16 (Wildlife)				1,800	\$67.77	\$121,986	1,600	TBD	TBD
<b>SUBTOTAL HOURS</b>	<b>39,552</b>	<b>\$61.77</b>	<b>\$2,680,439</b>	<b>44,152</b>	<b>\$67.76</b>	<b>\$2,991,749</b>	<b>43,952</b>	<b>TBD</b>	<b>PENDING</b>

### Administrative Law Judge Services

The staff recommendation is **pending the approval of a common policy by the Committee** related to Administrative Law Judge Services.

### Purchase of Services from Computer Center

The staff recommendation is **pending the approval of a common policy by the Committee** related to Purchase of Services from Computer Center.

### Multiuse Network Payments

The staff recommendation is **pending the approval of a common policy by the Committee** related to Multiuse Network Payments.

**Payment to Risk Management and Property Funds**

The staff recommendation is **pending the approval of a common policy by the Committee** related to the Payment to Risk Management and Property Funds line item.

**Vehicle Lease Payments**

This line item funds the lease-purchase and management fees of vehicles primarily utilized by the Division of Parks and Outdoor Recreation, the Water Resources Division, and the Division of Wildlife.

*Replacement Vehicles.* Staff recommends replacing 99 of the 106 vehicles requested by the Department, which are projected to have odometer readings exceeding 100,000 miles by June 2007.

*New Vehicles.* Staff also recommends 22 new vehicles and \$42,268 pursuant to the following decision items.

Vehicle Lease Payments					
Decision Item	Recommendation				
	Gen. Fund	CF	CFE	Total	No.
DI #1 (Env. Specialist)	0	4,680	0	4,680	1
DI #3 (Water Staff)	4,236	0	0	4,236	3
DI #9 (Park Staff)	0	18,700	0	18,700	9
DI #10 (Park Staff)	0	5,100	0	5,100	3
DI #17 (Land Board District Office)	0	385	1,225	1,610	1
DI #19 (Water Vehicles)	7,060	0	0	7,060	4
DI #20 (OGCC Rifle Relocation)	<u>0</u>	<u>882</u>	<u>0</u>	<u>882</u>	<u>1</u>
<b>Total</b>	<b>11,296</b>	<b>29,747</b>	<b>1,225</b>	<b>42,268</b>	<b>22</b>

All of the figures requested reflect 4 months of lease payments in FY 2007-08, with the exception of Decision Item #1, which was requested for 12 months, and Decision Item #20, which was only requested for 3 months.

*Appropriation Pending.* **The recommended funding level and the funding sources are pending the approval of a common policy by the Committee** for Vehicle Lease Payments.

**Information Technology Asset Maintenance**

Staff recommends the Department's total continuation request of **\$282,477**, which is comprised of \$105,354 General Fund, \$139,892 cash funds, \$24,995 cash funds exempt, and \$12,236 federal funds. This line item supports ordinary computer and telecommunications equipment purchases and



replacement costs including software maintenance, personal computers, phone-line access charges and other hardware.

**Leased Space**

The Department requests an appropriation of \$957,548 for this line item, which is comprised of \$529,626 General Fund, \$312,951 cash funds, \$91,832 cash funds exempt, and \$23,139 federal funds. This line item pays the Department's various leased space contracts all over Colorado. The request includes a number of decision items, and it includes a 7.0 percent leased space escalator.

Leased Space					
Line Item	Request				
	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total
FY 2006-07 Appropriation	484,690	258,936	86,124	23,088	852,838
Dec. Item #1	0	2,928	0	0	2,928
Dec. Item #3	15,344	0	0	0	15,344
Dec. Item #4	0	25,196	0	0	25,196
Dec. Item #17	0	1,793	5,708	0	7,501
Dec. Item #20	0	18,000	0	0	18,000
Budget Amend. Lone Mesa	2,400	0	0	0	2,400
Budget Amend. Glenwood	(29,489)	0	0	0	(29,489)
Lease Escalator (7%)	<u>56,681</u>	<u>6,098</u>	<u>0</u>	<u>51</u>	<u>62,830</u>
<b>Total</b>	<b>529,626</b>	<b>312,951</b>	<b>91,832</b>	<b>23,139</b>	<b>957,548</b>

\* The budget amendment for the Technical Correction for Ft. Collins for the Division of Parks and Outdoor Recreation was approved as supplemental appropriations in FY 2006-07. The budget amendment for this item was merely to continue the request approved for FY 2006-07.

Department of Natural Resources - Leased Space		
	FY 2006-07 Appropriation	FY 2007-08 Request
	Total by Division	Total by Division
Reclamation, Mining, and Safety	55,152	57,357
Geological Survey	12,600	12,600
Oil & Gas Commission	185,215	231,259
State Land Board	37,425	44,925

<b>Department of Natural Resources - Leased Space</b>		
	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>
	<b>Total by Division</b>	<b>Total by Division</b>
Division of Parks	56,863	60,839
Water Conservation	57,644	57,644
Water Resources	447,939	492,924
<b>TOTAL</b>	<b>\$852,838</b>	<b>\$957,548</b>
General Fund	484,690	529,626
Cash Funds	258,936	312,951
CF Exempt	86,124	91,832
Federal Funds	23,088	23,139

**Staff recommends an appropriation of \$928,832 total funds.** Staff recommends the requested adjustments for each of the decision items related to this line item. However, staff has two concerns regarding the leased space escalator. First, staff does not believe that 7.0 percent is a realistic escalator. Second, staff does not believe that the 90 percent of the increase should be from General Fund. Staff assumed a 4.0 percent leased space escalator, and staff prorated the 4.0 percent increase across all fund sources used to fund this line item.

<b>Leased Space</b>					
<b>Line Item</b>	<b>Recommendation</b>				
	<b>General Fund</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>Total</b>
FY 2006-07 Appropriation	484,690	258,936	86,124	23,088	852,838
Dec. Item #1	0	2,928	0	0	2,928
Dec. Item #3	15,344	0	0	0	15,344
Dec. Item #4	0	25,196	0	0	25,196
Dec. Item #17	0	1,793	5,708	0	7,501
Dec. Item #20	0	18,000	0	0	18,000
Budget Amend. Lone Mesa	2,400	0	0	0	2,400
Budget Amend. Glenwood	(29,489)	0	0	0	(29,489)
Lease Escalator (4%)	<u>19,388</u>	<u>10,357</u>	<u>3,445</u>	<u>924</u>	<u>34,114</u>
<b>Total</b>	<b>492,333</b>	<b>317,210</b>	<b>95,277</b>	<b>24,012</b>	<b>928,832</b>

\* The budget amendment for the Technical Correction for Ft. Collins for the Division of Parks and Outdoor Recreation was approved as supplemental appropriations in FY 2006-07. The budget amendment for this item was merely to continue the request approved for FY 2006-07 into FY 2007-08.

**Capitol Complex Leased Space**

Funding splits for this line item are **pending the approval of a Capitol Complex Leased Space rate by the Committee**. The Department's space within the Capitol Complex Facilities for FY 2007-08 is comprised of 69,107 square feet at 1313 Sherman Street as summarized below.

<b>Department of Natural Resources - Capitol Complex Leased Space</b>									
	<b>FY 2006-07 Appropriation</b>			<b>FY 2007-08 Request</b>			<b>FY 2007-08 Recommendation</b>		
	<b>Sq. Ft.</b>	<b>Rate</b>	<b>Total</b>	<b>Sq. Ft.</b>	<b>Rate</b>	<b>Total</b>	<b>Sq. Ft.</b>	<b>Rate</b>	<b>Total</b>
Executive Director	13,552	\$10.92	\$ 147,950	13,552	\$12.38	\$ 167,722	13,552	TBD	TBD
Mining, Reclam., & Safety	13,682	\$10.92	149,369	13,682	\$12.38	169,331	13,682	TBD	TBD
Geological Survey	6,808	\$10.92	74,324	6,808	\$12.38	84,257	6,808	TBD	TBD
State Land Board	5,423	\$10.92	59,204	5,423	\$12.38	67,116	5,423	TBD	TBD
Division of Parks	7,212	\$10.92	78,735	7,212	\$12.38	89,257	7,212	TBD	TBD
Water Conservation	5,178	\$10.92	56,529	5,178	\$12.38	64,084	5,178	TBD	TBD
Water Resources	17,252	\$10.92	188,343	17,252	\$12.38	213,513	17,252	TBD	TBD
<b>TOTAL</b>	<b>69,107</b>		<b>\$754,453</b>	<b>69,107</b>		<b>\$855,279</b>	<b>69,107</b>		<b>Pending</b>
General Fund			267,078			302,770			<b>Pending</b>
Cash Funds			294,522			333,882			<b>Pending</b>
Cash Funds Exempt			101,583			115,159			<b>Pending</b>
Federal Funds			91,270			103,468			<b>Pending</b>

**Communications Services Payments**

The staff recommendation for this line item is pending the approval of a common policy by the Committee related to Communications Services Payments.

**(B) EPA Wetlands Grant**

In FY 2006-07, this line item was included in the Long Bill to reflect the Department's estimate of \$364,605 in federal funds related to this program, which funds a variety of wetlands studies and protection efforts. Funding is received from the U.S. Environmental Protection Agency under the Clean Water Act Section 104 (B) (3) Program, also referred to as the "Wetlands Protection Program". The Department does not estimate receiving federal funds in FY 2007-08 for this purpose. **Staff recommends the request for no funding for this line item in the FY 2007-08 Long Bill.**

**(C) H.B. 06-1311 (Species Conservation Trust Fund) – CFE**

This line item in the JBC staff numbers pages reflects appropriations made pursuant to legislation in the 2006 session. House Bill 06-1311 appropriated funds from the species conservation trust fund for programs submitted by the Executive Director of the Department of Natural Resources that are designed 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.

For FY 2005-06, the bill transferred \$4.0 million from the Operational Account of the Severance Tax Trust Fund. Of this amount, \$2.0 million was transferred to the capital account of the Species Conservation Trust Fund, and \$2.0 million was transferred to the Operations and Maintenance Account of the Species Conservation Trust Fund.

For fiscal year 2006-07, the bill transferred \$8.8 million from the Operational Account of the Severance Tax Trust Fund. Of this amount, \$4.4 million was transferred to the capital account of the Species Conservation Trust Fund, and \$4.4 million was transferred to the operations and maintenance account of the Species Conservation Trust Fund.

This legislation does not affect FY 2007-08. The Department did not request an appropriation for FY 2007-08. **Staff recommends the request for no funding for this purpose.**

**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY  
(formerly Minerals and Geology)**

This division is charged with helping to develop Colorado's mining industry in an environmentally protective manner and also ensuring that mined land is reclaimed to a beneficial use. Staff also manage issues related to the consequences of mining practices that occurred prior to federal and state reclamation legislation. Often there are no responsible parties to fund and administer such clean-up projects. Pursuant to Section 39-29-109 (1) (c) (I) (C), C.R.S., up to 30 percent of the moneys in the Operational Account of the Severance Tax Trust Fund may be appropriated for programs in the Division of Mining, Reclamation, and Safety. The Department requested 4.6 percent of the fund for this division, significantly less than the statutorily authorized amount.

This division was previously entitled "Minerals and Geology". This name of this program was changed in 2006 pursuant to the provision of S.B. 06-140 (Sen. Taylor / Rep. White). **Staff recommends that the 2007 Long Bill include the new title of the Division pursuant to Section 34-20-103, C.R.S.**

*Note:* The recommended fund splits presented in this document for this division may change slightly after centrally appropriated line items in the Executive Director's Office have been finalized. Recommended changes will be presented to the Committee prior to introduction of the Long Bill.

**(A) Coal Land Reclamation**

This program is administered pursuant to a cooperative agreement with the Office of Surface Mining, which is part of the U.S. Department of the Interior. It is a regulatory program charged with reviewing and issuing coal mining and reclamation permits. Ongoing monitoring, inspection, and enforcement duties are performed at coal mining operations to ensure that permit provisions and mining regulations are followed. The Coal Land Reclamation Program is also required for the State to receive federal funds to safeguard Colorado's inactive mines. This program is funded with a mix of federal funds cash funds from the Operational Account of the Severance Tax Trust Fund, pursuant to Section 39-29-109 (1) (a) (II), C.R.S.

<b>Coal Land Reclamation Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management and Administration	1.4	1.8	1.8	1.8
Financial and Technical Services	6.2	4.4	4.4	4.4
Environmental Protection Specialist	<u>14.0</u>	<u>16.8</u>	<u>16.8</u>	<u>16.8</u>
<b>Total</b>	<b>21.6</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>

**Program Expenses COSTS**

**Staff recommends total funding of \$2,065,336 and 23.0 FTE**, which is comprised of \$573,832 cash funds and \$1,491,504 federal funds. The calculation includes a salary survey distribution of \$37,939 in FY 2006-07, as well as a 0.5 percent base reduction of \$9,118. The recommendation is summarized in the following table. **Staff also recommends renaming this line item "Program Costs" to be consistent with other program lines in the Long Bill.**

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (A) Coal Reclamation Program Expenses — Department of Natural Resources</b>				
	<b>CF</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	498,389	1,287,293	1,785,682	23.0
Operating Expense Estimate	<u>70,008</u>	<u>180,825</u>	<u>250,833</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>568,397</b>	<b>1,468,118</b>	<b>2,036,515</b>	<b>23.0</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>7,967</u>	<u>29,972</u>	<u>37,939</u>	—
<b>Continuation Estimate</b>	<b>576,364</b>	<b>1,498,090</b>	<b>2,074,454</b>	<b>23.0</b>
Common Policy Reduction (0.5%)	<u>(2,532)</u>	<u>(6,586)</u>	<u>(9,118)</u>	—
<b>Total Recommendation</b>	<b>573,832</b>	<b>1,491,504</b>	<b>2,065,336</b>	<b>23.0</b>

**Coal Program Support**

This line item was combined with the Program Expense line item in FY 2005-06. The Department is not requesting an appropriation for this line item in FY 2007-08. **Staff recommends the request for no appropriation for this line item in FY 2007-08.**

**Indirect Cost Assessment**

The Department requests an appropriation of \$143,589 for indirect cost assessments. This amount reflects a mix of federal funds from the Office of Surface Mining, and funds from the Operational Account of the Severance Tax Trust Fund pursuant to Section 39-29-109 (1) (a) (II), C.R.S. These funds will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$143,589.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**(B) Inactive Mines**

This program was instituted under the provisions of the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977. Moneys appropriated for this function are used to safeguard mine openings, to inspect and monitor mine sites, and to reclaim abandoned mines. Only mines abandoned prior to 1977 are eligible for this program. Approximately 16,000 abandoned mines remain in Colorado.

Inactive Mines Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Management	1.2	1.4	1.4	1.4
Administration	2.6	2.4	2.4	2.4
Environmental Protection Specialist	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
<b>Total</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>

### **Program Costs**

**Staff recommends total funding of \$1,354,298 and 12.4 FTE for this line item.** This differs slightly from the Department's request, because the Department did not include a common policy reduction for personal services expenses. The recommendation is summarized in the following table.

*Note:* In 2006, this line item was reduced by 1.2 FTE, which were transferred to the Mine Site Reclamation line item in this Division.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources</b>				
	<b>CFE</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	248,781	838,012	1,086,793	12.4
Operating Expense Estimate	<u>251,219</u>	<u>0</u>	<u>251,219</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>500,000</b>	<b>838,012</b>	<b>1,338,012</b>	<b>12.4</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>0</u>	<u>21,829</u>	<u>21,829</u>	—
<b>Continuation Estimate</b>	<b>500,000</b>	<b>859,841</b>	<b>1,359,841</b>	<b>12.4</b>
Common Policy Reduction (0.5%)	(1,244)	(4,299)	(5,543)	—
Fund Mix Adjustment for Anticipated Fed. Funds	<u>(4,299)</u>	<u>4,299</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>494,457</b>	<b>859,841</b>	<b>1,354,298</b>	<b>12.4</b>

### **Mine Site Reclamation**

This line item is used for projects related to the construction of hydro-geologic controls such as diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and revegetation at the abandoned mine sites. Some of these moneys are granted to local entities as a match to receive federal Clean Water Act moneys from the U.S. Environmental Protection Agency.

Acid mine drainage and metal leaching continue for many years - and sometimes decades - after mining operations have ceased. Today's mining companies are required to include the cost of water treatment when application is made for mining permits. These costs are also used to determine the financial warranty necessary to approve individual permits. However, mining operations that ended prior to adoption of the federal Clean Water Act of 1972 are remediated through the Mining Non-Point Source Program, which is administered by the IMP.

An assessment conducted in 1980 found that approximately 1,300 miles of Colorado's streams had been adversely impacted by heavy metals and acidic drainage from both inactive and abandoned mines. Officials at IMP have determined that 150 water remediation projects remain at locations all over the State. Present funding levels mean that it will take approximately 75 years to eliminate the current project inventory. Such a length of time means that further damage to the environment and sources of drinking water could occur. Increasing the availability of state funding will enable the receipt of additional federal moneys from the Bureau of Land Management.

In 2006, the JBC approved a request for \$280,000 to accelerate water quality improvement projects, using additional funds from the Operational Account of the Severance Tax Trust Fund pursuant to Section 39-20-109, C.R.S. The Department requested the additional funds to expand matching funds for water quality improvement projects at abandoned mines and to hire a projects coordinator. The \$30,000 of cash funds exempt spending authority reflects a transfer from the Department of Public Health and Environment to cover a portion of the salary for the coordinator position.

The Department requests a continuation appropriation. **Staff recommends an appropriation of \$404,600 and 1.2 FTE for this line item (see the following table).** This recommendation was calculated in accordance with JBC common policy.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Mine Site Reclamation — Department of Natural Resources</b>				
	<b>CF</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	80,000	0	80,000	1.2
Operating Expense Estimate	<u>295,000</u>	<u>30,000</u>	<u>325,000</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>375,000</b>	<b>30,000</b>	<b>405,000</b>	<b>1.2</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Continuation Estimate</b>	<b>375,000</b>	<b>30,000</b>	<b>405,000</b>	<b>1.2</b>
Common Policy Reduction (0.5%)	<u>(400)</u>	<u>0</u>	<u>(400)</u>	—
<b>Total Recommendation</b>	<b>374,600</b>	<b>30,000</b>	<b>404,600</b>	<b>1.2</b>

**RECLAMATION OF FORFEITED MINE SITES (request for new line item)**

The Department requested this new Long Bill line item through Decision Item #11.

- ***Decision Item #11 — Forfeited Mine Site Reclamation.*** The Department of Natural Resources has requested an appropriation of \$342,000 cash funds (Operational Account of the Severance Tax Fund) to a new line item entitled "*Forfeited Mine Site Reclamation.*" for use by the Department's Inactive Mine Reclamation Program. The Department is also requesting a footnote to this line item that reads as follows:

"It is the intent of the General Assembly that these funds remain available until the completion of the project or the close of FY 2009-10, whichever comes first. At project completion or the end of the three-year period, any unexpended balances shall revert to the Operational Account of the Severance Tax Trust Fund from which they were appropriated."



The Department's request is reflected in the following table.

Decision Item #11 – Minerals Environmental Specialist		
Subprogram	Line Item	Cash Funds
Mining, Reclamation, & Safety	FORFEITED MINE SITE RECLAMATION (NEW LINE)	342,000

**Background on "Forfeited" Mine Sites.** The Department explains that there are currently 42 "forfeited" mine sites. According to the Department, these mine sites have been forfeited for a number of reasons that include: (1) mines with inadequate financial/warranty bonds, (2) mines covered by a surety company that is in bankruptcy, (3) mines with a deceased mine operator. The Department has prioritized 10 of these sites for remediation that encompass approximately 221 acres of land. This request, if approved, would enable the Inactive Mine Reclamation Program to reclaim these 10 prioritized mine sites.

**History of Mining Reclamation.** The three phases of mining reclamation that has occurred in Colorado is summarized below:

1. *Pre-1976 ("Pre-law").* Prior to 1976, mines were not permitted. Such mines are referred to as "abandoned" mines. Federal funds have been provided to safeguard these mine sites, but not for environmental degradation. However, federal funding has been static over 20 years, which has resulted in a 56 percent decline in purchasing power.
2. *1976-1993 ("Post-law with Bond Caps").* Mines established between 1976 and 1993 were required to post a bond amount. However, the bond amount was set on a per acre basis, which did not adequately capture the true cost of reclaiming these sites based on the types of metals and hazardous materials exposed to the surface.
3. *1993-Present ("Post-law with Bond Calculations).* Since 1993, the Division of Reclamation Mining and Safety has had the authority to set bond amounts that more realistically reflect the potential cost of cleaning up the sites.

**Justification for the Request.** The Department contends that it has limited assets to fully reclaim and control conditions at these mine sites. The Department states that, without the requested appropriation, it will be unable to address the physical and environmental problems at these mine sites. This will expose the public to potential accidents or deaths if people trespass in and around hazardous mine sites. Furthermore, the Department believes that unstable mine tailings could migrate into nearby water sources which could threaten aquatic species habitat, and public storage treatment systems.

**Explanation of Anticipated Expenditures.** The Department indicates that the sites may contain hazards that require remediation. These hazards include waste rock that forms sulfuric acid and leaches heavy metals into the watershed; shafts that are not stable; shafts that contain poisonous

gases; and open shafts that may tempt curiosity seekers. The Department identified the 10 prioritized sites as shown in the following table.

<b>Decision Item #11 – Summary of Forfeited Mine Sites</b>		
	<b>Avail. Funding (Bond Amt)</b>	<b>Add'l Funding Needed</b>
Bueno Mine, Boulder County	No Bond	50,000
Druid Mine, Gilpin County	5,000	8,000
Glory Hole Mine, Gilpin County	5,000	100,000
Mills Masco Mine, Gilpin County	500	12,000
Sherman Mine, Lake County	92,000	110,000
Yule Quarry, Gunnison County	9,500	15,000
Colo. Gold & Silver Mine, Hinsdale County	1,000	15,000
Mountain Top Mine, Ouray County	2,495	20,000
Nimbet Trust Mine, Ouray County	650	2,000
Alaska Project, San Juan County	<u>5,000</u>	<u>10,000</u>
<b>Total</b>	<b>121,145</b>	<b>342,000</b>

**Staff Recommendations – Decision Item #11.** Staff makes three recommendations with respect to this decision item:

1. *Approve Funding Request.* Staff recommends the request for an appropriation of \$342,000 cash funds (Operational Account of the Severance Tax Trust Fund) for reclamation of forfeited mine sites in FY 2007-08. Staff believes that the request for funding is justified. Staff also believes that the request to use funds from the Operational Account of the Severance Tax Trust Fund for this purpose is appropriate.
2. *Approve Footnote Request.* Staff recommends approval of the following footnote. The intent is the same as the Department's requested language. The wording is slightly different.

N **DEPARTMENT OF NATURAL RESOURCES, DIVISION OF RECLAMATION, MINING, AND SAFETY, INACTIVE MINES, RECLAMATION OF FORFEITED MINE SITES** -- IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE APPROPRIATION TO THIS LINE ITEM REMAIN AVAILABLE UNTIL THE COMPLETION OF THE PROJECT OR THE CLOSE OF FY 2009-10, WHICHEVER COMES FIRST. AT PROJECT COMPLETION OR THE END OF THE THREE-YEAR PERIOD, ANY UNEXPENDED AMOUNT SHALL REVERT TO THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND, FROM WHICH THIS APPROPRIATION WAS MADE.

Comment: This footnote expresses legislative intent. It will give the Department flexibility to spend the appropriation over a three-year period. This flexibility will assist the Department in contracting throughout a three-year period to reclaim forfeited mine sites.

3. *Flag This Line Item.* Section 39-29-109 (1) (c) (III) (A), C.R.S., requires a fund balance in the Operational Account of the Severance Tax Trust Fund that is equal to twice the amount appropriated to the Department of Natural Resources for the four divisions that are authorized to receive appropriations from this fund. Because the fund balance in the Operational Account of the Severance Tax Trust Fund is low, **staff recommends that the JBC flag this line item.** In the event that reductions are necessary to prevent the fund balance from falling below the amount required by law, staff believes that the JBC should consider eliminating or reducing the appropriation to this line item to ensure that the statutory fund balance requirements are met.

**Abandoned Mine Safety**

These moneys are utilized to safeguard the roughly 17,000 abandoned mine openings in Colorado including a high number in the Central City and Blackhawk area. **Staff recommends an appropriation of \$111,611 cash funds and 0.2 FTE** for this line item. The source of funding is the Operational Account of the Severance Tax Trust Fund.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines, Abandoned Mine Safety — Department of Natural Resources</b>		
	<b>CF</b>	<b>FTE</b>
Personal Services Estimate	10,700	0.2
Operating Expense Estimate – Construction Contracts	<u>100,965</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>111,665</b>	<b>0.2</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>0</u>	—
<b>Continuation Estimate</b>	<b>111,665</b>	<b>0.2</b>
Common Policy Reduction (0.5%)	<u>(54)</u>	—
<b>Total Recommendation</b>	<b>111,611</b>	<b>0.2</b>

**Indirect Cost Assessment**

The Department requests an appropriation of \$60,607 for indirect cost assessments. This amount reflects a mix of federal funds from the Office of Surface Mining, and cash funds from the Operational Account of the Severance Tax Trust Fund pursuant to Section 39-29-109 (1) (a) (II), C.R.S. These funds will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$60,607.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**(C) Minerals**

This program issues and enforces mining and reclamation permits for all non-coal mines in Colorado on state, federal, and private lands. The types of minerals regulated under this program include metals (such as gold, silver, and molybdenum) and construction materials (such as sand, gravel, marble, and flagstone). The Colorado Geological Survey estimated the 2005 production value Colorado's non-fuel mineral production at \$1.52 billion. The Minerals Program oversees 1,627 mines and 200,961 acres of permitted land.

<b>Minerals Program Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management	2.4	1.8	1.8	1.8
Administration and Financial Services	5.2	6.4	6.4	6.4
Environmental Protection Specialist	<u>12.7</u>	<u>14.7</u>	<u>15.7</u>	<u>15.7</u>
<b>Total</b>	<b>20.3</b>	<b>22.9</b>	<b>23.9</b>	<b>23.9</b>

The Department submitted Decision Item #1 for the minerals program for additional resources related to oil shale development in western Colorado.

**Decision Item #1 — Minerals Environmental Specialist FTE.** The Department of Natural Resources has requested an appropriation of \$213,418 cash funds (Operational Account of the Severance Tax Fund) and 1.0 FTE for an additional Environmental Protection Specialist. This position will work in the Minerals Regulatory Program. The Department requests 1.0 FTE to work with a team of 3.0 FTE that are currently funded in the Division. These 4.0 FTE will process and review of oil shale permits, and they will continue to inspect and enforce duties on existing mine operations. The position will be located in Grand Junction.

<b>Decision Item #1 – Minerals Environmental Specialist</b>					
<b>Subprogram</b>	<b>Line Item</b>	<b>Request</b>		<b>Recommend.</b>	
		<b>Cash Funds</b>	<b>FTE</b>	<b>Cash Funds</b>	<b>FTE</b>
Executive Director's Office	AED	837		0	
	Leased Space	2,928		2,928	
	Vehicle Lease Payments	4,680		4,680	
	Legal Services	128,763		1,900 hours	
Division of Mining, Reclamation, & Safety	Program Costs	<u>76,210</u>	<u>1.0</u>	<u>76,210</u>	<u>1.0</u>
<b>Total Request</b>		<b>213,418</b>	<b>1.0</b>	<b>83,818</b>	<b>1.0</b>

**Department Justification.** According to the Department, the additional workload stems from two sources: (1) proposed oil shale operations; and (2) an increase in uranium and vanadium permits. Vanadium is a companion mineral found in the majority of uranium mines that is used for making high-strength steel alloys for tools and automobile parts.

1. *Oil Shale.* The Bureau of Land Management anticipates five 160-acre research and development leases to be authorized to assess the feasibility of extracting oil from oil shale. According to the request, commercial production leases may occur by 2008. Such leases would be authorized on 5,000-acre plots. The Department believes the FTE is needed because of statutory time requirements for reviewing permits (180 days for scientific and legal review), the complexity of the operations, and the potential for environmental degradation.
2. *Uranium and Vanadium.* For economic reasons, there has been an increase in uranium and vanadium mining activities. New prospecting permits have increased. Five inactive but permitted sites are anticipated to resume operations, which will require inspections.

**Legal Services.** In addition to the Environmental Specialist, the Department requested 1,900 hours of legal services to review permits for the pilot projects. Staff understands that the proposed technology for the oil shale sites is different from prior approaches to mining oil shale. For FY 2006-07, the JBC approved the Department's supplemental request for \$57,605 for 850 hours of legal services.

**Department Plan if the Request is Denied.** Based on the statutory time requirements for reviewing permits, the complexity of the operations, and the potential for environmental degradation from the operations, the Department stated that it will use existing staff to perform these reviews if the decision item is denied. This diversion of resources would reduce the amount of staff available to inspect and enforce active mine operations.

**Staff Analysis.** There are a number of potential impacts associated with the large-scale development of oil shale. These include economic impacts to local communities, environmental impacts to habitat, air quality, and water quality, increases in state revenues, programmatic and budgetary impacts to state regulatory agencies, and impacts associated with the development of infrastructure to support the oil shale extraction activities. Because the state is setting a precedent with the use of in-situ technology, staff believes it is useful to provide the requested funds. Given the potential negative environmental impacts associated with oil shale development, staff believes that it is useful to provide the Department of Natural Resources with the requested resources to review permit applications.

**Staff Recommendation — Decision Item #1.** Staff recommends that the JBC approve an appropriation of \$83,818 cash funds (Operational Account of the Severance Tax Trust Fund and 1.0 FTE), plus 1,900 hours of Legal Services. This amount is equal to the Department request, with the exception of the amount requested for Amortization Equalization Disbursement. AED is

not included in fiscal not assumption, and is not recommended for this decision item. As discussed previously, the dollar amount for "Legal Services" is pending a common policy for the blended rate to be paid to the Department of Law for Legal Services to State Agencies (LSSA).

**Program Costs**

**Staff recommends total funding of \$2,066,937 and 23.9 FTE.** The recommendation includes the recommendation for Decision Item #1 and is summarized in the following table.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (C) Minerals, Program Costs — Department of Natural Resources</b>				
	<b>CF</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	1,668,092	98,376	1,766,468	22.9
Operating Expense Estimate	<u>202,377</u>	<u>0</u>	<u>202,377</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>1,870,469</b>	<b>98,376</b>	<b>1,968,845</b>	<b>22.9</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>30,869</u>	<u>0</u>	<u>30,869</u>	—
<b>Continuation Estimate</b>	<b>1,901,338</b>	<b>98,376</b>	<b>1,999,714</b>	<b>22.9</b>
Common Policy Reduction (0.5%)	(8,495)	(492)	(8,987)	
Decision Item #1 (\$76,210 and 1.0 FTE requested)	76,210	0	76,210	1.0
Fund Mix Adjustment	<u>(5,463)</u>	<u>5,463</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>1,963,590</b>	<b>103,347</b>	<b>2,066,937</b>	<b>23.9</b>

**Indirect Cost Assessment**

The Department requests an appropriation of \$127,094 for indirect cost assessments. This amount reflects funds from the Operational Account of the Severance Tax Trust Fund pursuant to Section 39-29-109 (1) (a) (II), C.R.S. These funds will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$127,094.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**(D) Mines Program**

This program regulates active mines for safety, inspects tourist mines, performs safety audits, administers certification programs for mining employees, provides training in mine rescue/safety, and regulates underground diesel equipment and mining explosives. These responsibilities are accomplished through a cooperative and coordinated effort between the federal government, local governments, and the mining industry. Federal moneys are provided by the Mine Safety and Health Administration, which part of the U.S. Department of Labor.

**Colorado and Federal Mine Safety Program**

**Staff recommends total funding of \$487,824 and 5.0 FTE** for this line item (see the following table). The primary source of state funding is appropriated from the Operational Account of the

Severance Tax Trust Fund, plus a small amount of fee revenue. This program funds the training of workers in mine safety issues, the certification of mine safety officials, and the provision of safety inspections at various inactive and tourist mines. Industry demand for mine safety training is higher than previous years.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety</b>				
<b>(D) Mines Program, Colo. &amp; Fed. Mine Safety Program — Department of Natural Resources</b>				
	<b>CF</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	222,322	142,450	364,772	5.0
Operating Expense Estimate	<u>71,359</u>	<u>45,722</u>	<u>117,081</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>293,681</b>	<b>188,172</b>	<b>481,853</b>	<b>5.0</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>7,834</u>	<u>0</u>	<u>7,834</u>	—
<b>Continuation Estimate</b>	<b>301,515</b>	<b>188,172</b>	<b>489,687</b>	<b>5.0</b>
Common Policy Reduction (0.5%)	(1,151)	(712)	(1,863)	—
Fund Mix Adjustment	<u>(8,142)</u>	<u>8,142</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>292,222</b>	<b>195,602</b>	<b>487,824</b>	<b>5.0</b>

### **Blaster Certification Program**

This program provides required diesel and explosive certifications required pursuant to Section 34-22-105, C.R.S. **Staff recommends total funding of \$103,494 and 1.0 FTE** for this line item. The source of cash funding is appropriated from the Operational Account of the Severance Tax Trust Fund.

<b>Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety</b>				
<b>(D) Mines Program, Blaster Certification Program — Department of Natural Resources</b>				
	<b>Cash Funds</b>	<b>Federal Funds</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	15,547	58,814	74,361	1.0
Operating Expense Estimate	<u>6,196</u>	<u>23,309</u>	<u>29,505</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>21,743</b>	<b>82,123</b>	<b>103,866</b>	<b>1.0</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Continuation Estimate</b>	<b>21,743</b>	<b>82,123</b>	<b>103,866</b>	<b>1.0</b>
Common Policy Reduction (0.5%)	(78)	(294)	(372)	—
Fund Mix Adjustment	<u>69</u>	<u>(69)</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>21,734</b>	<b>81,760</b>	<b>103,494</b>	<b>1.0</b>

### **Indirect Cost Assessment**

The Department requests an appropriation of \$24,530 for indirect cost assessments. This amount reflects a mix of federal funds and cash funds from the Operational Account of the Severance Tax Trust Fund pursuant to Section 39-29-109 (1) (a) (II), C.R.S. These funds will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$24,530.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are

necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

### **(E) Emergency Response Costs**

**Staff recommends the Department's continuation request of \$25,000 cash funds (Operational Account of the Severance Tax Trust Fund) for this line item.** Pursuant to Section 34-32-122, C.R.S., the Emergency Response Cash Fund provides custodial moneys that enable the Department of Natural Resources to respond to environmental emergencies at mining sites. While these sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid the increased remediation costs which may be incurred by a delay in responding to environmental emergencies. No FTE are associated with this line item since any potential environmental remediation work is performed by contractors.

Costs for an emergency response could reportedly range as high as \$400,000 per site based on actual costs incurred in cleaning up the Solution Gold (Druid Mine) site and the Socorro Mining and Milling site. The funding had provided money for about one significant emergency a year. In the last several years, only a small portion of funds have been needed, and only a few thousand dollars were expended from this fund. Expenditures from the Fund were restricted to certain uses, under certain procedures, by Sections 34-32-122 and 124.5, C.R.S. The funding associated with this line item (\$486,613) was transferred into the General Fund in S.B. 03-271 to augment the declining General Fund revenues in FY 2003-04 (on July 1, 2003). In 2005, through a decision item, the line item was restored with an appropriation of \$25,000. The Department reverted the appropriation in 2005-06.

### **(F) Other Severance Tax Projects**

#### **Shrub Establishment Research**

Fiscal Year 2004-05 was final year of a five-year severance tax project. The Division worked with Colorado State University and coal mine operators to research and evaluate which plant species and processes of revegetation are most successful when reestablishing native shrubs. By law (Sections 34-33-120 (s) and 34-33-121 (f), C.R.S.), coal mine operations must reestablish "a diverse and permanent vegetative cover capable of self-regeneration" which provides similar ground cover to natural vegetation in the area. In attempting to meet the standards of the law, coal mine operators spend significant amount of funds on revegetation efforts. Unfortunately, many plantings do not take and the coal mining company must incur additional replanting expenses. This research was intended to help mining operators meet reclamation standards more successfully and cost-effectively. **Fiscal Year 2004-05 was the last of the five years of funding for this area. As such, funding is neither requested nor recommended for FY 2007-08.**



**(G) Minerals, Energy, and Geology Education Assessment (new line item)**

The Department requests a one-time appropriation of \$78,000 cash funds for a new line item through Decision Item #21.

□ **Decision Item #21 — Mineral, Energy, and Geological Assessment.** The Department of Natural Resources has requested an appropriation of \$78,000 cash funds (Operational Account of the Severance Tax Trust Fund) to a new line item in FY 2007-08. The Division of Reclamation, Mining, and Safety will use these funds to contract for 780 hours of services (at a rate of \$100 per hour) for the assessment and preparation of educational materials. According to the Department, the appropriation will fund three primary activities:

1. Inventory the current educational materials for minerals, energy, and geology education and assess how they align with state student assessment standards;
2. Review existing materials for fairness, accuracy, depth, emphasis on skill building, action orientation, instructional soundness, and usability;
3. If the assessment recommends expanding the use of such materials in the classrooms, utilize existing teacher liaison networks to pilot several mineral educational resources to increase their effectiveness in the classroom.

The request is summarized in the following table

<b>Decision Item #21 – Mineral, Energy, and Geological Assessment</b>		
<b>Components of Request</b>	<b>Time Estimate (Hours)</b>	<b>Cost Estimate (Cash Funds)</b>
Assessment/Inventory	150	\$15,000
Correlate Preferred Materials to Model Content Standards	130	13,000
Review Materials for Quality Characteristics	300	30,000
Add Resource Information to Database	100	10,000
Pilot Preferred Materials Through Teacher Liaison Network	<u>100</u>	<u>10,000</u>
<b>Total Request</b>	780	\$78,000

**Department Justification for the Request.** According to the request, the Department contends that there is a need for Colorado's citizens to have a better understanding of mineral and energy resource development, use, and reclamation. The request indicates that there is an opportunity to improve the public's perception and knowledge of minerals, energy, and geology. Funding this request out of severance tax revenues was recommended by the Minerals, Energy, and Geology Advisory Board

(MEGA Board) at their June 2005 meeting, and reauthorized at its January 2006 meeting and again at its May 2006 meeting.

***Staff Recommendation — Decision Item #21. Staff recommends that the JBC deny this request.*** Staff notes that there is not a large fund balance in the Operational Account of the Severance Tax Trust Fund. Furthermore, this is Department's one of the lower prioritized request for funds from this fund. The Department's other decision items for funds from the Operational Account of the Severance Tax Trust Fund are requested to address more tangible and immediate problems (such as public safety). Finally, it is not clear to staff what role the Department of Natural Resources should play in the Development of educational materials for Colorado's school children.

### (3) GEOLOGICAL SURVEY

The Colorado Geological Survey (CGS) is comprised of three programs: Environmental and Geological Hazards, Mineral Resources and Mapping, and the Colorado Avalanche Information Center.

- The Environmental and Geological Hazards program is designed to lessen the impact of, and increase the awareness and understanding of, geological hazards in Colorado.
- The Mineral Resources and Mapping program promotes the development of the state's mineral resources through the publication and distribution of maps, reports, and presentations on geological conditions, mineral potential, mineral reserves, and actual mineral production.
- The Colorado Avalanche Information Center is designed to promote safety. It provides avalanche forecasting services and education to back country recreation users, industry, and travelers.

The Colorado Geological Survey has submitted two decision items for FY 2006-07:

- ▶ Priority #7 requests \$390,229 cash funds (Operational Account of the Severance Tax Trust Fund) and 2.0 FTE. This request will refinance 3.0 existing federally funded FTE with cash funds, and it would add 2.0 FTE for new staff. The Division requests these staff to address issues related to oil shale, geologic mapping, geothermal energy, GIS/web design, petroleum geology, and hydro geology.
- ▶ Priority #22 requests \$148,126 cash funds (Land Use Fees) for statutorily required land use reviews for proposed subdivision plans in unincorporated areas to evaluate potential geologic hazards and potential mineral resource conflicts.
- ***Decision Item #7 — Address Current and Emerging Geological Issues.*** The Department has requested an appropriation of \$390,229 cash funds (Operational Account of the Severance Tax Trust Fund) and 2.0 FTE. The Geological Survey indicates that a decline in other cash exempt revenue sources has prevented the Geological Survey from filling 3.0 vacant FTE positions. The requested funds would enable the Geological Survey to fill the 3.0 vacant FTE, plus it would add 2.0 FTE to the division.

Decision Item #7 – Geological Survey – Address Current and Emerging Geological Issues				
Subprogram	Line Item	Request		
		Cash Funds	FTE	
Exec. Dir. Office	Amortization Eq. Disbursement	4,143		
	Supplemental AED	862		
Geological Survey	Env. Geology & Geological Hazards Prgrm.	190,684		
	Mineral Resources and Mapping	<u>194,540</u>	<u>2.0</u>	
<b>Total Request</b>		<b>390,229</b>	<b>2.0</b>	

**Revised Information Provided.** In response to questions from JBC staff, the Department acknowledged that the request was related to the decline in exempt cash fund sources. As such, the Geological Survey did not need a net increase in funding. Rather, the Department believes that it needs an increase in cash funds (Operational Account of the Severance Tax Trust Fund), with a corresponding reduction in cash funds exempt (transfers from other state agencies).

Decision Item #7 – Geological Survey – DNR Revised Estimate of Need					
Division	Line Item	CF	CFE	Total	FTE
Exec. Dir. Office	Amortization Eq. Disbursement	4,143	(4,143)	0	
	Supplemental AED	862	(862)	0	
Geological Survey	Environmental. Geology & Geological Hazards Program	190,684	(327,125)	(136,441)	
	Mineral Resources and Mapping	<u>136,441</u>	<u>0</u>	<u>136,441</u>	<u>2.0</u>
<b>Revised Estimated Need</b>		<b>332,130</b>	<b>(332,130)</b>	<b>0</b>	<b>2.0</b>

**Department Justification for Request.** The Department provided the following explanation for each of the requested positions.

1. *Add 1.0 FTE With Oil Shale Expertise (\$78,827 for new FTE).* CGS indicated that it was able to provide scientific data to the Department in the 1970s, during the previous oil shale development efforts. Given the newly proposed technology, CGS believes it is useful to have a full-time person devoted to conducting scientific studies, monitoring and support for DNR mulit-disciplinary teams. Although CGS is currently providing some support for oil shale activities, CGS contends that the oil shale support is piece-meal.

Given the importance of the re-emerging issue of oil shale development in western Colorado, **staff recommends approval of the position for oil shale development.**

2. *Add 1.0 FTE with Geological Mapping and Geothermal Expertise (\$78,827 for new FTE).* CGS requests an FTE to study and identify opportunities to generate electricity with geothermal heat. This will require expertise in underground geology. This position will collect known information about this opportunity and will coordinate with the Governor's Office of Energy Management and Conservation and other known geothermal groups. This FTE will work in the mapping program to develop better geologic mapping to identify opportunities for expanding the use of geothermal energy.

The state has recently made investments in clean energy with severance tax funds. In 2006, the General Assembly enacted H.B. 06-1322 to establish the Renewable Energy Authority. This bill appropriated \$2.0 million annually over a three-year period from the Operational Account of the Severance Tax Trust Fund for this authority. Senate Bill 07-126 would authorize the Governor's Office of Energy Management and Conservation to administer these funds. Given the shortage of severance tax funds, staff believes that the requested position for CGS, although potentially valuable, is not crucial to the state at this time. **Staff recommends against the request for this position.**

3. *Fill Vacant Position in Area of Petroleum Studies (\$78,827 for vacant FTE).* CGS has indicated that it has not been able to conduct studies requested by the MEGA Board and industry groups because one of its two petroleum geologist positions is vacant. The requested funds would enable CGS to conduct more studies on the petroleum industry.

It is desirable to respond to industry groups. However, staff believes that the requested position for petroleum studies is discretionary. For crucial studies, industry groups can use their resources to contract for information that they need. CGS contends that because the petroleum and gas industries are responsible for the majority of severance revenues, there is a business case for the requested position. Because of the shortage of available funds in the Operational Account of the Severance Tax Trust Fund, **staff recommends against this position.**

4. *Fill Vacant Position in the Area of Hydrogeology (\$76,874 for vacant FTE).* CGS would like funds to fill a vacant position to conduct studies on groundwater quality studies and the potential effect of more resource development. The decision item cited prior work in this area which included the development of a Groundwater Atlas of Colorado and a published report on the recharge and depletion of the Denver Basin aquifer, whose water levels are dropping rapidly. CGS contends that this work cannot be completed because of the decline in funding from other sources.

Given the declining water levels in the Denver Basin aquifer, and given the potential groundwater impacts associated with oil shale development, staff believes that there is value in providing funds to fill the position for a hydrology expert. **Staff recommends approval of this position.**

5. *Fill Vacant Position for GIS/Web Design (\$76,874 for vacant FTE).* CGS has indicated that it has not had a staff person available to maintain and update the CGS web site for two years. The site has become stagnant and only marginal updates have been made with existing staff. CGS believes that it has a great deal of material that is well suited for distribution on its web site. An FTE dedicated to the development of the website would facilitate the dissemination of these materials.

Staff understand that there is value in having a rich web page that is well designed. However, staff believes that this requested position is discretionary. Staff believes that a web page designer and GIS staff person does not need to be funded at the level of a Scientist II position, as requested. Given the shortage of funds within the Operational Account of the Severance Tax Trust Fund, **staff recommends against this position.**

**Staff Analysis.** Staff believes that the each of the requested positions would improve the ability of CGS to comply with its statutory directives contained in Section 34-1-103, C.R.S., to conduct research and provide support to other governmental entities. Given the shortage of funds within the Operational Account of the Severance Tax Trust Fund, **staff is only recommending two of the positions, as discussed previously.**

**Staff Recommendation.** Staff makes recommendations with respect to this decision item:

1. *Approve a Cash Funds Exempt Reduction.* Because of the loss of cash funds exempt revenue, staff recommends reducing the appropriation to CGS by \$332,130 cash funds exempt (transfers from other state agencies).
2. *Partially Approve the Request for Severance Tax Dollars.* Staff recommends an appropriation of \$155,702 cash funds (Operational Account of the Severance Tax Trust Fund) and a reduction of 1.0 FTE. Staff is recommending to eliminate two of the vacant positions, which is partially offset by the recommendation to fill one new FTE. A summary of the staff recommended adjustments is shown in the following table.

Decision Item #7 – Geological Survey – JBC STAFF RECOMMENDATION					
Division	Line Item	Severance Tax	CFE	Total	FTE
Exec. Dir. Office	Amortization Eq. Disbursement	1,653	(4,143)	(2,490)	
	Supplemental AED	344	(862)	(518)	
Geological Survey	Environmental. Geology & Geological Hazards Program	75,888	(327,125)	(251,237)	(2.0)
	Mineral Resources and Mapping	<u>77,817</u>	<u>0</u>	<u>77,817</u>	<u>1.0</u>
<b>JBC Staff Recommendation</b>		<b>155,702</b>	<b>(332,130)</b>	<b>(176,428)</b>	<b>(1.0)</b>

3. *Flag This Line Item.* Section 39-29-109 (1) (c) (III) (A), C.R.S., requires a fund balance in the Operational Account of the Severance Tax Trust Fund that is equal to twice the amount appropriated to the Department of Natural Resources for the four divisions that are authorized to receive appropriations from this fund. Because the fund balance in the Operational Account of the Severance Tax Trust Fund is low, **staff recommends that the JBC flag this decision item.** In the event that reductions are necessary to prevent the fund balance from falling below the balance required by law, staff believes that the JBC should consider eliminating or reducing any appropriation approved for this decision item to ensure that the statutory fund balance requirements are met.

☐ **Decision Item #22 — Land Use Fees.** The Department has requested an appropriation of \$148,126 cash funds (Land Use Fees).

Decision Item #22 – Geological Survey – Requested Cash Fund Increase		
Subprogram	Line Item	Request
		Cash Funds
Geological Survey	Env. Geology & Geological Hazards Prgrm.	148,126

Pursuant to Section 30-28-136, C.R.S., CGS is responsible for reviewing for proposed subdivision plans in unincorporated areas to evaluate potential geologic hazards and potential mineral resource conflicts. By statute, CGS is authorized to establish and collect fees for this purpose (Section 34-1-105, C.R.S.). The fees have not been adjusted in 11 years. Consequently, the fees are not sufficient to support the services being provided to local governments. Based on conversations with the Department's budget director, it is JBC staff's understanding that cash fund appropriations from the Operational Account of the Severance Tax Trust Fund have been used to support this function. Staff believes that it is important for fees to adequately cover program costs. As such, **staff recommends approval of the request for an appropriation of additional fee revenue.** However, given the prior support from severance taxes, **staff recommends a reduction from severance taxes.**

Decision Item #22 – Geological Survey – RECOMMENDATION			
Line Item	Recommendation		
	Fees	Severance Tax	Total CF
Env. Geology & Geological Hazards Prgrm.	148,126	(148,126)	0

**Colorado Geological Survey Staffing Table.** The following table reflects the staffing for CGS.

Colorado Geological Survey Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Director	1.0	1.0	1.0	1.0
Geologists	19.0	21.7	23.7	20.7
Administrative Staff	4.6	5.0	5.0	5.0
Avalanche Information Center	<u>6.8</u>	<u>7.3</u>	<u>7.3</u>	<u>7.3</u>
<b>Total</b>	<b>31.4</b>	<b>35.0</b>	<b>37.0</b>	<b>34.0</b>

### **Environmental and Geological Hazards**

This program is designed to lessen the impact of, and increase the awareness and understanding of, geological hazards in Colorado. This program includes three main activities: (1) technical assistance; (2) data acquisition, and; (3) land use reviews.

(1) Technical assistance is provided to other state agencies, the federal government, and local governments. Technical assistance projects address a wide range of geological hazards, including the study of hydrocompactive and expansive soils, monitoring and evaluating landslide potential, promoting earthquake awareness, and coordinating information on heaving bedrock. In addition to general research on geological hazards, the programs includes efforts to mitigate / prevent geological hazards and improve emergency preparedness and planning by local governments. This program also includes analysis and monitoring of underground storage tank removal by state agencies, rockfall mitigation for the Colorado Department of Transportation, and assisting the Department of Public Health and Environment remediate uranium processing sites.

(2) Data acquisition includes efforts to characterize, study, and understand geological conditions and hazards. A major project under this program is aimed at improving the water quality data in the State. The project compiles existing water quality data as well as obtaining new data where gaps exist. Information is managed within a geographic information system (GIS) framework to enhance its usefulness to data users. New sampling focuses on high elevation waters upstream of mining areas, in an attempt to better understand baseline water quality. This baseline data can then be used to better determine the true impact that mining activity, agricultural/residential runoff, and other sources have on downstream water quality. Data acquisition also includes efforts to investigate and characterize environmental degradation at abandoned mine sites.

(3) Land use review activities include mandatory geological reviews of subdivisions and school sites, as well as other non-mandatory reviews performed upon request for local governments and state agencies. This program also provides coal mine subsidence information to government agencies and the general public.

**Request.** The request is for \$2,964,177 total funds and 18.2 FTE, which includes \$190,684 cash funds for Decision Item #7 and \$148,125 cash funds for Decision Item #22.



**Recommendation.** Staff recommends \$2,365,652 total funds and 16.2 FTE (see the following table). Of the total, \$1,321,886 is from cash funds (including \$791,062 from the Operational Account and \$530,824 from fees), \$446,295 is from cash funds exempt, and \$600,430 is from federal funds. Cash funds exempt funding includes funds transferred from other State agencies for geological services.

<b>Summary of Recommendation – (3) Geologic Survey Environmental and Geologic Hazards — Department of Natural Resources</b>					
	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	1,041,595	648,276	590,376	2,280,247	18.2
Operating Expense Estimate	<u>188,991</u>	<u>122,517</u>	<u>8,579</u>	<u>320,087</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>1,230,586</b>	<b>770,793</b>	<b>598,955</b>	<b>2,600,334</b>	<b>18.2</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>20,724</u>	<u>5,898</u>	<u>1,475</u>	<u>28,097</u>	—
<b>Continuation Estimate</b>	<b>1,251,310</b>	<b>776,691</b>	<b>600,430</b>	<b>2,628,431</b>	<b>18.2</b>
Common Policy Reduction (0.5%)	(5,312)	(3,271)	(2,959)	(11,542)	
Decision Item #7 (\$190,684 requested)	75,888	(327,125)	0	(251,237)	(2.0)
Decision Item #22 (\$148,125 requested)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>1,321,886</b>	<b>446,295</b>	<b>597,471</b>	<b>2,365,652</b>	<b>16.2</b>

### **Coalbed Methane Stream Depletion Study**

The Geological Survey received a one-time appropriation of \$153,000 from the Operational Account of the Severance Tax Trust Fund for a Coalbed Methane Stream Depletion Assessment Study in FY 2006-07. Because this appropriation was for one year, **no appropriation was requested, nor is an appropriation recommended for FY 2007-08.**

This line item was approved with a decision item for a study to determine whether stream depletion is occurring or could occur in the future as a result of water removal by coalbed methane wells, and to determine the levels of stream depletion.

Coalbed methane (CBM) development has accelerated in recent years and is anticipated to continue at a fast pace. Concern has been raised that the removal of water from coalbeds and adjacent aquifers, which are potentially tributary to surface water, could be resulting in stream depletions or a reduction in spring flows and or formation outflows. There is a need to determine whether these potential depletions cause injury to senior water rights holders on over-appropriated stream systems in the state. In most cases, the water has not been considered as having been put to beneficial use and therefore the handling of the water with respect to potential impacts to existing water rights has not been subject to administration under the law.

The Division of Water Resources (State Engineer's Office) and the Oil and Gas Conservation Commission initiated this project because they needed better information on the potential for stream depletion in this area. The Colorado Geological Survey provided the geologic research using existing resources. The hydrogeological flow modeling required in the study was outsourced and funded with this line item.

**Mineral Resources and Mapping**

This section includes two major sub-programs: (1) the Mineral Resource Development and Information Program, and; (2) the Geological Mapping Program. The Mineral Resources Development and Information Program promotes the development of the state's mineral resources, including the development, publication, and distribution of maps, reports, and presentations to the mining industry, local government, and interested citizens. The Geological Mapping Program provides information on the basic geological structures and formations in mapped areas. Funding provides for about seven to eight quadrangles to be mapped each year. Federal funds are from the U.S. Geological Survey. This program also includes reports on the location and production of active mines and quarries in Colorado.

The Department's total request for this line item is for \$1,518,568 total funds and 11.5 FTE. Of this sum, \$1,143,251 is from the Operational Account of the Severance Tax Trust Fund and \$58,099 is from local governments and the remainder (\$317,218) is from federal funds.

**Staff recommends \$1,397,631 total funds and 10.5 FTE** (see the following table). The recommendation includes \$1,023,809 is from the Operational Account of the Severance Tax Trust Fund and \$58,099 from local governments, with the remainder (\$315,723) coming from federal funds.

<b>Summary of Recommendation – (3) Geologic Survey Mineral Resource Mapping — Department of Natural Resources</b>				
	<b>Cash Funds</b>	<b>Federal Funds</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	867,609	296,963	1,164,572	9.5
Operating Expense Estimate	<u>129,890</u>	<u>18,317</u>	<u>148,207</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>997,499</b>	<b>315,280</b>	<b>1,312,779</b>	<b>9.5</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>10,985</u>	<u>1,938</u>	<u>12,923</u>	—
<b>Continuation Estimate</b>	<b>1,008,484</b>	<b>317,218</b>	<b>1,325,702</b>	<b>9.5</b>
Common Policy Reduction (0.5%)	(4,393)	(1,495)	(5,888)	
Decision Item #7 (\$194,540 and 2.0 FTE requested)	<u>77,817</u>	<u>0</u>	<u>77,817</u>	<u>1.0</u>
<b>Total Recommendation</b>	<b>1,081,908</b>	<b>315,723</b>	<b>1,397,631</b>	<b>10.5</b>

**Colorado Avalanche Information Center**

This program provides avalanche forecasting services and education to ski patrols, back country recreation users, industry, and travelers. The program is funded from cash funds from training and publication fees, as well as from cash funds exempt donations and federal grants. The program also receives funds transferred from the Colorado Department of Transportation to provide assistance in monitoring and mitigating avalanche dangers along State Highways.

The Department is requesting \$591,869 total funds and a continuing level of 7.3 FTE for this program in FY 2007-08. Of the cash funds requested, \$150,911 is from the Operational Account/Severance Tax, \$2,000 is from the Snowmobile Recreation Fund, and \$251 is from the sale of avalanche products. Of the \$414,615 from cash funds exempt, \$337,143 is from the

Colorado Department of Transportation and \$77,472 is from grants and donations. Additionally, \$24,092 is from federal funds (USDA).

**For the line item "Colorado Avalanche Information Center," staff recommends \$590,158 total funds and a continuing level of 7.3 FTE.** Of the total, \$151,451 is from cash funds, including \$149,200 from the Operational Account of the Severance Tax Trust Fund, \$2,000 from the Snowmobile Recreation Fund, and \$251 from the sale of avalanche products, \$414,615 is from cash funds exempt, and \$24,092 is from federal funds (see the following table). This recommendation is in accordance with Committee policy. The bulk of the Cash Funds Exempt source of funding is from a transfer from the Department of Transportation (\$337,143), with the remainder from grants and donations (\$77,472).

<b>Summary of Recommendation – (3) Geologic Survey Colorado Avalanche Information Center — Department of Natural Resources</b>					
	<b>Cash Funds</b>	<b>Cash Funds Exempt</b>	<b>Federal Funds</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	139,742	380,770	13,428	533,940	7.3
Operating Expense Estimate	<u>9,912</u>	<u>25,022</u>	<u>10,572</u>	<u>45,506</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>149,654</b>	<b>405,792</b>	<b>24,000</b>	<b>579,446</b>	<b>7.3</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>3,508</u>	<u>9,849</u>	<u>92</u>	<u>13,449</u>	—
<b>Continuation Estimate</b>	<b>153,162</b>	<b>415,641</b>	<b>24,092</b>	<b>592,895</b>	<b>7.3</b>
Common Policy Reduction (0.5%)	(716)	(1,953)	(68)	(2,737)	—
Fund Mix Adjustment	<u>(995)</u>	<u>927</u>	<u>68</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>151,451</b>	<b>414,615</b>	<b>24,092</b>	<b>590,158</b>	<b>7.3</b>

### **Indirect Cost Assessment**

The Department requests an appropriation of \$23,954 for indirect cost assessments. This amount is from federal funds. This amount will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$23,954.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

#### **(4) OIL AND GAS CONSERVATION COMMISSION**

The Oil and Gas Conservation Commission (OGCC) is responsible for promoting the exploration, development, and conservation of Colorado's oil and natural gas resources in a responsible fashion. To achieve these goals, the Commission promulgates regulations governing oil and gas development, issues permits, enforces laws and regulations, maintains a financial surety program to ensure proper reclamation of well sites, and provides information to the public and industry pertaining to oil and gas production. The Commission also has the authority to regulate oil and gas operations so as to protect public health, and prevent significant adverse environmental impacts.

In addition to enforcement, the OGCC responds to complaints and inquiries, responds to oil and gas spills and other environmental emergencies at production sites, manages plugging and reclamation work at abandoned well sites, and performs baseline water quality studies. The number of active wells directly drives the Commission workload.

- ✓ High natural gas and oil prices are fueling unprecedented oil and gas development in Colorado. Prices for both commodities have almost tripled over the past few years. Colorado natural gas production is 3.1 billion cubic feet per day, increasing at 5.0 percent a year, according to the Oil and Gas Conservation Commission.
- ✓ Drilling permits requests are topping record numbers: 7,700 estimated for FY 2007-08 compared to 3,847 in the record year of FY 2004-05 (43 percent increase). The active well count is estimated at 34,000 for 2007-08, about 9,511 (40 percent) more than in 2003.
- ✓ The Commission is experiencing significant workload increases. Additional resources will be necessary to ensure proper inspections and environmental safeguards are met. Based on industry estimates, drilling operations will be continuing at a substantial level in Colorado for many years to come.

##### *Division Funding Overview*

The Division has cash funds from two primary sources and receives some federal funds. Cash funds are provided by a mix of dollars from the Operational Account of the Severance Tax Trust Fund (from which the OGCC is authorized 45 percent of dollars) and a mill levy on the value of oil and gas production (operators) that is transferred into the Oil and Gas Conservation and Environmental Response Fund. Cash funds exempt are from reserves in said Oil and Gas Conservation and Environmental Response Fund.

In 2005, the JBC sponsored H.B. 05-1285 to combine two of the Commission's funds into one fund to allow for easier management of the mill levy and to allow for a higher fund balance. In 2006, the JBC sponsored S.B. 06-142 to increase the allowable fund balance from \$2.0 million fund balance up to \$4.0 million to allow room for unforeseen contingencies.

<b>Oil and Gas Conservation and Environmental Response Cash Fund Reserves</b>				
	<b>Actual FY 2004-05</b>	<b>Estimate FY 2005-06</b>	<b>Estimate FY 2006-07 <sup>3/</sup></b>	<b>Estimate FY 2007-08</b>
Beginning Fund Balance	\$202,186	\$2,012,821	\$6,568,689	\$4,203,712
Transfer per H.B. 05-1285 <sup>1/</sup>	0	4,188,456	0	0
Cash Fund Revenue	4,051,534	5,146,007	4,384,797	4,394,301
Expenditures from the Cash Fund <sup>2/</sup>	(2,240,899)	(4,778,595)	(6,749,774)	(6,268,342)
<b>Ending Balance</b>	<b>2,012,821</b>	<b>6,568,689</b>	<b>4,203,712</b>	<b>2,329,671</b>

<sup>1/</sup> House Bill 05-1285 combined two cash funds into the Oil and Gas Conservation and Environmental Response Cash Fund. The funds in the Environmental Response Fund are shown here as transferred in on a one-time basis.

<sup>2/</sup> The expenditures include \$1,728,224 in FY 2005-06 and \$1,250,000 in FY 2006-07 (\$2,978,224 total) expended in Higher Education per S.B. 05-66 [Energy Research Institute Project] as well as FY 2005-06 supplemental appropriations of \$908,445 for the La Plata emergency and \$203,600 for Program Costs.

<sup>3/</sup> Ending balance for FY 2006-07 does not assume that the full \$1,500,000 recommended to be authorized for emergency response is expended (for purposes of this chart it is not shown as "expended" from the fund although it is an obligation).

Federal funds are from the U.S. Environmental Protection Agency for regulating the underground injection of oil and gas production wastes, as well as the injection of liquids underground to enhance fuel recovery.

#### *Division Request Overview*

Oil and gas industry growth in Colorado is driving increased workload for the Oil and Gas Conservation Commission (Commission) and increased revenue for the State from severance tax. In its FY 2007-08 budget request, the Commission has requested a six funding initiatives to address its workload increases. In total, the Commission requests an increase of 7.0 percent, approximately \$510,000, including more than \$1.0 million in new funding which is partially offset by one-time appropriations made in FY 2006-07. This increase follows funding increases granted by the General Assembly in the FY 2005-06 budget and the FY 2007-08 budget.

The FY 2007-08 decision item requests include the following:

- ▶ Decision Item #2 requests \$60,000 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund) for contract funds for a consulting engineer to assist with the review of oil shale permits.
- ▶ Decision Item #4 requests \$571,472 cash funds and cash funds exempt (Oil and Gas Conservation and Environmental Response Fund) and 4.0 FTE to address the high permit workload.

- ▶ Decision Item #6 requests \$78,235 cash funds exempt (reserves in the Oil and Gas Environmental Response Fund) and 1.0 FTE for a computer application programmer to maintain the Colorado Oil and Gas Information System and to provide technical support to the Commission's Geographic Information Systems (GIS) administrator.
- ▶ Budget Amendment #11a requests \$76,364 cash funds (Oil and Gas Environmental Response Fund) and 1.0 FTE for a hearings officer to prevent future backlogs of hearing applications and to relieve engineering staff of hearing officer duties.
- ▶ Decision Item #18 requests \$119,356 cash funds (Operational Account of the Severance Tax Trust Fund) to hire temp workers to clean up data that was transferred to a new database.
- ▶ Decision Item #20 requests \$37,020 cash funds (Oil and Gas Conservation and Environmental Response Fund) to transfer a supervising engineer to Rifle.
- ▶ Decision Item #23 requests \$91,338 cash funds (Operational Account of the Severance Tax Trust Fund) for the Division to replace information technology equipment, including servers, laptop computers, desktop computers and for increased costs for annual maintenance contracts.

*Staffing Summary:*

Oil and Gas Conservation Commission Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend.
Director	1.0	1.0	1.0	1.0
Administration (accounting, budget, information tech.)	4.0	5.0	7.0	7.0
Engineering (permitting, inspections, hearings)	14.5	16.0	19.0	19.0
Field Inspections	11.5	18.0	19.0	19.0
Environmental Specialists	<u>5.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>
<b>Total</b>	<b>36.0</b>	<b>49.0</b>	<b>55.0</b>	<b>55.0</b>

**Program Costs**

In FY 2004-05, the JBC consolidated three line items (Personal Services, Operating Expenses, and Accelerated Drilling) into one line item entitled Program Costs. This change was made in order to give the Division greater flexibility in managing its budget and to better reflect the expenditures made for regulating drilling operations. The Department is requesting \$4,165,591 cash funds (\$2,218,182 from the Operational Account of the Severance Tax Trust Fund and \$2,645,600 from the Oil and Gas Conservation and Environmental Response Fund) and 53.0 FTE for its Program

Costs line item. In total, six decision items were submitted for the Oil and Gas Conservation Commission's "Program Costs" line item.

- ❑ **Decision Item #2 — Oil Shale Consultant.** The Department has requested an appropriation of \$60,000 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund).

**Background.** The Bureau of Land Management anticipates five 160-acre research and development leases to be authorized to assess the feasibility of extracting oil from oil shale. According to the request, commercial production leases may occur by 2008. Commercial leases would be authorized on 5,000-acre plots. DRMS will be the lead agency on all phases of permitting, bonding, inspection, enforcement, and citizen's involvement for the pilot projects and the commercial leases.

Each of the five pilot projects must apply for a state mining permit through the Division of Reclamation, Mining, and Safety (DRMS). In its request, the Department justified its request for contract funds in the Oil and Gas Commission on the need to review permits within the 180-day time period required by law. The Department contends that, due to the complexity of the operations, and the potential for environmental degradation, it is appropriate for the Oil and Gas Commission to use its expertise on the drilling portions of the permit applications to assist DRMS. The "down-hole" portion of an oil shale permit is expected to take one week to review. However, each project will have dozens of wells, compared with more typical drilling permits that have only one well.

**Staff Analysis.** There are a number of potential impacts associated with the large-scale development of oil shale. These include economic impacts to local communities, environmental impacts to habitat, air quality, and water quality, increases in state revenues, programmatic and budgetary impacts to state regulatory agencies, and impacts associated with the development of infrastructure to support the oil shale extraction activities. Because the state is setting a percent with the use of in-situ technology, staff believes it is useful to provide the requested funds. **Staff recommends that the JBC approve the request for a one appropriation of \$60,000 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund) in FY 2007-08.**

- ❑ **Decision Item #4 — Permitting Staff.** The Department has requested an appropriation of \$517,472 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund) and 4.0 FTE to address the high permit workload. The request is summarized in the following table.

Decision Item #4 – OGCC Permitting Staff					
Subprogram	Line Item	Request			
		Cash Funds	CFE	Total	FTE
Executive Director's Office	Leased Space	25,196	0	25,196	
	AED	2,890	0	2,890	
	Supplemental AED	602	0	602	
Oil & Gas Conservation Commission	Program Costs	0	542,784	542,784	4.0
<b>Total Request</b>		<b>28,688</b>	<b>542,784</b>	<b>571,472</b>	<b>4.0</b>

**Background.** In December 2005, the JBC approved the Department's request for an emergency supplemental appropriation for 4.5 contractors. Through the regular supplemental process, the JBC approved an additional 1.5 contractors. Despite these additional resources, the backlog of permit applications grew from 330 in December 2005 to 827 in July 2006.

Prior to approval of these contractors, the staff's capacity was 300 permits per month. For FY 2006-07, a new permit position was approved and 4.0 of the 6.0 contractors were continued. Of the funds approved for FY 2006-07, \$239,200 were one-time funds for contract staff.

These resources have increased the permit capacity to 500 permits per month. The Department reports using vacancy savings to fund 2.0 additional contractors in an effort to keep pace with the high number of permit applications. The permit applications continue to rise. The Department estimated 6,200 permit applications in CY 2006, a 26 percent increase over the number in CY 2005.

**Requested Permitting Staff.** The request includes a request for 2.0 FTE for well permitting staff, plus 4.0 contract permitting staff. The decision item estimates that these resources, coupled with base funding will enable the Commission to process 650 applications per month. The Commission recognizes that the permit applications are unlikely to drop below 500 per month in the foreseeable future. The requested combination of FTE and contract staff will enable the Commission to meet the growing workload. The contract staff will give the Department some flexibility if the workload tapers off.

**Engineering Staff.** All permits must be reviewed by a professional engineer. When appropriate, an engineer is required to establish conditions for approval. If the permitting staff are approved, the Department estimates that there would be a backlog of applications because of the shortage of engineering staff.



**Accounting Staff.** The Oil and Gas Commission is the only agency in the Department that does not have its own accounting staff. The Department reports that the number of vouchers it is required to process has increased by 24 percent over the last two years. The Department is also required to distribute interest on cash bonds to oil and gas operators who are required to provide financial assurance to the Commission. These transactions are manual in nature and are time consuming.

**Leased Space.** The request includes funds for additional leased space. This request would annualize the increase approved by the JBC through a supplemental appropriation in FY 2006-07.

Decision Item #4 – OGCC Permitting Staff				
Subprogram	FY 2007-08 RECOMMENDATION		FY 2008-09 Estimate	
Contracting Permit Staff	257,088		0	
FTE Permit Staff	136,614	2.0 FTE	131,896	2.0 FTE
Engineering Staff	99,982	1.0 FTE	97,402	1.0 FTE
Accounting Staff	49,102	1.0 FTE	46,494	1.0 FTE
Leased Space	<u>25,196</u>	—	<u>25,873</u>	—
<b>Total Request</b>	<b>567,982</b>	<b>4.0 FTE</b>	<b>301,665</b>	<b>4.0 FTE</b>

Given the extreme rise in workload, staff believes that the Department's request is justified. Staff believes that it is useful for the Commission to be in a position to keep pace with the workload. The requested fund source (the Oil and Gas Conservation and Environmental Response Fund) may require the Commission to raise the mill levy to raise sufficient revenue to pay for the decision item. **Staff recommends an appropriation of \$567,982 and 4.0 FTE.**

- **Decision Item #6 — Information Technology Staff.** The Department has requested an appropriation of \$78,235 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund) and 1.0 FTE for a computer application programmer to maintain the Colorado Oil and Gas Information System and to provide technical support to the Commission's GIS administrator.

**Background.** With the growth in the oil and gas industry, there has been a commensurate growth in the demand for information (both internally and externally) from the Oil and Gas Conservation Commission. The Department reports that the volume and the complexity of requests have risen over time.

In FY 2006-07, the Department received one-time funding of \$92,000 for a contract programmer. The Department reports that there is an ongoing demand for these resources. The Department further contends that a state FTE is more appropriate. The Department believes that there is value in having an employee with a thorough understanding of its computer systems. The Department advised staff that it is using a system that was designed eight years ago. The request will allow the Commission to provide major enhancements to this system to that may prevent a major rewrite of the system in the future. The decision item listed the following projects that could be addressed over time with the addition of an information technology FTE.

1. Electronic submittal of permits and other forms (2,000 hours).
2. Injection well system upgrades (1,000 hours).
3. Integration of electronic documents to well files (1,000 hours).
4. Environmental remediation system (1,200 hours).
5. Upgrade database reporting (500 hours).
6. Upgrade forms processor application (2,500 hours).
7. Oil shell well inventory (2,500 hours).

The position, if approved, would also support the GIS administrator. The Department has advised staff that the complexity of the Department's GIS system has grown in recent years. Specifically, the site has grown from 80 layers to 150 layers.

**Staff recommends approval of an appropriation of \$77,269 cash funds exempt (reserves in the Oil and Gas Conservation and Environmental Response Fund) and 1.0 FTE.** Of this amount, \$1,994 is for one-time costs. The recommendation does not include the request for AED or Supplemental AED.

- **Decision Item #11a — Additional Hearings Officer.** The Department has requested an appropriation of \$76,364 cash funds (Oil and Gas Conservation and Environmental Response Fund) and 1.0 FTE for an additional hearings officer.

**Background.** Hearing applications are filed with the Oil and Gas Conservation Commission whenever a party seeks an order of the Commission to do one or more of the following: (1) increase well density, (2) establish or amend field rules; (3) request exceptions from Commission rules; (4) propose rules; or (5) involuntarily pool unleased or non-consenting mineral owners. In CY 2004, 62 hearing applications were received. In CY 2005, 78 were received. In CY 2006, 128 applications were received. Because of the surge in applications, a hearings backlog has occurred in the first time in the history of the Oil and Gas Conservation Commission.

**Workload.** The steps to get hearing applications placed on the docket include the following: (1) reviewing the application; (2) mailing notices to all interested parties; (3) conducting pre-hearing conferences; (4) conducting administrative hearings; and (5) preparing hearing

officer reports. The hearing officer reports are detailed documents that provide recommendations to the Commissioners. To accommodate the workload, the Department has been required to use engineers. The Department has taken steps to streamline the process and has made more requirements of applicants. Even with these measures, the Department estimates that its workload is 25 percent higher than the funded level.

**Staff Recommendation.** Staff recommends that the JBC approve an appropriation of **\$76,364 cash funds and 1.0 FTE**. Of the amount recommended, \$3,815 is for one-time expenses that will not be required in FY 2008-09. The recommendation does not include the request for AED and Supplemental AED.

- ❑ **Decision Item #20 — Transfer Engineer to Rifle.** The Department has requested an appropriation of \$37,020 cash funds and cash funds exempt (Oil and Gas Conservation and Environmental Response Fund) to allow an engineer to be relocated to Rifle.

Decision Item #20 – Transfer Engineer to Rifle				
Subprogram	Line Item	Request / Recommendation		
		Cash Funds	CFE	Total
Executive Director's Office	Leased Space	18,000	0	18,000
	Vehicle Lease Payments	882	0	882
Oil & Gas Conservation Commission	Program Costs	0	18,138	18,138
<b>Total Request / Recommendation</b>		<b>18,882</b>	<b>18,138</b>	<b>37,020</b>

**Background.** In 2006, the JBC approved the Department's request for an additional Professional Engineer II position. At that time, the Department had planned to locate this FTE in Denver, with the other supervising engineers, to assist with the permitting workload, and to provide guidance to subordinates located in the field.

Because Garfield county is the most active area for drilling activity in the state (34 percent of all new drilling permits), the Department has determined that it would be more appropriate for this FTE to be located in Rifle. The Department cited a growth in the number of complaints in this region (107 complaints in FY 2005-06 up from 88 in FY 2004-05). Even though the supervising engineer will spend 60 to 70 percent of their time in their office, the Department anticipates advantages to having this person close, to more rapidly assist subordinates in responding to alleged violations. Furthermore, this position could represent the Commission at local gas forums and other public meetings.

The requested funds will provide vehicle lease payments, variable vehicle costs, telecommunications costs, rent, and utilities for an office in Rifle. Given the growth in the

gas industry in Garfield county, staff believes that the request is justified. **Staff recommends that the JBC approve the request for an appropriation of \$37,020 total funds.**

- **Decision Item #23 — Information Technology Replacement.** The Department has requested an appropriation of \$91,338 cash funds (Operational Account of the Severance Tax Trust Fund) for annual costs associated with replacing information technology equipment. The Department contends that the annual cost of replacing compute infrastructure has risen to an estimated \$193,178 per year, \$91,338 more than the funded level of \$101,840. It is staff's understanding that the Department has been able to replace this computer equipment using its flexibility with its "Program" line by using funds appropriated for vacant positions.

**Staff Recommendation.** Staff believes that there is merit in providing the Oil and Gas Commission with the necessary information technology hardware and software to conduct its business efficiently. **Staff recommends approval of the request for an appropriation of \$91,338 cash funds (Operational Account of the Severance Tax Trust Fund).** However, staff notes that the Department has flexibility with its program line. Furthermore, this request for funds from the Operational Account of the Severance Tax Trust Fund is the Department's lowest priority. As such, **staff recommends that the JBC flag this line item in the event that reductions are necessary to balance the state budget.**

<b>Summary of Recommendation – (4) Oil and Gas Conservation Commission Program Costs — Department of Natural Resources</b>				
	<b>Cash Funds</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
Personal Services Estimate	2,160,935	1,426,488	3,587,423	47.0
Operating Expense Estimate	<u>0</u>	<u>733,849</u>	<u>733,849</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>2,160,935</b>	<b>2,160,337</b>	<b>4,321,272</b>	<b>47.0</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>62,463</u>	<u>0</u>	<u>62,463</u>	—
<b>Continuation Estimate</b>	<b>2,223,398</b>	<b>2,160,337</b>	<b>4,383,735</b>	<b>47.0</b>
Common Policy Reduction (0.5%)	(16,358)	0	(16,358)	—
Eliminate One-time Funding in FY 2006-07	(378,386)	0	(378,386)	—
Decision Item #2 (\$60,000 requested)	0	60,000	60,000	—
Decision Item #4 (\$542,784 and 4.0 FTE requested)	0	542,784	542,784	4.0
Decision Item #6 (\$77,269 and 1.0 FTE requested)	0	77,269	77,269	1.0
Decision Item #11a (\$75,447 and 1.0 FTE requested)	75,447	0	75,447	1.0
Decision Item #20 (\$18,138 requested)	0	18,138	18,138	—
Decision Item #23 (\$91,338 requested)	91,338	0	91,338	—
Fund Mix Adjustment	<u>2,160,337</u>	<u>(2,160,337)</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>4,155,776</b>	<b>698,191</b>	<b>4,853,967</b>	<b>53.0</b>

**Underground Injection Program**

The Commission has been delegated authority to manage the Underground Injection Control Program by the U.S. EPA. To maintain primacy, the Commission is responsible for regulating the

underground injection of oil and gas production wastes, as well as the injection of liquids underground to enhance fuel recovery. The program includes the inspection and permitting of sites where underground injections occur. This program is federally funded with funds from the EPA. The Department is requesting \$96,559 federal funds and 2.0 FTE for this program. The budget reflects the anticipated federal funds, a continuation appropriation.

**Staff recommends reflecting \$96,559 federal funds and 2.0 FTE for FY 2007-08.** This federal funds figure represents the anticipated grant.

### **Plugging and Reclaiming Abandoned Wells**

This line item provides funding for plugging and reclaiming abandoned oil and gas well sites. The FY 2007-08 request is for a continuation appropriation of \$220,000 cash funds exempt (reserve funds) from the Oil and Gas Conservation and Environmental Response Fund. The line item will fund approximately 20 projects that the Commission undertakes.

**Staff recommends the request for \$220,000 cash funds exempt from reserves in the Oil and Gas Conservation and Environmental Response Fund.** Staff recommendation is based on the number of abandoned oil and gas wells in Colorado which need to be plugged and reclaimed. The budget assumes a continuing level of 20 projects that will require this funding. The recommendation reflects the average well plugging cost per well.

### **Environmental Assistance and Complaint Resolution**

This line item funds environmental assistance projects such as baseline water quality studies, studies on the beneficial reuse of production wastes, remediation projects, and studies to better understand air emissions from oil and gas activities. Funding is also used to fund water, soil, and air sampling in response to citizen complaints, reported spills, and field investigations. This line item was increased in the 2006 session (Decision Item #21), and the line item was renamed to include complaint resolutions.

*Note:* Prior to 2006, this line item provided emergency funding for various problems that arose. In 2006, the JBC approved a new line item for responding to emergencies.

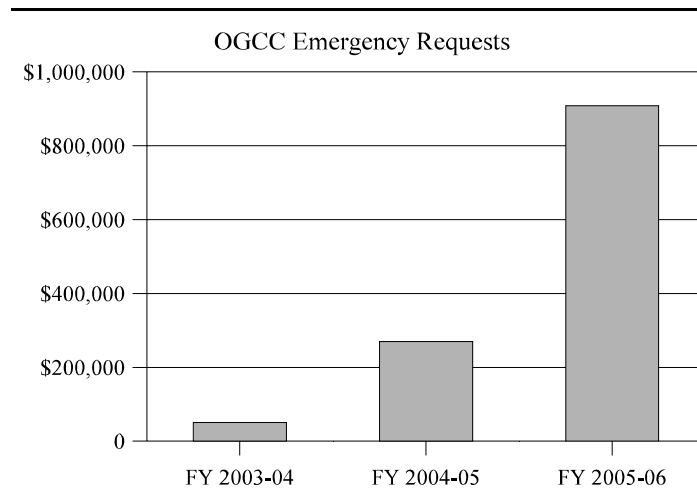
**Staff recommends approval of the request for a continuation appropriation of \$312,033 cash funds** (Oil and Gas Conservation and Environmental Response Fund established in Section 34-60-122 (5), C.R.S.) in FY 2007-08.

### **Emergency Response**

In 2006, the JBC approved the creation of this line item with an appropriation of \$1,500,000 from the Oil and Gas Conservation and Environmental Response Fund. This line item was intended to be used -- if and when necessary -- for emergency responses. Prior to 2006, there were a number of emergency funding requests both during the session and during the interim. Examples include the following:

- \$50,000 in FY 2003-04 for EnCana West Divide Creek leak;
- \$70,000 for FY 2004-05 for additional complaints/workload demand;
- \$200,000 in FY 2004-05 for initial research on the La Plata County natural gas explosion; and,
- \$908,445 in FY 2005-06 for drilling on the La Plata County natural gas explosion.

The line was created out of concern that emergency funding would be necessary during a time when the JBC may not yet be meeting during the interim (and thus would have to wait for a "1331") if the substantial increase in drilling activities combined with the encroachment of residential and commercial development resulted in additional emergencies that required immediate funding.



**Staff recommends that the JBC approve the Department's request for a continuation appropriation of \$1,500,000 cash funds (Oil and Gas Conservation and Environmental Response Fund).**

### **Special Environmental Protection and Mitigation Studies**

In 2006, the JBC approved a new line item entitled "Special Environmental Protection and Mitigation Studies" with an appropriation of \$500,000 cash funds authorized from the Oil and Gas Conservation and Environmental Response Fund. This line item was created to improve efficiency by allowing the Commission is plan and respond more quickly to substantial large scale projects. Many of the Commission's requested special studies must be considered by the executive up to 18 months in advance of their authorized appropriation from the JBC and General Assembly.

Examples of projects might include the following: a gas seep mitigation study in La Plata County and also in Raton Basin, soil gas surveys for where orphaned wells were plugged (to prevent another La Plata County, Bondad explosion), baseline water quality study in Yuma county, another Piceance Basin DJ Basin analysis, Piceance basin water sampling followup, and La Plata County follow-up

water sampling. These aforementioned studies would each be in the \$200,000 to \$300,000 range.

**Staff recommends that the JBC approve the Department's request for a continuation appropriation of \$500,000 cash funds (Oil and Gas Conservation Environmental Response Fund).**

### **Piceance and D-J Basin Water Studies and Environmental Data Tool Development**

In FY 2005-06, the Department was appropriated \$300,725 cash funds exempt from the Oil and Gas Conservation Environmental Response Fund to fund special environmental projects in the Piceance Basin (Garfield County) and D-J Basin (Weld County) over the 2005-06 and 2006-07 fiscal years (by footnote). The Oil and Gas Conservation Commission indicated that the funding would be for water studies and environmental data tool development. The following projects were included: a ground water quality study for Garfield county (Piceance Basin); expansion of ground water quality baseline data and produced gas data in the Weld County (Denver-Julesburg Basin); and development of reporting and query tools. The funding was based on the significant increase in active oil and gas wells in these two basins. Oil and gas are produced from at least five different geologic formations. With wells drilled into any or all of these formations, there can be more than 20 wells in one section (one square mile) of land. Since 1999, the number of active wells in Weld County has growth 26 percent (9,500 to 12,000). The Division wanted to be proactive in these two active basins and wants to document baseline data/conditions. Existing conduits for migration of hydrocarbons from oil and gas reservoirs to ground water aquifers, water wells, surface water, or ground surface should be identified and eliminated whenever possible. The funding was intended to give the Division the tools to optimize production while minimizing impact to the environment, minimize surface and operator conflict, determine strategies for minimizing and mitigating impacts when they do occur, and responding to claims and investigating ground water contamination claims. Although only \$46,525 was spent in FY 2005-06, the Department received roll forward authority for the unspent balance of \$254,200 cash funds.

As the FY 2005-06 funding does not continue, **funding for FY 2007-08 is neither requested nor recommended.**

### **Phase II Raton Basin Gas Seep Investigation**

This new line item was approved for FY 2006-07 to fund a study on the Raton Basin. The Commission received a one-time appropriation of \$188,625 cash funds exempt from reserves in the Oil and Gas Conservation and Environmental Response Fund for Phase II Raton Basin Gas Seep Investigation, Las Animas and Huerfano counties (Decision Item #10).

This line item was requested to fund a second phase of gas seep mapping in the Raton Basin over the FY 2006-07 and FY 2007-08 period. The first phase was in FY 2000-01 and FY 2001-02. The results of the study will be compared to the results from FY 2000-01 and FY 2001-02 baseline seep mapping to determine whether changes in location or volume of gas seepage are occurring. The number of coalbed methane wells in the Raton Basin has increased from 90 wells in 1993 to 1,550 wells in 2005. This trend is likely to continue in the future. To produce coalbed methane, the water that occurs in the coal seams must also be removed; the dewatering decreases the pressure in the

formation and allows the gas to desorb from the surface of the coal. As more wells are drilled and more water removed, the formation pressure continues to decrease, allowing more gas to desorb from the coal seams. This causes an increase in the potential for gas to seep from the outcrop of the coal seams. The line item funded the following items:

▶	Ground survey to locate methane seeps:	\$94,050
▶	Detailed mapping of identified seep areas:	56,250
▶	Gas seep analysis:	17,075
▶	Water well sampling:	<u>21,250</u>
		\$188,625

The funding for this line item was one-time. **Staff recommends that the JBC approve the request for no appropriation in FY 2007-08.**

**Hearing and Environmental Record Imaging and Indexing**

This line funded a request funded by the General Assembly two years ago (FY 2004-05 Priority #7) that was funded in a stand-alone line item. The appropriation provided \$96,995 cash funds from the Oil and Gas Conservation Fund for reviewing and indexing 136,000 previously scanned documents and to scan and index about 120,000 documents. The initiative was funded to allow the Division to eliminate the need for paper records. In 1999, the Division implemented an internet enabled electronic document imaging system for all of the paper records. Approximately 600,000 documents made up of 1.6 million pages were scanned. The funding at the time only provided for indexing of the scanned documents at a very basic level. This funding authorized followed up on that electronic request and was used to review and index the first group of documents scanned -- about 136,000 documents, including hearing, operator, remediation and pit and gas plant files. These documents were scanned in the first project but they were not indexed. Additionally, a second group of 120,000 documents needs to be scanned and indexed. It takes about 20 minutes to search the files that are not indexed; as such, it is currently quicker for the staff to review the paper files than go on-line. The FY 2004-05 funding was one-time in nature. **Funding for FY 2007-08 is neither requested nor recommended.**

**Data Cleanup Project (new line)**

The Department requests an appropriation of \$119,356 cash funds (Operational Account of the Severance Tax Trust Fund) for a new line item through Decision Item #18 (Data Cleanup Project).

- ❑ ***Decision Item #18 — Data Cleanup Project.*** The Department of Natural Resources has requested a one-time appropriation of \$119,356 cash funds (Operational Account of the Severance Tax Trust Fund). The funds would be used to hire four temporary workers to complete a project to clean up data that was migrated from an old database to a new Internet enabled information management system. Problems exist for the following reasons:



1. The new system includes some data that was not included in the old system and therefore did not migrate to the new system. The old data is only available on the paper record.
2. Some data was incorrect in the old system due to inadequate quality control.
3. Inconsistencies in the data format between the old system and the new system prevented migration of some data.
4. Some records did not exist in the old system.

The types of data that need to be "cleaned up" include the following: (1) well data, including location, geologic data, engineering data, environmental data, and reclamation data; (2) commission orders including new and amended rules, consent orders, and orders finding violation of rules adopted by the Commission; (3) pit records that includes environmental and construction information on drilling, production; and (4) spills and complaint data provided by oil and gas operators related to releases from their operations.

***Department Justification.*** The Department justified the request by indicating that access to more accurate well data could result in an increase in the production value in Colorado. A 0.05% increase (one half of one tenth of a percent) was assumed using a the "Texas Input-Output Model".

***Staff Recommendation.*** **Staff recommends that the JBC approve this request in its entirety.** The Department estimates that this project will require \$238,712 to complete. This request is for one half of the required amount. Given the potential shortage of funds in the Operational Account of the Severance Tax Trust Fund, **staff recommends that the JBC flag this decision item.** In the event that budget reductions are necessary, staff believes that this project should be on the list of items considered for reducing or eliminating.

### **Indirect Cost Assessment**

The Oil and Gas Conservation Commission requests an appropriation of \$223,260 for indirect cost assessments. The amount collected from this line item from the Oil and Gas Conservation and Environmental Response Fund established in Section 34-60-122 (5), C.R.S., will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$223,260.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**(5) STATE BOARD OF LAND COMMISSIONERS**

The second largest landholder in Colorado, after the federal government, the State Land Board is responsible for managing State lands granted in Colorado's enabling clause when granted statehood in 1876.<sup>2</sup> The State Land Board manages approximately 3.0 million acres of state trust land assets and approximately 3,000 surface leases. The revenue generated supports eight beneficiaries, the largest of which is the public school system, which owns 96 percent of the land managed by the State Land Board. The dollars generated by the school lands are available to the General Assembly to distribute to schools through the School Finance Act. Excluding interest, revenues generated from leases, royalties, and other returns, generated approximately \$63.9 million in FY 2005-06.

- ▶ **Cash Funds.** The State Land Board generates cash funds from agricultural and mineral leases, rights-of-way leases, timber sales, and other sources. These revenues are not exempt from TABOR. In FY 2007-08, it is estimated that the Land Board will collect \$16,158,887 in cash fund revenue.
  
- ▶ **Cash Funds Exempt.** The State Land Board generates exempt cash funds from land sales, mineral royalties and bonuses from non-renewable mineral resources such as oil, gas, and coal. In FY 2007-08, it is estimated that \$47,162,798 in cash funds exempt revenue.

<b>State Land Board Revenues</b>		
	<b>Total Estimated Revenue</b>	<b>Percent of Total</b>
Cash Funds	16,158,887	25.6%
Cash Funds Exempt	<u>47,036,878</u>	74.4%
<b>Total</b>	<b>63,195,765</b>	<b>100.0%</b>

The Department submitted three decision items that affect the State Land Board. These decision items are as follows:

Decision Item #8 – \$119,013 total funds and 1.0 FTE for Water Portfolio Management.

Decision Item #14 – \$122,034 total funds and 1.0 FTE for a Minerals Auditor and Legal Services.

Decision Item #17 – \$145,073 total funds and 2.0 FTE for a New District Office.

- ❑ **Decision Item #8 — Water Portfolio Management.** The Department of Natural Resources has requested an appropriation of \$119,013 total funds and 1.0 FTE for person to analyze the Land Board's existing water portfolio and to develop a strategic approach to new water

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<sup>2</sup> Additionally, in 1996 a constitutional change was implemented (Amendment 16), designating 300,000 acres to the Stewardship Trust for preservation of long-term benefits.

acquisitions and water development. The request also includes \$51,650 for the Department to contract with water engineers and water acquisition and adjudication experts to assist in identifying options to acquiring water rights for state lands.

***Department Justification.*** The State Land Board has advised staff that it currently does not have the expertise to analyze its water portfolio and develop a strategic water plan. The State Land Board estimates that it has more than 1,500 wells, about 600 water shares, and a handful of other water rights (e.g., water taps) in its portfolio. The State Land Board receives an average of \$31.77 per acre of irrigated land per year in lease revenue. This compares with \$1.81 per acre for grazing revenue from land that is not irrigated. This decision item, if approved, could potentially enable the Land Board to develop more revenue from irrigated land. It is also possible that this request could protect existing irrigated water rights, in the event that they were challenged.

The State Land Board conducted two break even analyses to justify the request.

1. First, an analysis was conducted on the potential increase in revenue associated with an increase in irrigated acres. If the state were to convert 1.5 percent of its grazing land (about 4,000 acres out of 260,000 acres of grazing land) to irrigated land, it would generate enough revenue to pay for the position.
2. Second, an analysis was conducted on protecting against a reduction in irrigated land revenue if the State Land Board were to lose existing water rights on irrigated land. If the state were to lose approximately 22 percent of the acres of irrigated land because of a loss of water rights (about 4,000 acres out of 18,055 acres of irrigated land), the requested land manager would pay for itself. JBC staff believes, and Land Board staff concurs, that this is not a likely scenario.

Given the potential increase in revenue associated with irrigating state lands, staff believes that there is value in providing the State Land Board with the requested resources. **Staff recommends approval of the request, with the exception of the amounts requested for Amortization Equalization Disbursement and Supplemental Amortization Equalization Disbursement.** These amounts are typically not included in fiscal notes, and are not recommended for this decision item.

<b>Decision Item #8 – Water Portfolio Management – State Land Board</b>			
<b>Division</b>	<b>Line Item / Purpose</b>	<b>Request</b>	
		<b>Total Funds*</b>	<b>FTE</b>
Executive Director's Office	AED	678	
	Supplemental AED	<u>141</u>	
Subtotal – Executive Director's Office		819	
State Board of Land Commissioners	Personal Services (GP V)	63,039	1.0
	Capital Outlay	3,005	
	Operating	500	
	Contract Services	<u>51,650</u>	
Sub-total State Land Board Program Costs		<u>118,194</u>	—
<b>Total Request</b>		<b>119,013</b>	<b>1.0</b>

\* Of the amount requested, \$28,444 is cash funds and \$90,569 is cash funds exempt from the Land Board Trust Administration Fund pursuant to Section 36-1-145(2)(a), C.R.S.

- ☐ **Decision Item #14 — Minerals Auditor and Legal Services.** The State Land Board has requested an appropriation of \$122,034 total funds and 1.0 FTE to increase the auditing of revenues received from state trust lands. This request, by line item, is summarized in the following table.

<b>Decision Item #14 – Minerals Auditor and Legal Services – State Land Board</b>			
<b>Division</b>	<b>Line Item / Purpose</b>	<b>Request</b>	
		<b>Total Funds*</b>	<b>FTE</b>
Executive Director's Office	AED	615	
	Supplemental AED	128	
	Legal Services (900 hours)	<u>60,561</u>	
Subtotal – Executive Director's Office		61,304	
State Board of Land Commissioners	Personal Services (Auditor III)	57,225	1.0
	Capital Outlay	3,005	
	Operating	<u>500</u>	
Sub-total State Land Board Program Costs		<u>60,730</u>	—
<b>Total Request</b>		<b>122,034</b>	<b>1.0</b>

\* Of the amount requested, \$29,166 is cash funds and \$92,868 is cash funds exempt from the Land Board Trust Administration Fund pursuant to Section 36-1-145(2)(a), C.R.S.

**Background.** In FY 2005-06 mineral royalty revenue was \$46.5 million, which is equivalent to 71.6 percent of the total State Land Board Revenue. According to the request, royalty revenues have tripled over the prior three years. The State Land Board's audit budget has remained steady over this time. The State Land Board currently employs two full-time auditors. These auditors have been able to audit approximately 62 percent of the revenues every three years.

**State Auditor's Report.** In 2005, the State Auditor conducted an audit of the State Land Board. The audit determined that 38 percent of the Land Board's revenue (\$26.0 million) from mineral royalties was not audited over a three-year period. Over the three-year period examined during the audit, 41 audits were conducted, which produced a total of \$3.2 million (\$78,000 per audit). This request, if approved, would allow the State Land Board to audit over 90 percent of its revenues every three years. It would allow three additional audits per year, which would generate an additional \$234,000.

**Staff Recommendation.** Based on the additional revenue that would be generated, staff believes that it would be appropriate to add the requested auditor to the State Land Board. **Staff recommends, the requested appropriation of \$60,730 total funds and 1.0 FTE for the State Land Board. Staff recommends funding to provide 900 legal hours for the Executive Director's Office from the Department of Law. Staff recommends against the request for AED and Supplemental AED.** The dollar figure for the 900 legal hours recommended for this decision item will be established using the common policy for the billing rate to be used by the Department of Law.

- **Decision Item #17 — New District Office.** The State Land Board has requested an appropriation of \$145,073 and 2.0 FTE to open a new district office in southeastern Colorado. The request, by line item, is summarized in the following table.

Decision Item #17 – New District Office – State Land Board					
Division	Line Item / Purpose	Request		Recommendation	
		Total Funds	FTE	Total Funds	FTE
Exec. Dir. Office	AED	1,037		0	
	Supplemental AED	216		0	
	Vehicle Lease	1,610		1,610	
	Leased Space	<u>7,500</u>		<u>7,500</u>	
Subtotal – EDO		10,363		9,110	

Decision Item #17 – New District Office – State Land Board					
Division	Line Item / Purpose	Request		Recommendation	
		Total Funds	FTE	Total Funds	FTE
State Land Board	Pers. Services	96,450	2.0	96,450	1.5
	Capital Outlay	6,010		6,010	
	Operating	1,000		1,000	
	Contract Services	<u>31,250</u>		<u>31,250</u>	
Sub-total – Program Costs		<u>134,710</u>	—	<u>134,710</u>	—
<b>Total Request</b>		<b>145,073</b>	<b>2.0</b>	<b>143,820</b>	<b>1.5</b>

\* Of the amount requested, \$34,672 is cash funds and \$110,401 is cash funds exempt from the Land Board Trust Administration Fund pursuant to Section 36-1-145(2)(a), C.R.S.

**Background.** The State Land Board currently manages approximately 2.9 million surface acres using 6 districts. Each district office is responsible for providing guidance and approval of mineral development, rights-of-way contracts, and recreational leasing in their districts. District managers are also responsible for a number of tasks including customer service, governmental relations, and inspecting land parcels. With the current workload, the State Land Board has indicated that, in the districts in southern and southeastern Colorado, it is only possible to inspect each parcel of land once during the ten year lease period.

**Opportunity from Property Transactions.** Over the last five years, the State Land Board completed an average of 22 transactions per year — less than four real estate transactions per district per year. The Board reports that it has made an annual return on investment (ROI) \$326,000 (\$14,500 per transaction).

Most transactions are focused on disposing of lower producing properties and acquiring higher producing properties. "Low producing properties" are characterized by the Board as those that earn 2 percent return on investment with a combination of grazing revenue and property appreciation. "High producing properties" return approximately 8 percent from recreation, grazing, and other lease revenue, plus 5 percent from property appreciation.

**Justification for the Request.** The State Land Board justified the request to create a new district office for the following reasons.

1. **More Frequent Inspections.** If the request were funded, the Land Board estimates that it would be able to inspect properties in southern Colorado once every five years, rather than once every ten years.
2. **Contract Services.** The contract services will enable the State Land Board to retain a grazing expert to evaluate the condition of state lands. This expert will provide an

independent review of problems and opportunities with land already owned by the state and land that could potentially be acquired by the state. These funds, if approved, would provide a benefit to all 7 districts, not just the newly created district.

3. *Smaller Districts — More Time for Land Managers.* Each district would have fewer than 450 leases in no more than 12 counties. Driving time (per district) would be reduced. The Division estimates that it would free up 2 weeks of time per district to focus on inspections and real estate transactions. Ultimately, the Land Board believes that an additional district office will enable the Land Board to conduct 11 more land transactions per year, with a total benefit of \$156,000 per year.
4. *Other Benefits.* In addition to the monetary value associated with more transactions, the State Land Board believes that there are other intangible benefits associated with additional inspections. Problems associated with overgrazing and weed infestation can be addressed more appropriately with more frequent inspections.

**Staff Recommendation.** Staff recommends that the JBC approve an appropriation of **\$143,820 total funds and 2.0 FTE.** Staff believes that there is a benefit in increasing the number of real estate transactions. Staff further believes that adding a district office will reduce travel time, increase property inspections, and improve the Land Board's ability to increase the value of its portfolio of state lands. Staff is recommending against the request for AED and supplemental AED, as these funds are not typically included in the Legislative Council Staff fiscal note assumptions.

State Board of Land Commissioners Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommend.
Director / Operations	6.0	6.0	6.0	6.0
Field Operations (DI #)	13.1	15.0	17.0	17.0
Minerals	6.0	6.0	8.0	8.0
Real Estates	1.6	2.0	2.0	2.0
Financial	<u>4.8</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
<b>Total</b>	<b>31.5</b>	<b>34.0</b>	<b>38.0</b>	<b>38.0</b>

Staff recommends a total appropriation of \$3,695,905 total funds and 38.0 FTE. This recommendation includes the recommendation for three decision items, the recommendation for the common policy personal services reduction, and a recommendation to combine the program line with the "State Land Evaluations and Trust Asset Management Analysis" line item.

<b>Summary of Recommendation</b>		
<b>(3) State Land Board Program Costs — Department of Natural Resources</b>		
	<b>Total Funds</b>	<b>FTE</b>
Personal Services Estimate	2,339,000	34.0
Operating Expense Estimate	<u>339,712</u>	n/a
<b>FY 2006-07 Long Bill (S.B. 06-1313)</b>	<b>2,678,712</b>	<b>34.0</b>
Annualize Salary Survey Awarded in FY 2006-07	55,745	n/a
Common Policy Personal Services Reduction (0.5%)	<u>(11,695)</u>	n/a
<b>Common Policy Continuation Appropriation</b>	<b>2,722,762</b>	<b>34.0</b>
Decision Item #8 (Water Portfolio Management — \$118,194 and 1.0 FTE requested)	118,194	1.0
Decision Item #14 (Minerals Auditor — \$60,730 and 1.0 FTE requested)	60,730	1.0
Decision Item #17 (New District Office — \$134,710 and 2.0 FTE requested)	134,710	2.0
Transfer of State Land Evaluations and Trust Asset Management Analysis	<u>659,509</u>	n/a
<b>JBC Staff Recommendation</b>	<b>3,695,905</b>	<b>38.0</b>

\* Of the amount recommended, \$12,020 is for one-time expenses for capital outlay for the three decision items.

### **State Trust Land Evaluations and Trust Asset Management and Analysis**

This line item provides funding to allow the State Land Board to manage its lands effectively, with the overriding goal of increasing revenues. This line also funds the property maintenance expenditures of the State Board of Land Commissioners. Property expenses are paid from this line, such as cost sharing with lessees for fence building, windmill repair, noxious weeds (at least \$150,000). Other expenditures include buying water rights, appraisals, costs to conduct land transactions, travel costs for district managers. In FY 2005-06, the JBC consolidated the funding for this line at the time (\$567,509) with the Land Use Planning and Engineering Contract Resources (\$92,000) for a total of \$659,509.

The FY 2007-08 request for this line is for a continuing level of \$659,509. State Land Board staff advised JBC staff that this line item funds the same types of activities as the Program line. State Land Board staff ha **Staff recommends the request for a continuing level of \$659,509. However, staff recommends that this line item be eliminated in the budget, and that the requested funding of \$659,509 be included in the "Program" line for the State Land Board.**

### **Document Imaging Project**

In the FY 2004-05 Long Bill, the State Land Board requested and received \$199,477 cash funds exempt from the Land Board Trust Administration Fund to purchase document imaging equipment and contractual services for document imaging preparation and scanning. The Division reported that staff spend up to 150 hours per month searching for and retrieving paper documents from the current filing system. This was an issue for the regional offices that transmit information on microfiche or mail back and forth. The request indicated savings of 150 hours a month (1,800/year) from staff time and benefits totaling \$863,681. Of this sum, \$552,421 was associated with revenue enhancement through more efficient lease processing, \$260,000 was disaster recovery costs avoided, \$36,700 of cost savings from concurrent department projects, and \$14,560 of open record request security risk avoided. The \$552,421 was associated with data from an Arthur Anderson analysis done in 2001.



This was a one-year request for FY 2004-05. **As such, FY 2007-08 funding is neither requested nor recommended.**

**Indirect Costs**

The State Land Board requests an appropriation of \$157,555 for indirect cost assessments. The amount collected from this line item from the Land Board Trust Administration Fund established in Section 36-1-145 (2) (a), C.R.S., will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$157,555.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**Bottom Line Fund Mix**

Staff recommends that the total funds include \$75,000 cash funds from the State Board of Land Commissioners Land and Water Management Fund established in Section 36-1-148 (1), C.R.S. This fund is to be used for the management and improvement of state-owned lands and waters under the control of the Land Board. Expenditures from this fund are capped in statute at \$75,000. This fund receives revenues from fees collected for the issuance of leases, patents, certificates of purchase, rights of way documents, and recording assignments for the making of township plats.

Staff recommends that the remaining funding reflect 25.6 percent cash funds from the State Land Board Trust Administration Fund, which is established in Section 36-1-145(2)(a), C.R.S., and 74.4 percent cash funds exempt from reserves in this fund. This recommendation reflects the estimated revenue stream from cash and cash exempt sources, respectively.

<b>Bottom Line Fund Mix – State Land Board</b>			
	<b>CF</b>	<b>CFE</b>	<b>Total</b>
State Land Trust Administration Fund	967,286	2,811,174	3,778,460
State Board of Land Commissioners Land and Water Management Fund	<u>75,000</u>	<u>0</u>	<u>75,000</u>
<b>Total</b>	<b>1,042,286</b>	<b>2,811,174</b>	<b>3,853,460</b>

## **(6) PARKS AND OUTDOOR RECREATION**

The Division of Parks and Outdoor Recreation manages approximately 41 established parks, 6 new park projects, and various recreation programs throughout Colorado. Management responsibilities includes oversight of park development up through and including ongoing operations for established parks. Costs for the former are reflected in the capital construction budget, while the latter are appropriated through the Department's Long Bill operating budget. Special purpose programs support other recreational activities and resources, including trails, natural areas, boat safety, and the licensing of river outfitters. Historically, cash fee revenues have comprised the bulk of the operating budget for State Park Operations, which includes both costs for new and established parks. Over the last four fiscal years, this ratio has increased significantly. The majority of revenues have typically been provided through the collection of fees deposited into the Parks and Outdoor Recreation Cash Fund. However, this excludes special purpose programs, which are appropriated through separate line items.

***History of General Fund Reductions and Refinancing.*** Prior to FY 2001-02, the general rule-of-thumb was that Division funding was comprised of 30 percent General Fund and 70 percent cash funds. Following four years of General Fund revenue shortfalls, this balance has been reduced to approximately 10 percent General Fund. Despite the decrease in the amount of General Fund, refinancing through cash funds has allowed the Division's overall expenditures to increase.

***General Fund Reductions.*** Direct and indirect General Fund appropriations provided to the Division of Parks and Outdoor Recreation since FY 2002-03 have fluctuated between \$4.6 million and \$6.2 million. The Parks and Outdoor Recreation Division incurred substantial General Fund reductions during FY 2002-03 supplementals, which were then annualized in the FY 2003-04 Long Bill. As part of an FTE Initiative beginning in FY 2001-02, the Division's operating budget was increased by \$1.2 million cash funds and provided additional FTE slots to increase staffing in State Parks. However, in response to the General Fund revenue shortfall, the Parks and Outdoor Recreation Division was reduced by \$1.2 million General Fund in FY 2002-03 and FY 2003-04 and the additional cash funds generated were used to instead refinance General Fund expenditures. While this change also eliminated 25.9 FTE, no staff lost their jobs because of the way this reduction was managed through staff turnover.

***Fee Setting Authority.*** Before the adoption of H.B. 00-1261 and S.B. 03-290, most of the Division's fees were set in statute, thereby reducing flexibility to generate revenue without legislative approval. House Bill 00-1261 authorized the Parks Board to adjust all fees - with the exception of the Aspen Leaf and Columbine Passes - at a rate commensurate with allowable TABOR increases. Senate Bill 03-290 gave the Parks Board additional flexibility to set fees, with JBC oversight, and also established a \$200,000 revolving "enterprise" fund. This fee setting authority is set to sunset on July 1, 2007.

***Decision Items.*** The Division of Parks and Outdoor Recreation has requested five decision items/budget amendments for FY 2007-08. These funding adjustments include:

1. Priority #9 requests \$964,146 total funds and 11.5 FTE, for new facility operations. The requested funding includes \$7,691 General Fund and \$956,455 cash funds (Parks and Outdoor Recreation Cash Fund).
  2. Priority #10 requests \$639,411 total funds and 12.5 FTE, for state park operations. The requested funding includes \$272,640 General Fund, \$338,277 cash funds (Parks and Outdoor Recreation Cash Fund), and \$28,494 federal funds.
  3. A non-prioritized budget amendment for \$161,898 cash funds (Parks and Outdoor Recreation Cash Fund) for increased costs at Cheyenne Mountain State Park in FY 2007-08. This budget amendment was included with a supplemental request for \$48,084 cash funds in FY 2006-07. The supplemental request was approved by the JBC.
  4. A non-prioritized budget amendment to transfer \$3,600 between two line item for leased space at Lone Mesa State Park in FY 2007-08. This budget amendment is to annualize a supplemental appropriation that was approved by the JBC to transfer \$1,200 between the affected line items in FY 2006-07.
  5. A non-prioritized budget amendment to transfer \$15,400 between two line item for leased space in Ft. Collins. This budget amendment was approved as a supplemental appropriation in FY 2006-07. The budget amendment request for this to be an ongoing adjustment for FY 2007-08.
- Decision Item #9 — New State Park Facilities and Operations.** The Department of Natural Resources has requested an appropriation of \$964,146 and 11.5 FTE. Of the amount requested, \$7,691 is General Fund and \$956,455 is cash funds (Parks and Outdoor Recreation Cash Fund). The Department requests these positions to support operations and personnel needs required by new and expanding facilities at various state parks throughout the state. The request is summarized in the following table.

<b>Decision Item #9 – New State Park Facilities and Operations</b>				
<b>Line Item</b>	<b>Request</b>			
	<b>General Fund</b>	<b>Cash Funds*</b>	<b>Total</b>	<b>FTE</b>
Amortization Eq. Disbursement (EDO)	7,691	0	7,691	
Vehicle Lease Payments (EDO)	0	18,700	18,700	
State Park Operations	<u>0</u>	<u>937,755</u>	<u>937,755</u>	<u>11.5</u>
<b>Total</b>	<b>7,691</b>	<b>956,455</b>	<b>964,146</b>	<b>11.5</b>

\*Parks and Outdoor Recreation Cash Fund, which receives revenue from annual passes, daily passes, and fees to access the parks and the amenities provided within the parks.

Decision Item #9 – Proposed Allocation Among State Parks				
State Park	Requested Appropriation		Est. Revenue Impacts	
	Total Request	FTE	Gross Revenue	Net Revenue
Navajo Marina Phase III	121,935	1.0	520,560	398,625
Chatfield	54,386	1.0	261,747	207,361
Cherry Creek	54,386	1.0	170,994	116,608
St. Vrain	86,306	1.0	163,125	76,819
Golden Gate	144,542	1.0	276,150	131,608
Mueller Cabins	64,977	1.0	183,600	118,623
Cheyenne Mountain	137,959	2.5	0	(137,959)
Elkhead	44,338	0.0	61,708	17,370
Pueblo	88,768	1.0	207,419	118,651
Lathrop / San Luis	69,154	1.0	78,146	8,992
Ridgeway Marina	<u>97,398</u>	<u>1.0</u>	<u>128,642</u>	<u>31,244</u>
<b>Total</b>	<b>964,149</b>	<b>11.5</b>	<b>2,052,091</b>	<b>1,087,942</b>

**Department Justification for the Request.** The Department requests additional resources in response to continued growth in the visitor base to the state parks as the demand for outdoor recreation experiences continues to grow. The Department has invested in new cabins, new campsites, new camper services buildings, and expanded facilities, such as the marina at Navajo state park. According to the Department, the request has the following benefits: (1) it will protect our natural resources and maintains the Department's investments in facilities; (2) it will provide citizens with services and will promote recreation opportunities; and (3) it will develop a revenue stream to help the state parks to become self reliant.

*Navajo Marina Phase III.* The requested FTE will be a mechanic to provide boat repairs and maintenance services to the expanding fleet of boats owned and managed by the Division.

*Chatfield.* The requested FTE will operate and manage 44 new campsites, a camper services building, and will upgrade 153 single campsites and 10 group campsites.

*Cherry Creek.* The requested FTE will operate and manage 31 new campsites, a new camper services building, 3 new group loops and campground, and additional comfort stations throughout the campground.

*St. Vrain.* The requested FTE is an administrative position related to 100 new camping sites built between 2005 and 2007. The position sell passes and fishing licenses, and it will perform clerical duties to allow existing park staff to focus on park management duties.

*Golden Gate.* The requested FTE will manage and maintain two cabins and two 4-bedroom houses. The cabins and one house were recently acquired by the Division. The Division expects the second house to be donated to the Division within a year.

*Mueller Cabins.* The requested FTE is to assist the operation of three newly constructed deluxe cabins at the park.

*Cheyenne Mountain.* One FTE is a maintenance position for the event center, in addition to other park facilities as this park is built out. One FTE will market the event center at the park. A second position will work as an event manager to manage functions and coordinate with customers prior to and during meetings and events – 0.5 FTE is requested for this position as it will be filled in January 2008. Annualization will be required.

*Elkhead.* Significant changes are being made to the park to increase the capacity of the reservoir. The request will fund four seasonal employees to manage facilities at the park based on an increase in anticipated visitation.

*Pueblo.* The requested FTE will assist in managing a newly acquired property with seven fishing ponds that will be stocked by the Division of Wildlife. The FTE would patrol the lakes to identify problems or violations, resolve disputes, and conduct educational lectures and walks.

*Lathrop / San Luis.* The requested FTE is to patrol Lathrop State Park in response to increased park visitation following major renovations in recent years.

*Ridgeway Marina.* The requested FTE will be used to manage marina operations that had previously been operated by a private vendor. In 2005, the contract was put out to bid, but no bids were received that met the minimum qualifications.

***Staff Recommendation.* Staff recommends that the JBC approve an appropriation of \$956,455 cash funds (Parks and Outdoor Recreation Cash Fund) and 11.5 FTE. Staff recommends**

against the request for AED and Supplemental AED. These amounts are not included in the LCS Fiscal Note Assumptions. As such, they are not recommended for the positions requested for Decision Item #9. Staff believes that this request is justified. Furthermore, the Department estimates that these positions, if approved, will increase the cash revenue to the Division of Parks and Outdoor Recreation by \$2.1 million.

- ❑ **Decision Item #10 — State Park Operational FTE.** The Department of Natural Resources has requested an appropriation of \$639,411 and 12.5 FTE. Of the amount requested, \$272,640 is General Fund, \$338,277 is cash funds (Parks and Outdoor Recreation Cash Fund), and \$28,494 is federal funds. The Department requests these positions to support operations and personnel needs in at various state parks throughout the state. The request is summarized in the following table.

Decision Item #10 – State Park Operational FTE					
Line Item	Request				
	Gen. Fund	Cash Funds*	Fed. Funds	Total	FTE
Amortization Eq. Disbursement	7,451	0	0	7,451	
Vehicle Lease Payments	0	5,100	0	5,100	
State Park Operations	<u>265,189</u>	<u>333,177</u>	<u>28,494</u>	<u>626,860</u>	<u>12.5</u>
<b>Total</b>	<b>272,640</b>	<b>338,277</b>	<b>28,494</b>	<b>639,411</b>	<b>12.5</b>

\*Parks and Outdoor Recreation Cash Fund, which receives revenue from annual passes, daily passes, and fees to access the parks and the amenities provided within the parks.

Decision Item #10 – State Park Operational FTE					
State Park / Position	Request				
	Gen. Fund	Cash Funds	Fed. Funds	Total Funds	FTE
Lory	589	52,998	0	53,587	1.0
Rifle	589	52,998	0	53,587	1.0
Eleven Mile	484	40,735	0	41,219	1.0
Entrance Automation	1,210	100,138	0	101,348	1.5
Crawford State Park	809	40,735	28,494	70,038	1.0
Stagecoach Tourist Asst.	325	32,642	0	32,967	1.0
Acct. I for Financial Serv.	42,174	3,005	0	45,179	1.0
Admin. Asst. II	30,005	3,005	0	33,010	1.0
VOIP Technician	53,970	3,005	0	56,975	1.0

Decision Item #10 – State Park Operational FTE					
State Park / Position	Request				
	Gen. Fund	Cash Funds	Fed. Funds	Total Funds	FTE
IT Professional	53,970	3,005	0	56,975	1.0
Fuel Mitigation – GIS	46,409	3,005	0	49,414	1.0
Eldorado Canyon	<u>42,107</u>	<u>3,005</u>	<u>0</u>	<u>45,112</u>	<u>1.0</u>
<b>Total</b>	<b>272,641</b>	<b>338,276</b>	<b>28,494</b>	<b>639,411</b>	<b>12.5</b>

\* Note: General Fund positions were calculated as an 11-month appropriation because of the pay date shift.

**Department Justification for the Request.** In January 2001, a consultant (KPMG, LLC) was hired by the Department to quantify the appropriate number of staff, by supervisory level, that would be needed for efficient and effective Division operations. Following the study, the Department submitted a major decision seeking a total of 79.8 FTE over a two-year period. The General Assembly approved 43.8 FTE in FY 2001-02. However, it was not feasible to add more FTE in subsequent years because of the recent economic downturn.

*Lory State Park.* The requested FTE (cash funds) will work as a resource technician to perform maintenance at the park. A similar position was assigned to this park in 2003, but it was eliminated as a result of budget reductions.

*Rifle Gap State Park.* The requested FTE (cash funds) will work as a resource technician. The position is requested because of increased workload associated with recent improvements at the park (full hook up camp sites, shower building, new visitor center, new water system, new boat ramp, new cabins, new picnic sites, and new camp sites).

*Eleven Mile State Park.* The requested FTE (cash funds) will work as an administrative assistant to provide clerical service and customer service to visitors (sale of passes, registrations at the park office, accounting functions, etc.).

*Entrance Automation.* The requested FTE (cash funds) will provide support for contractors developing the system. Following deployment, this position will assume the day-to-day responsibilities for the systems. One of the two positions will only work for 6 months. In FY 2007-08, only 1.5 FTE are needed.

*Crawford State Park.* The requested FTE (cash funds and federal funds) will work as a park manager at a complex containing three state parks. These three parks are currently served with one manager.

*Stagecoach.* The requested FTE (cash funds) will work as an administrative assistant to provide clerical service and customer service to visitors (sale of passes, registrations at the park office, accounting functions, etc.).

*Acct. Financial Services.* The requested FTE (General Fund) will assist existing staff to book all revenue on a monthly basis. It will reduce the need for overtime and the reliance on seasonal workers.

*Administrative Asst.* The requested FTE (General Fund) will replace seasonal workers who provide data entry services into the Law Enforcement Citation System.

*IT Professionals.* 1.0 FTE (General Fund) will work on the Voice-Over-Internet-Protocol Deployment. This project was initiated in FY 2005-06 with Lottery proceeds, that are not subject to appropriation by the General Assembly.

1.0 FTE (General Fund) will provide support for the Division to use the Department's MNT network.

*Fuels Mitigation.* The requested FTE (General Fund) will be responsible for coordinating a \$3.0 million federal grant from the Federal Emergency Management Agency for fuels mitigation projects at 14 parks.

*Eldorado Canyon.* The requested FTE (General Fund) will work as a resource technician to perform maintenance at the park. A similar position was assigned to this park in 2001, but it was eliminated as a result of budget reductions.

***Staff Recommendation.* Staff recommends an appropriation of \$631,690 total funds and 12.5 FTE.** This recommendation does not include the request for AED and Supplemental AED. **Staff further recommends that the JBC flag the General Fund recommended for this Decision Item, in the event that the JBC has difficulty balancing the state budget for FY 2007-08.** Funding for the Department of Natural Resources is discretionary in comparison to caseload driven programs, and programs that are required by the constitution. As such, staff believes that the requested increase for this decision item should be included as an option to balance the state budget.



Decision Item #10 – State Park Operational FTE					
Line Item	Recommendation				
	Gen. Fund	Cash Funds*	Fed. Funds	Total	FTE
Amortization Eq. Disbursement	0	0	0	0	
Vehicle Lease Payments	0	5,100	0	5,100	
State Park Operations	<u>265,189</u>	<u>333,177</u>	<u>28,494</u>	<u>626,860</u>	<u>12.5</u>
<b>Total</b>	<b>265,189</b>	<b>338,277</b>	<b>28,494</b>	<b>631,960</b>	<b>12.5</b>

\*Parks and Outdoor Recreation Cash Fund, which receives revenue from annual passes, daily passes, and fees to access the parks and the amenities provided within the parks.

***Staff Recommended Footnote.*** Implementing Voice Over Internet Protocol (VOIP) should save the Division money over the long term. Staff recommends that the JBC approve the request for this position. However, staff recommends that the Department provide the JBC with an update on the implementation of this system, with an estimate of savings. **Staff recommends that the JBC approve the following new footnote in the Long Bill.**

**N** **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 FROM THE SYSTEM. THIS REPORT IS REQUESTED TO BE SUBMITTED BY JUNE 30, 2008.

Comment: For figure setting the division in future years, the JBC should take into consideration potential savings realized from this project. The staff recommendation for this line item included an annualized salary of \$58,121 General Fund and 1.0 FTE for this project (excluding central appropriations). This project was originally funded with lottery proceeds, which are not subject to appropriation by the General Assembly. Given that the Division of Water Resources was able to realize over \$100,000 in cost avoidance, staff believes that the JBC should be provided a report detailing the status of the VOIP system for the Parks and Outdoor Recreation System. After the system is implemented, the JBC should consider eliminating the \$58,121 recommended for this project, assuming that the savings exceed this figure.

***Non-Prioritized Budget Amendment — Cheyenne Mountain.*** The Department requests \$161,898 cash funds (Division of Parks and Outdoor Recreation Cash Fund) for additional expenses associated with the operation of the Cheyenne Mountain State Park. This amount is \$113,814 to annualize the amount approved with a supplemental appropriation. The Department anticipates receiving \$1.8 million in additional funds for capital construction

costs at Cheyenne Mountain State Park — cash funds exempt from Great Outdoors Colorado and Lottery proceeds. This funding will enable accelerated development of park facilities such as picnic areas and comfort stations. Ultimately, the Department estimates receiving more than \$200,000 in additional revenue from campers and park visitors. The Department request funding for additional seasonal workers and associated operating expenses using the additional revenue anticipated from the increase in visitors at the park.

The Department has indicated that Cheyenne Mountain State Park will incur additional costs in FY 2007-08 as a result of opening earlier than previously anticipated. These costs are related to staffing the park with seasonal workers to maintain facilities in the campground, including camp sites and the camper services building. The Department also has an agreement with the City of Colorado Springs to have staff person on the grounds of the facility, 24 hours per day 7 days per week due to the fire danger that exists in the park (when the campground is in use). The Department also estimates additional operating costs for items such as trash removal, trash bags, cleaning supplies, uniforms, and office supplies. Of the funds requested, the Department estimates \$99,648 for staff in the seasonal work program, plus \$62,250 for "consumable" operating expenses – custodial supplies, paper products, herbicide, trash bags, and office supplies. The Department estimates that the Cheyenne Mountain State Park will generate \$204,661 in additional revenue with the funding requested.

*Staff Recommendation.* **Staff recommends that the JBC approve the request for \$161,898 cash funds (Parks and Outdoor Recreation Cash Fund) in FY 2007-08, which is an additional \$113,814 to annualize the \$48,084 approved through the supplemental appropriation.**

- **Non-Prioritized Budget Amendment — Lone Mesa.** The JBC approved the Department's request to increase the appropriation to the "Leased Space" line by \$1,200 General Fund with a corresponding reduction of \$1,200 General Fund from the "State Park Operations" line item in FY 2006-07. This request is to annualize that amount for FY 2007-08.

Annualize Lone Mesa Leased Space Supplemental — General Fund		
Line Item	FY 2006-07 Supplemental APPROVED	FY 2007-08 annualization RECOMMENDED
Leased Space	1,200	2,400
State Park Operations	<u>(1,200)</u>	<u>(2,400)</u>
<b>Total</b>	<b>0</b>	<b>0</b>

The JBC approved the Department's request for four months of funding in FY 2006-07, with annualization of an additional \$2,400 in FY 2007-08 (to be self-funded with a transfer from the "State Park Operations" line item to pay for leased space at the Lone Mesa State Park.

**Staff recommends the requested annualization for FY 2007-08.** Staff recommends that the committee approve the request to increase the appropriation to the "Leased Space" line by \$2,400 General Fund with a corresponding reduction of \$2,400 General Fund from the "State Park Operations" line item.

- ❑ **Non-Prioritized Budget Amendment — Ft. Collins Leased Space.** The Department requests to continue the supplemental appropriation for "Leased Space" in Ft. Collins that was approved through a supplemental appropriation. This supplemental increased the "Leased Space" line item by \$15,400 General Fund with a corresponding reduction of \$15,400 General Fund from the "State Park Operations" line item.

Annualize Ft. Collins Leased Space Supplemental		
Line Item	FY 2006-07 Supplemental APPROVED	FY 2007-08 Request RECOMMENDED
Leased Space	15,400	15,400
State Park Operations	<u>(15,400)</u>	<u>(15,400)</u>
<b>Total</b>	<b>0</b>	<b>0</b>

**State Park Operations**

State Park Operations Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Management	9.7	10.0	10.0	10.0
Administration	44.7	47.1	54.6	54.6
Accounting and Financial Services	5.3	6.0	7.0	7.0
Information Technology	1.5	2.0	5.5	5.5
Park Managers	109.8	124.0	127.0	127.0
Engineers and Technicians	42.2	45.5	54.5	54.5
Other Professions	<u>4.6</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
<b>Total</b>	<b>217.8</b>	<b>242.6</b>	<b>266.6</b>	<b>266.6</b>

**Recommendation.** Staff makes the following three recommendations regarding the "State Parks Operations" line item.

1. **Refinance General Fund With Cash Funds.** Staff recommends that the JBC approve refinancing the Division's appropriations by increasing the cash fund appropriation

by **\$750,000** and reducing the General Fund appropriation by an equal amount. Staff makes this recommendation for the following three reasons:

- a. \$1.8 million General Fund Request for Parks: Given the competing demands for General Fund appropriations, the JBC may have difficulty balancing the budget in FY 2007-08. The Department requested a total increase of \$3.3 million General Fund in FY 2007-08, an 11.5 percent increase over the FY 2006-07 appropriation. Of this amount, more than 55 percent is attributable to the Division of Parks and Outdoor Recreation. Specifically, the Division requested an increase of \$1.8 million General Fund. Of this amount, approximately \$660,000 is for appropriations to the Division directly. The remaining amount is related to centrally appropriated line items for employee benefits, and other expenses such as workers' compensation, risk management, and leased space. Given the Division's request for \$1.8 million in additional General Fund, staff believes that the JBC should consider refinancing a portion of the Division's appropriation with more cash funds.
  
- b. Potential Fee Increase: The Division reports that an increase in the daily pass fee from \$5 to \$6, would generate an estimated increase in revenue of \$650,000 cash funds. Staff believes that this increase should be implemented for FY 2007-08. This increase was determined to be feasible based on a 2002 market study.

The Department has advised staff that, because of public notice requirements, the Parks Board could not implement a fee increase prior to September 1, 2007. It is not clear to staff if this estimated time line is realistic. Staff believes that it may be feasible to increase the fee sooner than this time frame.

*Note:* Because the fee setting authority for the Parks Board sunsets on July 1, 2007, the Committee could consider legislation to increase the entrance fee from \$5 to \$6.

Impact of Increasing Daily Pass Fees from \$5 to \$6				
	Current Price	Potential Price	Difference	
Daily Pass Price	\$5.00	\$6.00	\$1.00	20.0%
Est. Passes Sold	746,000	730,000	(16,000)	-2.1%
Est. Revenue	\$3,730,000	\$4,380,000	\$650,000	17.4%

\* The \$650,000 in additional revenue reflects \$730,000 in additional revenue from the users who would still buy a pass, offset by \$80,000 for the estimated 16,000 users who would have bought a pass for \$5.

- c. Additional Fee Revenue from Decision Item #9: The Department estimated that the 11.5 FTE requested in Decision Item #9, if approved, would generate approximately \$1.1 million in *net* revenue for the Division. These employees would be involved in

activities that are estimated to increase cash collections (see the following table). Staff believes that it may not be possible to generate this level of revenue in the first year of funding, but the revenue will prevent problems in out years. This revenue is estimated; actual revenue may be lower.

<b>DNR Estimated Impact of Decision Item #9</b>	
Estimated Gross Revenue	\$2,052,091
Cost of Decision Item #9	(964,146)
Estimated Net Revenue	\$1,087,945

- d. **Fund Balance:** The Parks and Outdoor Recreation Cash Fund has a fund balance that may prevent potential problems associated with the recommended refinancing, in the event that there are delays in receiving the fee revenue from Decision Item #9 or from increasing gate fees from \$5 to \$6.

<b>Division of Parks and Outdoor Recreation Cash Fund</b>					
	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Estimate</b>	<b>FY 2007-08 Estimate</b>	<b>FY 2008-09 Estimate</b>
Beginning Balance	876,888	1,349,255	1,325,279	1,117,066	1,016,167
Estimated Revenue	19,912,638	21,217,131	22,638,027	24,346,361	25,276,663
DNR Adjustment	0	0	(600,000)	0	0
JBC Staff Recommend.	0	0	0	(750,000)	(750,000)
Expenditures	(19,440,271)	(21,241,107)	(22,246,240)	(23,697,260)	(23,837,406)
Ending Balance	1,349,255	1,325,279	1,117,066	1,016,167	1,705,424
Reserves Increase / (Decrease)	n/a	(23,976)	(208,213)	(100,899)	689,257
% Change	n/a	-1.8%	-15.7%	-9.0%	67.8%

\* The year-end balances include \$500,000, which is required pursuant to Section 33-10-111.5 (2), C.R.S. According to the Department, the cash fund balance on January 31, 2007, was approximately \$700,000. The Department estimated that the fund balance should be reduced by \$600,000. Even if this reduction is assumed, the balance should remain above \$1.0 million with the staff recommended refinancing, even without a fee increase.

- e. **Legislation:** The Long Bill must be set to current law. Staff notes that, if enacted, the JBC bill related to park fines (H.B. 07-1217) will generate an estimated \$66,000 in additional revenue to the Parks and Outdoor Recreation Cash Fund.
2. **Refinance Central Appropriations With Cash Funds. Staff recommends that all central appropriations for the Division Parks and Outdoor Recreation be adjusted so that**

**30 percent of the appropriation is from General Fund, and 70 percent is from the Parks and Outdoor Recreation Cash Fund.**

Background: Beginning in FY 2002-03, the Joint Budget Committee approved a staff recommendation to fund all centrally appropriated line items for the Division of Parks and Outdoor Recreation with General Fund. Staff recommends that the JBC change this policy in FY 2007-08. Staff believes that this approach is not entirely transparent because the General Fund appropriation that is made in support of state parks cannot be easily identified. Furthermore, this methodology allows General Fund increases to the Division of Parks and Outdoor Recreation without a separate decision item. Central appropriations that are built into the base each year (primarily Salary Survey and Performance-based Pay) do not require a separate decision item. Staff believes that it may be more appropriate to fund a portion of all centrally appropriated items with a mixture of General Fund and cash funds (Parks and Outdoor Recreation Cash Fund). This ratio is more consistent with the historical rate of General Fund support.

Impact of Recommendation: In FY 2007-08, there will be no net effect on total funds, or General Fund. However, to the extent that the central appropriations increase in subsequent fiscal years, the Parks and Outdoor Recreation Cash Fund will bear a greater share of the impact.

Final Recommendation Pending: If the JBC approves this recommendation, staff will prepare a table that summarizes the net effect of this recommendation across all line items in the Department prior to introduction of the Long Bill. Staff will present this to the JBC for final approval prior to introducing the Long Bill. Until action is taken on this recommendation, staff calculated short-term disability, AED, and Supplemental AED, for the Parks Division using General Fund.

3. **Total Funds. Staff recommends an appropriation of \$25,058,560 total funds and 266.6 FTE in FY 2007-08** (see the following table).

Summary of Recommendation – Division of Parks & Outdoor Recreation State Park Operations — Department of Natural Resources						
	GF	CF	CFE	FF	Total	FTE
Personal Services (Estimate)	2,190,645	14,638,963	0	0	16,829,608	242.6
Operating Expense & SWP (Estimate)	<u>535,352</u>	<u>3,045,464</u>	<u>2,191,060</u>	<u>419,900</u>	<u>6,191,776</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	2,725,997	17,684,427	2,191,060	419,900	23,021,384	242.6
Supplemental for Cheyenne Mountain	0	48,084	0	0	48,084	
Supplemental for Lone Mesa	(1,200)	0	0	0	(1,200)	
Supplemental for Ft. Collins	(15,400)	0	0	0	(15,400)	
Annualize Salary Survey Awarded in FY 2006-07	<u>399,855</u>	<u>16,037</u>	<u>0</u>	<u>0</u>	<u>415,892</u>	—
<b>Continuation Estimate</b>	<b>3,109,252</b>	<b>17,748,548</b>	<b>2,191,060</b>	<b>419,900</b>	<b>23,468,760</b>	<b>242.6</b>
Common Policy Reduction (0.5%)	(12,953)	(73,275)	0	0	(86,228)	
Annualize Lone Mesa Supplemental	(2,400)	0	0	0	(2,400)	
Budget Amendment Cheyenne Mtn.	0	113,814	0	0	113,814	
Decision Item #9	0	937,755	0	0	937,755	11.5
Decision Item #10	265,188	333,177	0	28,494	626,859	12.5
Refinance General Fund w/ Parks Cash	<u>(750,000)</u>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>2,609,087</b>	<b>19,810,019</b>	<b>2,191,060</b>	<b>448,394</b>	<b>25,058,560</b>	<b>266.6</b>
Refinance Central Appropriations	<u>Increase TBD</u>	<u>Decrease TBD</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>n/a</u>
<b>Final Recommendation</b>	<b>TBD</b>	<b>TBD</b>	<b>2,191,060</b>	<b>448,394</b>	<b>25,058,560</b>	<b>266.6</b>

\* Refinancing central appropriations will increase the cash funds appropriation to the Executive Director's Office and will reduce the General Fund to the Executive Director's Office by an equal amount.

### **(B) Great Outdoors Colorado (GOCO) Board Grants**

The following line items are reflected in the Long Bill for informational purposes only. These grants are moneys approved by the members of the Great Outdoors Colorado (GOCO) Board and are not appropriated by the General Assembly

#### **Land and Water Protection**

The Division of Parks and Outdoor Recreation anticipates lottery proceeds of \$651,000 for this line item. Two FTE are utilized to manage these dollars used for park improvements, buffer acquisitions, vegetation management, and the maintenance of geographic information systems (GIS).

#### **Operations and Maintenance**

The Division of Parks and Outdoor Recreation anticipates lottery proceeds of \$1,806,000 for this line item. The 14.5 FTE anticipated for FY 2007-08 are utilized to manage these dollars and to work in new park facilities supported by GOCO Board grants.

#### **Statewide Programs**

The Division of Parks and Outdoor Recreation anticipates lottery proceeds of \$1,568,000 for this line item. The 6.0 FTE anticipated for FY 2007-08 are utilized to manage funds or to supervise programs related to marketing, volunteers, and the Colorado Youth Corps.

## **(6) PARKS AND OUTDOOR RECREATION**

### **(C) Special Purpose**

These are programs that have a dedicated funding source outside of the Parks and Outdoor Recreation Cash Fund or are related to federal programs that do not directly pertain to the operations of the Colorado park system.

#### **Snowmobile Program**

**Staff recommends the Department's request for a continuation appropriation of \$702,838 cash funds for this program.** This line item funds the administrative costs for registration, as well as the establishment and maintenance of trails, related facilities, and trail maps. The source of funds is the Snowmobile Recreation Fund established pursuant to Section 33-14-106, C.R.S. Fees from the registration of snowmobiles are credited to this fund.

#### **River Outfitters Regulation**

**Staff recommends the Department's request for a continuation appropriation of \$74,466 cash funds for this program.** This line item funds the administrative costs of licensing and regulating commercial river outfitters to ensure both industry integrity and the safety of passengers. The source of funds is the River Outfitters Cash Fund established pursuant to Section 33-32-111, C.R.S. Registration and licensing fee revenue from river outfitters is credited to this fund.

#### **Off-Highway Vehicle Program**

**Staff recommends \$371,897 cash funds and 3.0 FTE for this program.** This line item funds improvements to motorized recreation areas, as well as the responsible use of off-highway vehicles. The source of funds is the Off-Highway Vehicle Recreation Fund established pursuant to Section 33-14.5-106 (1), C.R.S. Fees for the registration of off-highway vehicles are credited to this fund.

<b>Summary of Recommendation – (6) Parks &amp; Outdoor Recreation Off-Highway Vehicle Program — Department of Natural Resources</b>		
	<b>Cash Funds</b>	<b>FTE</b>
Personal Services (estimate)	186,500	3.0
Operating Expense (estimate)	<u>176,976</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	363,476	3.0
Salary Survey Awarded in FY 2006-07	<u>9,401</u>	—
<b>FY 2006-07 Base Appropriation</b>	<b>372,877</b>	<b>3.0</b>
Common Policy Reduction (0.5 percent)	<u>(980)</u>	—
<b>Total Recommendation</b>	<b>371,897</b>	<b>3.0</b>

#### **Federal Grants**

**The Department anticipates the receipt of \$518,516 federal funds in FY 2007-08** related to this line item, which reflects a grant from the United States Coast Guard to fund a portion of the requirements of the federal Boat Safety Act. These moneys are shown for informational purposes only. One-half of this money is distributed to local governments and the other half funds state-sponsored projects. The Parks Board evaluates the proposals and distributes these dollars.



### **S.B. 03-290 Enterprise Fund**

**Staff recommends the Department's continuation request of \$200,000 cash funds exempt (reserves in the Parks and Outdoor Recreation Cash Fund) for this line item.** This line item appropriates money into the Stores Revolving Fund, which was established pursuant to S.B. 03-290. This fund is used for the acquisition of warehousing stock and distributing supplies for retail sales to park visitors. At the end of every fiscal year, any fund balance exceeding two hundred thousand dollars reverts back to the Parks and Outdoor Recreation Cash Fund.

*Information Technology Initiatives supported by State Lottery Proceeds.* The following four line items are included in the Division's Long Bill section for informational purposes only, which are funded from lottery proceeds. Prior to FY 2005-06, these projects would have been reflected in the Department's capital construction budget.

### **System Operations and Support**

**Staff recommends the request for State Lottery proceeds of \$730,000 cash funds exempt to be included in the Long Bill informational purposes only.** These dollars support various business systems, such as the automated record keeping system, law enforcement, volunteer administration, and revenue systems.

### **Connectivity at State Parks**

**Staff recommends the request for State Lottery proceeds of \$370,000 cash funds exempt to be included in the Long Bill for informational purposes only.** This line item aims to fund adequate bandwidth capability for Colorado's state parks, which covers both internal and external connectivity. This includes the central Parks office, and the Department's offices at 1313 Sherman Street, as well as various locations within individual parks such as entrance stations, camper services facilities, and outdoor recreation officers.

### **Asset Management**

**Staff recommends the request for State Lottery proceeds of \$300,000 cash funds exempt to be included in the Long Bill for informational purposes only.** This line item funds annual replacement of computers and other information technology equipment previously funded through the 'Major Repairs and Minor Improvements' line item in the Department's capital construction budget.

### **Voice Over Internet Protocol**

**Staff recommends the request for State Lottery proceeds of \$175,000 cash funds exempt to be included in the Long Bill for informational purposes only.** These dollars will allow the Division of Parks and Outdoor Recreation to switch its existing phone systems to voice-over internet protocol (VOIP). This is a project that will achieve long-term savings as a result of reduced long distance charges and lower maintenance costs.

### **Indirect Cost Assessment**

**Staff recommends the Department's total request of \$1,388,898 for the purpose of indirect cost recoveries**, which is comprised of \$1,324,039 cash funds and \$64,859 federal funds. This appropriation will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

## (7) COLORADO WATER CONSERVATION BOARD

Funding for the Division's administration was variably supported with some General Fund subsidy in the 1990s until FY 2000-01 (when the General Fund covered up to half of administrative costs). Since FY 2001-02, all of the CWCB administrative costs have been funded with cash funds exempt from the Colorado Water Conservation Board Construction Fund and other cash sources. This financing requirement means that the Construction Fund must support non-renewing expenditures of the Division from its loan repayments proceeds, leaving less money available for loans and grants for water projects around the state.

The Division's special purpose programs are generally supported by specific cash funds or cash funds exempt sources mandated or authorized in statute, and/or federal funds. The cost-share is calculated on any remaining costs after other fund sources, such as the Operational Account of the Severance Tax Trust Fund and other cash funds are largely accounted for. Fund splits shown in this document are based on staff recommendation; staff will adjust fund splits accordingly based on Committee action. Special purpose programs in subsection (B) are generally supported by specific cash funds or cash funds exempt sources mandated or authorized in statute, and/or federal funds.

Pursuant to Section 37-60-119 (2), C.R.S., the Colorado Water Conservation Board (CWCB) is authorized to receive, on a continuously appropriated basis, 1.0 percent of its loans (as origination fees/charges) for "supplemental operational expenditures" (per H.B. 04-1221). Thus, in addition to the Long Bill appropriation, the CWCB received continuous spending authority for its administrative costs of 1.0 percent of its loan origination costs. As such, the CWCB spending is equal to the Long Bill administration appropriation plus the continuous appropriations which occur outside of the Long Bill.

***Recommended Funding Mix.*** This Administration section of the Colorado Water Conservation Board is "bottom line" funded. The Board requests, and JBC **staff recommends, that the funding reflect a continuation level of \$339,777 cash funds (\$296,027(T) from the Division of Wildlife, and \$43,750 from the Operational Account of the Severance Tax Trust Fund. The remaining amount is recommended to come from reserves in the Colorado Water Conservation Board Construction Fund.**

The Colorado Water Conservation Board has submitted the following three requests for the JBC's consideration for FY 2007-08:

- ▶ Priority #12 requests \$756,405 cash funds (Operational Account of the Severance Tax Trust Fund) for severance tax projects.
- ▶ Priority #15 requests \$43,397 cash funds exempt (reserves in the Colorado Water Conservation Board Construction Fund) for interstate compact dues and Western States Water Council Dues.

(7) Water Conservation Board Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Director / Deputy	1.2	2.0	2.0	2.0
Administration	4.7	5.0	5.0	5.0
Water Supply Protection	6.0	5.0	5.0	5.0
Water Supply Planning and Finance	7.0	7.0	7.0	7.0
Office of Water Conservation	2.2	2.5	2.5	2.5
Flood Protection	4.1	6.0	6.0	6.0
Intrastate Water Mgmt. & Dev.	0.0	3.7	3.7	3.7
Stream and Lake Protection	5.5	6.0	6.0	6.0
Water Information	<u>5.5</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
<b>Total</b>	<b>36.2</b>	<b>42.2</b>	<b>42.2</b>	<b>42.2</b>

#### (A) Administration

##### Personal Services

The Department requests a continuation appropriation of \$2,777,570 total funds and 30.0 FTE. **Staff recommends an appropriation of \$2,769,220 total funds and 30.0 FTE in accordance with JBC common policy** (see the following table).

Summary of Recommendation – (7) Water Conservation Board Personal Services — Department of Natural Resources		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	2,722,177	30.0
Annualize Salary Survey Awarded in FY 2006-07	<u>60,959</u>	—
<b>Continuation Estimate</b>	<b>2,783,136</b>	<b>30.0</b>
Common Policy Personal Services Reduction (0.5%)	<u>(13,916)</u>	—
<b>Total Recommendation</b>	<b>2,769,220</b>	<b>30.0</b>

##### Operating Expenses

Staff recommends the request for a continuing appropriation of \$89,994 total funds.

##### Interstate Compacts

Pursuant to statute, both the Colorado Water Conservation Board and the Division of Water Resources participate in various capacities in interstate water compacts and related associations. The interstate organizations were established to promote communication between state and federal agencies, in support of compact agreements.

<u>Division</u>	<u>Area</u>
Colorado Water Conservation Board	Upper Colorado River Arkansas River Colorado River Basin Salinity Control
Division of Water Resources	South Platte River Republican River Rio Grande River Costilla Creek Animas-LaPlata LaPlata River

Please note, the State Engineer (Division of Water Resources) administers all of the water covered by the compacts.

- Decision Item #15 — Compact Dues and Operating Increase.** The Department of Natural Resources has requested an appropriation of \$43,397 cash funds exempt (reserves in the Colorado Water Conservation Board Construction Fund) for FY 2007-08. This decision item includes requested adjustments to two Long Bill line items. Of the amount requested for Interstate Compacts, \$23,397 is for increases in organization dues for the three compacts and the Western Water States Council. The remaining \$20,000 is for increased costs for travel expenses.

<b>Decision Item #15 - Interstate Compact Dues – Request</b>	
<b>Line Item</b>	<b>CFE</b>
Interstate Compacts	40,897
Western States Water Council Dues	<u>2,500</u>
<b>Total Request / Recommendation</b>	<b>43,397</b>

Staff believes that it is important for the state to continue to pay its dues for the Interstate Compacts. Furthermore, the travel expenses are necessary for the Colorado Water Conservation Board to participate in interstate compacts. **Staff recommends approval of the request for an appropriation of \$43,397 cash funds exempt (reserves in the Colorado Water Conservation Board Construction Fund) for FY 2007-08.**

**Staff recommends the Department's request for an appropriation \$330,433 cash funds exempt (reserves in the Colorado Water Conservation Board Construction Fund), which includes the request for \$40,897 associated with Decision Item #15.** The bulk of the expense for this line is for compact dues, and secondly, travel. These expenditures are necessary to comply with statute and the interstate compacts.

Interstate Compacts	
	CFE
FY 2006-07 Long Bill Appropriation (H.B. 06-1385)	289,536
Decision Item #15 (\$40,897 requested)	<u>40,897</u>
<b>Total Request / Recommendation</b>	<b>330,433</b>

### **Western States Water Council Dues**

This line item supports Colorado's membership in this multi-state organization which meets quarterly on national water policy and federal regulations impacting the water interests of western states. The Western States Water Council is a subgroup of the Western Governor's Association. The Council discusses and advises on water policy issues (state and federal), testifies before Congress on federal regulations and issues affecting western states, and shares information on litigation in other states. **Staff recommends the request for an appropriation of \$27,500 total funds in FY 2007-08.**

Western States Water Council Dues	
	CFE
FY 2006-07 Long Bill Appropriation (H.B. 06-1385)	25,000
Decision Item #15 (\$40,897 requested)	<u>2,500</u>
<b>Total Request / Recommendation</b>	<b>27,500</b>

### **River Decision Support Systems**

The River Decision Support System consists of databases and models that facilitate decision making related to interstate compacts, water resource planning, and water rights administration, through use of historic data and geographic information system data. The FY 2007-08 request is for \$516,452 and 5.0 FTE for this program line. **Staff recommends \$515,153 and 5.0 FTE for this program line in accordance with JBC common policy** (see the following table). In prior years, this line item has been exempted from the common policy reduction. Even if there are no vacancies for this program, any problems associated with applying the common policy can be addressed through the distribution of centralized appropriations for salary survey and performance-based pay.

Summary of Recommendation – (7) Water Conservation Board River Decision Support Systems — Department of Natural Resources		
	Total Funds	FTE
Personal Services Estimate	418,000	5.0
Operating Expense Estimate	<u>90,235</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	508,235	5.0
Annualize Salary Survey Awarded in FY 2006-07	<u>9,053</u>	—
<b>Continuation Estimate</b>	<b>517,288</b>	<b>5.0</b>
Common Policy Personal Services Reduction (0.5%)	<u>(2,135)</u>	—
<b>Total Recommendation</b>	<b>515,153</b>	<b>5.0</b>

## **(B) Special Purpose**

### **(SWSI) Water Supply Management, Development, and Implementation Assistance**

This line item was added to the Long Bill in the 2006 session with the approval of the Department's decision item for a Statewide Water Supply Initiative (SWSI). This line provides the Board with funding for an on-going basin by basin analysis associated with the SWSI. In 2006, the funding was recommended in a separate line item, and it was anticipated that it would be required for the next few years. Funding was approved in the Long Bill rather than the annual (water) Projects bill, because of the on-going nature of the operational funding need.

The SWSI preliminary report indicated that there may be substantial water shortages by 2030. The Board formed Technical Roundtables (TRTs) to continue work in a facilitated meeting forum and conduct technical analysis on issues related to water efficiency, prioritizing and quantifying recreational and environmental needs; and addressing the estimated shortage of water supply to meet multiuse needs.

**Staff recommends the request for a continuation appropriation of \$470,980 cash funds exempt (reserves in the Colorado Water Conservation Board Construction Fund) for continuing work on the SWSI project. The funding provides contract dollars for engineering and hydrology experts.**

### **Federal Emergency Management Assistance**

This federally-funded program provides flood plain mapping and flood prevention services. In FY 2005-06, the CWCB requested and was provided an increase (\$99,248) to receive FEMA moneys for flood plain mapping and flood prevention services. The FY 2006-07 request is for \$146,120 total funds and 2.0 FTE. This sum includes \$13,941 cash funds exempt and \$132,179 federal funds. The FY 2006-07 are lower than the FY 2005-06 funding level due to the discontinuation of one-time costs. **Staff recommends the request for a continuation appropriation of \$146,120 (including \$13,941 cash funds exempt and \$132,179 federal funds) and 2.0 FTE for the Federal Emergency Management Assistance line item.**

### **Weather Modification**

Sections 36-20-101 through 127, C.R.S., authorize the Department to regulate weather modification activities. Cash funds support the line item, through a portion of a minimum \$100 fee charged for a weather modification permit. If the operation is a commercial project, Section 36-20-113, C.R.S. provides that the fee shall be sufficient to pay the direct costs of the review of the permit application. Division staff report this is typically 2.0 percent unless waived by the Director.

This line item reflects costs incurred in administering activities such as cloud seeding for agricultural lands. These regulatory functions include: conducting required public hearings, evaluating annual reports from operators, revising permits as necessary, and evaluation of the environmental and public safety impact of the permit requests. In FY 2004-05, spending for this line item was increased to accommodate a large number of new winter cloud seeding operations. Weather modification programs provide benefits to various industries that affect the Colorado economy. Additional snow

pack created by cloud seeding can extend the ski season can increase stream flow for rafting, boating, fishing and wildlife. The FY 2007-08 request is for a continuing level of \$25,000.

**Staff recommends the Division's request for \$25,000 cash funds.** The cash funding is from permit fees authorized by Section 36-20-113, C.R.S.

**Water Conservation Program**

Section 37-60-124, C.R.S. established the Office of Water Conservation to promote water use efficiency and authorizes the program's support from the Water Conservation Board Construction Fund. This line item funds the costs of administering municipal and agricultural grants and the provision of technical assistance pursuant to statute. The request is for \$183,278 cash funds exempt and 2.5 FTE for the Water Conservation Program.

**Staff recommends an appropriation of \$182,824 cash funds exempt and 2.5 FTE (see the following table).**

<b>Summary of Recommendation – (7) Water Conservation Board Water Conservation Program — Department of Natural Resources</b>		
	<b>CFE</b>	<b>FTE</b>
Personal Services Estimate	145,000	2.5
Operating Expense Estimate	<u>34,738</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	179,738	5.0
Annualize Salary Survey Awarded in FY 2006-07	<u>3,830</u>	—
<b>Continuation Estimate</b>	<b>183,568</b>	<b>5.0</b>
Common Policy Personal Services Reduction (0.5%)	<u>(744)</u>	—
<b>Total Recommendation</b>	<b>182,824</b>	<b>5.0</b>

**H.B. 05-1254 Water Efficiency Grant Program**

House Bill 05-1254 established a domestic water conservation grant program to provide funding over a three-year period to aid in achieving the water efficiency goals outlined in locally adopted water conservation plans and authorized the Colorado Water Conservation Board to distribute the grants in FY 2005-06, FY 2006-07, and FY 2007-08 from moneys appropriated originating from the Operational Account of the Severance Tax Trust Fund. Pursuant to the bill's directive, the State Treasurer transferred \$1,580,000 from the reserve of the Operational Account of the Severance Tax Trust Fund to the Water Efficiency Grant Program Cash Fund to provide funding for water conservation grants. In FY 2005-06, the program received an appropriation of \$544,147 cash funds exempt from the Water Efficiency Grant Program Cash Fund. The request for FY 2006-07 mirrors the Fiscal Note estimate for the bill of \$517,280 cash funds from the newly created Fund.

**Staff recommends the request for \$517,280 cash funds exempt from the Water Efficiency Grant Program Cash Fund for FY 2007-08 as a separate line item (as requested).** Pursuant to the intent of the H.B. 05-1254, this program falls under the Water Conservation Program office. However, staff has not recommended consolidating the funding into that line item given that the bill



only provided for a three year funding mechanism, something more conducive to a separate line item. Pursuant to the provisions of the bill, this line item will not be necessary in the FY 2008-08 Long Bill.

**Severance Tax Projects**

This line item is used to support short-term projects with funds from the Operational Account of the Severance Tax Trust Fund. The CWCB annually solicits applications for projects to be funded from this line item. Projects are approved by the Board, recommended by the Department, and reviewed by the Minerals, Energy, and Geology (MEGA) Board.

The projects include the following types of activities: groundwater studies, production of maps, water conservation facilitation, educational information, water infrastructure development, environmental protection, stream restoration, and flood hazard mitigation. Examples of prior year projects include water supply protection (regional planning, coalbed methane technical studies, groundwater atlas), water conservation planning (drought planning and water education projects), and flood protection program funding (Grand Junction Drainage District master plan, Poudre River floodway improvements, and Fountain Creek watershed plan).

- ❑ ***Decision Item #12 — Severance Tax Projects.*** The Colorado Water Conservation Board has requested an appropriation of \$756,500 cash fund (Operational Account of the Severance Tax Trust Fund) to increase the funds available for small-scale grant projects funded by the CWCB. Historically, grant applications to the CWCB total significantly more than the amount appropriated. From FY 2003-04 through FY 2007-08, the grant applications ranged from \$1.6 million to \$2.2 million.

For FY 2007-08, 35 applications were received for grant funds. The CWCB prioritized the projects (high, medium, or low). Decision Item #12, if approved, would enable the CWCB to fund all of the High and Medium priority projects.

Summary of Severance Tax Projects			
	Number of Projects	Total Cost of Projects	Requested Grant Funds
Low Priority	6	880,300	485,000
Medium Priority	8	503,900	321,000
High Priority	<u>21</u>	<u>1,803,172</u>	<u>1,275,500</u>
<b>Total</b>	<b>35</b>	<b>3,187,372</b>	<b>2,081,500</b>

Given the shortage of funds from the Operational Account, **staff recommends that the JBC partially approve the decision item, with an appropriation of \$435,500 cash funds (Operational Account of the Severance Tax Trust Fund).** This recommendation will allow the Division to fund the "High Priority" projects. Given the shortage of severance tax

funds, staff recommends that the JBC flag this line item in the event that reductions are required.

**Recommendation.** Staff recommends an appropriation of \$1,275,500 cash funds from the Operational Account of the Severance Tax Trust Fund for this line item, which includes \$435,500 for Decision Item #12. These moneys are provided to grant applicants and funds water related projects at the local level. They are grant based and dependent upon submissions from local programs.

Summary of Recommendation – (7) Water Conservation Board Severance Tax Projects — Department of Natural Resources	
	Cash Funds (Severance Tax)
FY 2006-07 Long Bill (H.B. 06-1385)	840,000
Decision Item #12 (\$756,500 requested)	<u>435,500</u>
<b>Total Recommendation</b>	<b>1,275,500</b>

**H.B. 05-1177 Negotiation of Interbasin Compacts**

House Bill 05-1177 created nine permanent basin roundtables, one in each of the eight water divisions and one subregion roundtable consisting of the metro area. Each roundtable will consist of representatives of local governments and water districts, as well as members representing stakeholders and outside interests that own water rights within the basin. The bill specifies that the member of the Colorado Water Conservation Board residing within each roundtable will act as a liaison between the board and the Interbasin Compact Committee, and coordinate the Board's policies and resources. For FY 2005-06, the bill appropriated \$247,044 cash funds from the Operational Account of the Severance Tax Trust Fund and 0.5 FTE to the Department of Natural Resources, Colorado Water Conservation Board. For FY 2006-07, the request is for \$237,444 cash funds exempt (CWCB Construction Fund) and 0.5 FTE.

**Staff recommends an appropriation of \$236,656 cash funds exempt (CWCB Construction Fund) and 0.5 FTE.** This recommendation is in accordance with the JBC common policy and includes a reduction of \$788 pursuant to the JBC common policy for a 0.5 percent reduction for personal services expenses. **Staff recommends that this amount be transferred to a new line item entitled "Interbasin Compacts".**

**H.B. 06-1400 (Interbasin Compacts)**

House Bill 06-144 approved the interbasin compact charter, pursuant to the provisions of H.B. 05-1177. The bill required the Revisor of Statutes to publish the full text of the charter in the Colorado Revised Statutes as non-statutory matter. The bill also moved water districts 60, 61 and 63 from the Gunnison basin roundtable to the Dolores, San Miguel, and San Juan basins roundtable.

The bill also created the Office of Compact Negotiations within the Governor's Office, and specified that money's from the Severance Tax Trust Fund may be used to fund the activities of the interbasin roundtables. The bill specifies that moneys appropriated for such purposes do not count against the required two-year statutory reserve for the fund. **Staff recommends the request is for an**

**appropriation of \$1,108,425 and 1.2 FTE**, which is consistent with the Legislative Council Staff Fiscal Note assumptions for the bill. **Staff recommends that this amount be transferred to a new line item entitled "Interbasin Compacts"**.

**Interbasin Compacts (new line item)**

Staff recommends that the JBC approve a new line item entitled "Interbasin Compacts". This line item should fund activities pursuant to H.B. 05-1177 and H.B. 06-1400.

<b>Summary of Recommendation – (7) Water Conservation Board Interbasin Compacts (new line) — Department of Natural Resources</b>		
	<b>Cash Funds (Severance Tax)</b>	<b>FTE</b>
H.B. 05-1177 Negotiation of Interbasin Compacts	236,656	0.5
H.B. 06-1400 (Interbasin Compacts)	<u>1,108,425</u>	<u>1.2</u>
<b>Total Recommendation – Interbasin Compacts</b>	<b>1,345,081</b>	<b>1.7</b>

**Platte River Basin Cooperative Agreement**

In July 1997, Colorado became a participant in the Platte River Endangered Species Cooperative Agreement between Colorado, Nebraska, Wyoming, and the U.S. Department of Interior. The Agreement was established to provide a basin-wide framework for protection and restoration of various endangered species habitats along the North Platte River. Colorado’s participation in the Agreement provides regulatory certainty for existing and future water use and development along the North and South Platte Rivers. The appropriation to this line item is intended to support 1.0 FTE and contract personal services for ongoing administration of the program and Colorado's share of contract technical support. In FY 1998-99, the Department of Natural Resources, Colorado Water Conservation Board requested \$386,104 General Fund and 1.0 FTE to implement what was referred to as a 13 - 16 year basin-wide water and habitat management program for federally protected endangered species. That funding has been decreased over the years, per the Department's initiative, to the current levels, all funded from the Colorado Water Conservation Board Construction Fund. The Platte River Basin Cooperative Agreement involves the development and implementation of the Platte River Memorandum of Understanding (MOU) and the Recovery Program. The states of Nebraska, Wyoming, and Colorado and the U.S. Department of the Interior have entered into a partnership to address endangered species issues affecting the Platte River Basin. The initiative has two main purposes:

- (1) to develop and implement a “recovery implementation program” (Program) to improve and conserve habitat for four threatened and endangered species that use the Platte River in Nebraska (the whooping crane, piping plover, lease tern, and pallid sturgeon); and,
- (2) to enable existing and new water users in the Platte River Basin to continue without additional actions required (beyond the program) for the four species under the Endangered Species Act. A governance committee with members from the three states, water users, environmental groups, and two federal agencies has been established to implement the Cooperative Agreement.

The Department believes that it is important for Colorado to have adequate representation on these issues, which will ensure the State's ability to protect Colorado's existing water uses and work toward the development of future water resources. Providing defensible analysis of the issues will help guarantee that Colorado's long-term interests are represented. Colorado's representation in the Cooperative Agreement is especially important due to the scarcity of water supplies available to South Platte water-users coupled with the endangered species water needs identified by the U.S. Fish and Wildlife Service. The request is for \$234,492 cash funds exempt from the Colorado Water Conservation Board Construction Fund and 1.0 FTE for FY 2007-08.

**The staff recommendation is for the \$234,133 and 1.0 FTE for this program line (see the following table).** Historically, this line item has experienced some fluctuations and reversions in prior years; this variation is solely attributable to variable billing from the contractual entity, on a federal fiscal year basis.

<b>Summary of Recommendation – (7) Water Conservation Board Platte River Basin Cooperative Agreement — Department of Natural Resources</b>		
	<b>CFE</b>	<b>FTE</b>
Personal Services Estimate	117,924	1.0
Operating Expense Estimate	<u>114,733</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	232,657	1.0
Annualize Salary Survey Awarded in FY 2006-07	<u>2,076</u>	—
<b>Continuation Estimate</b>	<b>234,733</b>	<b>1.0</b>
Common Policy Personal Services Reduction (0.5%)	<u>(600)</u>	—
<b>Total Recommendation</b>	<b>234,133</b>	<b>1.0</b>

**S.B. 02-87 Colorado Watershed Protection Fund**

Senate Bill 02-87 created an income tax checkoff to allow citizens to support local watershed efforts by making a voluntary contribution. **Staff recommends the request for a continuation appropriation of \$119,942 (Colorado Watershed Protection Fund in Section 39-22-2403 (1), C.R.S.).**

**Indirect Cost Assessment**

The Department requests an appropriation of \$462,725 for indirect cost assessments. The amount collected from this line item will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$462,725.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

### **Water Construction Fund Bill**

This line item is shown in the JBC staff numbers pages for informational purposes only. In FY 2007-08, funding will be provided for water construction projects through S.B. 07-122 (Sen. Isgar). This bill was referred to the Senate Appropriations Committee by Senate Agriculture, Natural Resources, and Energy Committee on February 15, 2007. The Senate Appropriations Committee has not yet heard this bill.

### **S.B. 06-193 Study**

Senate Bill 06-193 required the Colorado Water Conservation Board (CWCB) to conduct a study of underground water storage sites in the South Platte and Arkansas River basins. The bill authorized the Board to consult with the Interbasin Compact Committee, the State Engineer, and the State Geologist. The bill required the Board to submit a report to the General Assembly by March 1, 2007. The bill appropriated \$125,000 cash to the Colorado Conservation Board to implement the bill in FY 2007-08. This was intended to be a one-time appropriation. As such, **no funds were requested nor is an appropriation recommended for FY 2007-08.**

## **(8) WATER RESOURCES DIVISION**

This division, also called the Office of the State Engineer, is primarily responsible for administration of water resources, which includes the following functions:

- This includes daily oversight of allocation within the state and downstream interstate compact compliance, monitoring of water supply through streamflow measurements, and groundwater regulation.
- The division is also responsible for ensuring public safety through regulating dam safety and groundwater well construction.
- The Division oversees seven field offices that monitor and distribute water based on priority, as well as ensure dam safety. Activities performed include dam inspections, well permitting, community education and involvement, consultation with water suppliers and conservation districts, and ongoing administration of interstate compacts and federal decrees.
- Finally, the office collects, preserves, and provides current and historic water records and information.

The Water Resources Division has historically been funded primarily from the General Fund. This funding was consistent with the nature of the functions performed by the Division which benefit all of Colorado not just specific groups or industries, like other cash funded, fee-based programs. The Water Resources Division receives approximately 60 percent of the Department's total General Fund appropriation. The majority of the Division's General Fund appropriation is attributable to personal services costs.

The Water Resources Division has requested four decision items/budget amendments for FY 2007-08. These initiatives include:

- ▶ Priority #3 requests \$515,876 General Fund and 7.1 FTE to address workload issues.
- ▶ Priority #3a requests \$93,553 cash funds exempt for vehicle mileage costs.
- ▶ Priority #19 requests \$3,660 General Fund for five new vehicles.
- ▶ Annualization of Supplemental Priority #6, for a *reduction* of \$47,972 General Fund related to leased space in Glenwood Springs.

**Personal Services**

<b>Division of Water Resources Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
State Engineer, Deputy, Assistants	4.0	4.0	4.0	4.0
Administration (accounting, info. tech., public information, budgeting, records)	24.0	29.0	29.0	29.0
Water Division Staff	167.4	183.1	190.2	190.2
Engineering, Technology, Investigations	19.0	21.0	21.0	21.0
Water Supply, Compacts, Ground Water	<u>27.0</u>	<u>31.2</u>	<u>29.2</u>	<u>29.2</u>
<b>Total</b>	<b>241.4</b>	<b>268.3</b>	<b>273.4</b>	<b>273.4</b>

- **Decision Item #3 — Water Resources Staffing Increase.** The Department of Natural Resources has requested an appropriation of \$515,876 General Fund and 7.1 FTE in FY 2007-08. This request is due to an increase in the workload for the Water Resources Division. According to the Department, this request is necessary, in part, because of a service level increase that is required because of a federal court decision. Of the 7.1 FTE requested, 5.1 FTE are requested for the field administration staff (water commissioners) and 2.0 FTE are hydrographers responsible for providing stream flow data used by the water commissioners (see the following table).

<b>Decision Item #3 – Water Resources Division Staffing Increase</b>					
<b>Division</b>	<b>Line Item</b>	<b>Request</b>		<b>Recommend.</b>	
		<b>General Fund</b>	<b>FTE</b>	<b>General Fund</b>	<b>FTE</b>
Executive Director's Office	AED	3,659		0	
	Supplemental AED	762		0	
	Vehicle Lease Payments	4,236		4,236	
	Leased Space	15,344		15,344	
Water Resources Division	Personal Services	390,157	7.1	390,157	7.1
	Operating Expenses	<u>101,718</u>	—	<u>101,718</u>	—
<b>Total – Decision Item #3</b>		<b>515,876</b>	<b>7.1</b>	<b>511,455</b>	<b>7.1</b>

\* Of the amount recommended for Operating Expenses, \$64,618 is for one-time expenses for capital outlay. The request was for 11 months of funding because of the pay-date shift. These positions, if approved, will require an additional one month of funding in FY 2008-09. Annualization is also required for vehicle leases.

The Department's request indicates that three events have triggered the need for additional water commissioners:

1. Combined District Court Case 02CW335 for the Central Colorado Water Conservancy Ground Water Management Subdistrict was resolved June 3, 2005, with the subdistrict obtaining a decree. This case, along with preparation for a separate case, has clarified the need for the Division to administer complex augmentation plans on a nearly daily basis.
2. Downstream senior reservoir administrators have declared that they will no longer operate under a "Gentlemen's Agreement" and will place a call for water on November 1 of each year. Previously, the "Gentlemen's Agreement" allowed upstream junior reservoirs to store out of priority. Under this change, junior reservoirs will require more augmentation of water, and will increase the replacement requirements under Metro area municipal water right decrees. Ultimately, these changes will increase the need for non-irrigation season water administration duties.
3. An economic shift (increasing energy costs, falling crop prices on some crops, and rising augmentation costs) has deterred more irrigators from augmenting their ground water depletions. The State Engineer must administer more unaugmented wells.

The Division prioritized 12 purposes for the funds requested. The first eight prioritized positions were submitted for additional water commissioners in three water divisions, and an administrative staff person. The next three prioritized positions were hydrographers. Finally, the Division requested contract services for a statewide water modeling consultant.



Decision Item #3						
Dept. Priority	River Basin	Staff Position Requested	Request		Recommend	
			General Fund	FTE	General Fund	FTE
#1, #3, #4	South Platte	Groundwater Commissioners	180,494	3.0	178,830	3.0
#2		Municipal Use Commissioner	73,165	1.0	72,435	1.0
#11		Hydrographer	40,637	0.5	40,314	0.5
#5	Colorado	Administrative Staff	13,674	0.4	13,499	0.4
#6, #7		Water Commissioner	28,152	0.4	27,820	0.4
#8	Yampa	Water Commissioner	14,062	0.3	13,900	0.3
#9	Rio Grande	Hydrographer	69,654	1.0	69,010	1.0
#10	San Juan / Dolores	Hydrographer	46,038	0.5	45,647	0.5
#12	Statewide Water Modeling Consultant		<u>50,000</u>	<u>n/a</u>	<u>50,000</u>	<u>0.0</u>
<b>Total – Decision Item #3</b>			<b>515,876</b>	<b>7.1</b>	<b>511,455</b>	<b>7.1</b>

\* Staff notes that the requested funding for new positions is 10.0 percent above the entry level salary. The Department contends that it cannot fill its positions for this division at the minimum level. Furthermore, the request to increase the number of months for specified positions was requested at the rate currently paid to employees in those positions.

***South Platte River Basin (Water Division 1).*** According to the request, 4.5 FTE are requested to provide additional ground water administration in District 1. Of these, 3.0 FTE are requested to administer the lower South Platte, downstream of Denver, and 1.0 FTE is requested to administer water use in the Denver Metropolitan area. Finally, the Department requested 0.5 FTE for a hydrographer in the South Platte River Basin to monitor flow into additional recharge sites. Specifically, more measurements are required on the North and South forks of the Republican River and the Arikaree River are necessary to prove compliance with the Republican River Compact Final Settlement Stipulation. The recharge sites require 4 to 16 added annual field visits per site; in the past five years, the number of recharge sites has increased from 200 to 400, and it is expected to double again in the next five years.

***Colorado River Basin (Water Division 5).*** Water Division 5 is requesting 0.8 FTE based on additional growth in the cities in the division (Aspen, Vail, Eagle, and Glenwood), which has resulted in 300 to 400 water right decrees added annually to the division. This has created an increased demand for water and the need to administer water on a year round basis, instead of a seasonal basis as is required for irrigated lands. This 0.8 FTE is comprised of three positions:

- ▶ 0.4 FTE administrative assistant, to make a part-time position full time; and (2) 0.4 FTE for five additional months of work to be performed by two existing staff. The Department has

advised staff that it has not had an increase in administrative staff for Water Division 5 since approximately 1990. Since that time, 6.0 FTE have been added to this office (engineers, hydrographers, well permittees, and a GIS technician). The Division indicated that there are an estimated 1,500 in Summit County that are not in compliance with their household-use only decrees. To assist the users in reaching compliance, the Division will need to prepare mailings and make phone calls to these water users. The Division also reports that 9,974 contacts to provide public assistance on water matters were made in CY 2005. With the growth in Western Colorado, the Division anticipates that this workload will grow.

- ▶ 0.4 FTE for two employees to work year-round in the Eagle River basin. Growth in the region have necessitated that the division migrate from seasonal water administration for irrigation purposes to year-round administration for municipalities. One position would be changed from an 11-month position to full time, and another would be changed from an 8-month position to full time.

***Yampa River Basin (Water Division 6).*** The Division requests to convert a position from a six-month position to a 9-month position. The growth in municipalities in Moffat, Rout, Rio Blanco, and Garfield counties has increased the workload for the division. The Division asserts that this position has increased in complexity and workload. There is a new requirement for reservoir releases from the enlarged capacity of Elkhead Reservoir for endangered species, and the Little Snake River has only since 2000 become subject to regular interstate compact administration.

***Rio Grande / San Juan – Dolores.*** The Division has requested 1.5 FTE for hydrographers in two of its divisions. Of these, 1.0 FTE is for the Rio Grande River Basin and 0.5 FTE is for the San Juan / Dolores River Basins. In the Rio Grande River Basin, the hydrographer is requested to install and monitor 5 to 6 new gages. These gages will be used to monitor in-stream water rights for the Colorado Water Conservation Board and to provide better data to the Natural Resource Conservation Service for streamflow forecasting purposes. The FTE would also allow the Division to monitor four gages that are proposed for the administration of the Costilla Creek Compact with New Mexico. In the San Juan / Dolores Basins, the FTE would reduce the workload associated with new gages that are needed to monitor trans-basin delivery of water for the Montezuma Valley Irrigation Company. With these proposed additions, the workload would be 32.7 gages per field staff. If the 0.5 FTE were funded, the workload would be 24.5 gages per FTE.

***Contract Staff.*** The Department has also requested an appropriation of \$50,000 General Fund to contract for nationally recognized ground water modeling expertise. This request is for ongoing contract support, not a one-time appropriation. The Department contends that this expertise will strengthen Colorado's ability to negotiate with nationally recognized ground water modelers retained by downstream states. The Department further contends that Colorado may risk over delivery of water across state lines without the requested funding.

***Staff Recommendation.*** Staff recommends approval of the request in its entirety, except for the request for Amortization Equalization Disbursement and Supplemental Amortization Equalization

Disbursement. These items are typically not included in fiscal note assumptions; as such, they are not recommended for the Department's decision item. **Staff recommends an appropriation of \$511,455 General Fund and 7.1 FTE.** Staff believes that the Department has adequately outlined the business case for each of the requested components of this request.

*Note:* The Department contends that two Supreme Court cases (Empire Lodge v. Moyers and Simpson v. Bijou) contributed to the need for groundwater monitoring staff and correlated General Fund appropriations to the Water Resources Division in FY 2006-07 and the request for funds for the Division in FY 2007-08. Staff has requested that the Office of Legal Services (OLLS) review these two cases to determine if appropriations could be exempted from the 6.0 percent limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S. At this time, staff does not recommend reflecting them as exempt from the 6.0 percent limit. However, if OLLS determines that the appropriations for groundwater monitoring staff could be exempted from the 6.0 percent limit, staff will present this issue to the JBC prior to introduction of the Long Bill.

**Recommendation to Flag Items.** Staff recognizes that the JBC may have difficulty balancing the state budget. The request for Decision Item #3 constitutes a significant portion of the Department's General Fund increase for FY 2007-08. As such, staff recommends that the JBC flag the following portions of this request if the JBC needs to eliminate General Fund to balance the state budget for FY 2007-08: (1) \$154,971 General Fund and 2.0 FTE that were requested for hydrographers; and (2) \$50,000 General Fund for contract services for a water modeling consultant. These items were prioritized lower by the Department than the ground water commissioners and the other components of the request.

Summary of Items Recommended to Flag in Decision Item #3				
Dept. Priority	Basin	Position	General Fund	FTE
#11	South Platte	Hydrographer	40,314	0.5
#9	Rio Grande	Hydrographer	69,010	1.0
#10	San Juan / Dolores	Hydrographer	45,647	0.5
#12	Statewide Water Modeling Consultant		<u>50,000</u>	<u>0.0</u>
<b>Total of Recommended Items to Flag</b>			<b>204,971</b>	<b>2.0</b>

Summary of Recommendation – (8) Water Resources Division Personal Services — Department of Natural Resources					
	General Fund	CF	CFE	Total	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	17,200,603	479,582	15,892	17,696,077	261.1
Annualize 2006 Decision Item (pay date shift)	36,076	0	0	36,076	
H.B. 06-1124 (Adjudicate Crop Rotation Contracts)	0	13,157	0	13,157	0.2
Annualize H.B. 06-1124	0	4,257	0	4,257	
Eliminate FTE funded in FY 1999-00 (DI #15)	(97,432)	0	0	(97,432)	(2.0)
Annualize Salary Survey Awarded in FY 2006-07	<u>333,182</u>	<u>5,638</u>	<u>0</u>	<u>338,820</u>	
<b>Continuation Estimate</b>	<b>17,472,429</b>	<b>502,634</b>	<b>15,892</b>	<b>17,990,955</b>	<b>259.3</b>
Common Policy Personal Services Reduction (0.5%)	(87,362)	(2,513)	(79)	(89,954)	
Decision Item #3 (\$390,157 and 7.1 FTE requested)	<u>390,157</u>	<u>0</u>	<u>0</u>	<u>390,157</u>	<u>7.1</u>
<b>Total Recommendation</b>	<b>17,775,224</b>	<b>500,121</b>	<b>15,813</b>	<b>18,291,158</b>	<b>266.4</b>

### **Operating Expenses**

This line item is largely supported with General Fund, but also contains cash funds and cash funds exempt, from the Water Data Bank Cash Fund, the Publication Cash Fund, and the Groundwater Publication Cash Fund.

- ***Decision Item #3a — Additional Mileage Expenses.*** The Department of Natural Resources has requested an appropriation of \$93,553 cash funds exempt (reserves in the Ground Water Management Fund) established in Section 37-80-111.5 (1) (d), C.R.S.) for additional mileage reimbursement expenses in FY 2007-08. Pursuant to Section 24-9-104 (2) (a) (I), C.R.S., agencies employees are allowed to be compensated for using their own vehicle for state use. In the Division of Water Resources, many of the water commissioners use their personal vehicles to do their jobs. As such, they are reimbursed by the Division pursuant to state law.

*Senate Bill 06-173.* In 2006, the General Assembly enacted S.B. 06-173, which increased the reimbursement rate for employees who use their personal vehicles for state business. The bill established a rate for CY 2007 to be 80 percent of the internal revenue service mileage reimbursement rate. For CY 2008, the reimbursement rate was established at 90 percent of the internal revenue service mileage reimbursement rate. The bill did not contain an appropriation and included a provision prohibiting state agencies from submitting a supplemental appropriation for FY 2006-07 unless there was an emergency. Furthermore, the bill contained language requesting agencies to pay for the increase by reducing the number of miles driven by state employees. Finally, the bill contained requirements for agencies could not absorb the impact of the bill by reducing miles. This provision required such agencies to submit a plan to the JBC by September 1, 2006, outlining efficiencies (including reduced travel) and requests for transfers within the existing approved appropriations.

***Staff Analysis.*** Staff makes the following observations with respect to this request.

1. *Driving Necessary for Water Division Staff.* The field staff need to drive to do their job. Their jobs entail driving to remote regions throughout the state to perform water administration duties. Failure to pay for mileage reimbursement could result in water commissioners being unable to complete their duties. The Division estimated that there are approximately 60 field employees who do not have access to state-owned vehicles for required field work.
  
2. *Fund Source Not Reliable in Long Term.* The request will deplete the reserves in the Groundwater Management Cash Fund. The excess reserves exist because of legislation enacted in 2006 that refinanced the ground water program with General Fund. The Division examined the feasibility of using reserves for mileage expenses for two years and determined that this approach was not feasible. If this request were approved, the Department would be required to request a different funding source, quite possibly General Fund, in subsequent fiscal years.

Ground Water Management Fund Balance				
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Beginning Balance	444,039	378,412	218,574	39,090
Projected Expenditures	(65,627)	(66,285)	(66,285)	(66,285)
Mileage Costs	0	(93,553)	(113,199)	0
Ending Balance	378,412	218,574	39,090	(27,195)

3. *State Law Not Followed.* The Department did not submit a plan outlining how it would reduce travel, and how the provisions of the bill could be absorbed within its existing appropriations, as required by Section 24-9-104 (2) (f) (III), C.R.S.
  
4. *Absorbing Costs in Current Year.* The Department did not submit a request for funding in the current year. The Department submitted a fiscal note worksheet indicating that S.B. 06-173 would require additional funds; however, no appropriation was made in the bill. As stated previously, the bill prohibited supplemental requests unless there was an emergency. The request was built off of the assumption that increases above the level of funding in FY 2004-05 would be required. Given the ability of the Division to absorb the costs in the current year, the JBC could consider partially approving the request for the anticipated increase from FY 2006-07 to FY 2007-08.

Operating Expenses for Vehicle Reimbursement			
	FY 2004-05 (actual)	FY 2007-08 (estimate)	Requested Increase
<b>Request</b>	\$245,109	\$338,661	\$93,552
	FY 2006-07 (estimate)	FY 2007-08 (estimate)	Alternative
<b>Alternative</b>	\$298,574	\$338,661	\$40,087

**Staff recommendation.** Staff recommends that the JBC deny this request. The intent of the General Assembly through S.B. 06-173 was to require agencies to absorb the increase by driving less. To the extent that this was not feasible, the General Assembly established a process for agencies to present a plan for transferring spending authority from other line items by September 1, 2006. The Department did not submit such a plan as required by law.

- **Annualize Supplemental #6 — Delay Glenwood Springs Office.** The JBC approved the Department's supplemental request for a *reduction* of \$38,483 General Fund for expenses associated with leasing space from the Colorado Department of Transportation in FY 2006-07. The request included a budget amendment for a *reduction* of \$47,972 General Fund in FY 2007-08.

Budget Amendment to Annualize Supplemental #6 for FY 2007-08 (General Fund)		
Line Item	FY 2006-07 APPROVED	FY 2007-08 Requested / Recommended
Leased Space	(28,483)	(57,972)
Division of Water Resources – Operating Expense	<u>(10,000)</u>	<u>10,000</u>
<b>Total</b>	<b>(38,483)</b>	<b>(47,972)</b>

\* There will be a request for an increase in Leased Space costs in FY 2008-09. Given the delay in the project, cost estimates are not available at this time.

In 2006, the Department requested, and received, an appropriation to allow Water Division 5 (in Glenwood Springs) to move from its current location to a new building being constructed by the Colorado Department of Transportation. According to the request, the project has been delayed because of a delay in signing an intergovernmental agreement, an unexpected requirement by the City of Glenwood Springs for the construction of a new traffic light for traffic control, and a concern raised by the Glenwood Hot Springs Lodge and Pool that the project would interfere with the geothermal resources used by their business. These issues have been resolved, but the project will not be completed until June 2008. This request was approved as a supplemental appropriation in January 2007. Given the delay in the project and the prior JBC decisions, **staff recommends approval of this request, for a net reduction of \$47,972. This recommendation includes a recommendation for an appropriation of \$10,000 General Fund to the "Operating Expense" line item in FY 2007-08.**

- **Decision Item #19 — Additional Vehicles.** The Department of Natural Resources has requested \$3,660 General Fund for five new vehicles for staff in the Water Resources Division. Four of the vehicles are requested for well testing personnel in Water Division 3 (Rio Grande River), and one vehicle is requested for a hydrographer in Water Division 5. The vehicles are for FTE that were approved with recent decision items. In its 2006 decision item for additional staff (approved by the JBC), the Department neglected to request vehicles for the positions that were the primary basis of the decision item. Because of the large amount of equipment that is required for well testing and hydrographers, the Department is requesting state vehicles for these staff positions. The vehicles will be equipped similar to vehicles authorized for similar staff in the Division, including hard mounted utility enclosures/storage boxes to protect and transport equipment used by the Division. Staff believes that it is useful for the Division's staff to have access to transportation that is necessary to fulfill their job responsibilities. As such, **staff recommends that the JBC approve the request for an appropriation of \$3,600 General Fund for vehicle expenses in FY 2007-08.** If the JBC approves the request, there will be an annualization impact of \$4,320 General Fund in FY 2008-09 (\$7,980 minus the \$3,660 recommended for FY 2007-08).

Decision Item #19 – Additional Vehicles for Water Resources Division		
Line Item	FY 2007-08 (5 vehicles x 4 months)	FY 2008-09 (5 vehicles x 12 months)
Vehicle Lease Payments	\$7,060	\$21,180
Operating Expenses		
Variable Vehicle	11,000	33,000
Personal Vehicle Savings	(15,400)	(46,200)
One-time capital outlay	<u>1,000</u>	<u>0</u>
Subtotal - Operating Expenses	<u>(3,400)</u>	<u>(13,200)</u>
<b>Total Request / Recommended</b>	<b>\$3,660</b>	<b>\$7,980</b>

Summary of Recommendation – (8) Water Resources Division Operating Expenses — Department of Natural Resources				
	General Fund	CF	CFE	Total
FY 2006-07 Long Bill (H.B. 06-1385)	1,024,078	403,979	90,529	1,518,586
Supplemental Appropriation (delay funding for Glenwood Office)	(10,000)	0	0	(10,000)
<b>FY 2006-07 Appropriation</b>	<b>1,014,078</b>	<b>403,979</b>	<b>90,529</b>	<b>1,508,586</b>
Annualize 2006 Decision Item (reduce one-time costs)	(59,500)	0	0	(59,500)
Decision Item #3 (additional staff - \$101,718 requested)	101,718	0	0	101,718
Budget Amendment #3a (vehicle mileage - \$93,553 req.)	0	0	0	0
Annualize Supplemental for Glenwood Office	10,000	0	0	10,000
Decision Item #19 (new vehicles)	(3,400)	0	0	(3,400)
<b>Total Recommendation</b>	<b>1,062,896</b>	<b>403,979</b>	<b>90,529</b>	<b>1,557,404</b>

### Interstate Compacts

The United States government, pursuant to interstate compact agreements, assesses the Costilla Creek Compact administrative costs. Pursuant to statute, both the Division of Water Resources and the Water Conservation Board participate in various capacities in interstate water compacts and related associations. The interstate organizations were established to promote communication between state and federal agencies, in support of compact agreements. This line item supports compact dues as well as travel and other expenses associated with the State Engineer and/or his designate(s)' representation of Colorado at the various compact commissions. **Staff recommends the request for a continuation appropriation of \$76,002 General Fund for the Interstate Compacts line item in FY 2007-08.**

<u>Division</u>	<u>Area</u>
Colorado Water Conservation Board	Upper Colorado River Arkansas River Colorado River Basin Salinity Control
Division of Water Resources	South Platte River Republican River Rio Grande River Costilla Creek Animas-LaPlata LaPlata River

\* Note: the Division of Water Resources administers the actual water for all the compacts.

### Republican River Compact Compliance

This line item funds staff to work on the Republican River Compact in order to fulfill Colorado's obligations under the Republican River Compact and the Final Settlement Stipulation, approved on December 15, 2002, by the United States Supreme Court in Kansas v. Nebraska and Colorado, No. 126 Original. The Republican River Compact was ratified in 1942 by the states of Colorado,



Kansas, and Nebraska to provide an equitable mechanism to divide the water tributary to the Republican River Basin. The historical allocation of available waters among the three states is based on the application of beneficial use, which included both streamflow diversions and alluvial groundwater pumping. Interim decisions by the Special Master in the case who was appointed to hear the interstate lawsuit and the Final Settlement Stipulation approved by the U.S. Supreme Court, expanded the contributory sources of water supply (streamflows and alluvial ground water) used in the calculation of each state's consumptive use and compact compliance to include ground water stored in the Ogallala aquifer. Prior to this decision to include this ground water, Colorado's 30,000 acre-feet consumptive use per year was less than our 54,100 acre-feet allocation under the compact. However, including the consumptive use from all ground water wells, combined with the seven year drought in the eastern high plains has caused Colorado to exceed its Republican River Compact allocations. The Final Settlement Stipulation requires Colorado to perform numerous tasks to ensure compliance with the compact and Supreme Court decision. The Division requests \$46,186 General Fund and 1.0 FTE for this line item. **Staff recommends an appropriation of \$46,047 General Fund and 1.0 FTE for the Republican River Compact Compliance line item in FY 2007-08.**

<b>Summary of Recommendation – (8) Water Resources Division Republican River Compact Compliance — Department of Natural Resources</b>		
	<b>General Fund</b>	<b>FTE</b>
FY 2006-07 Long Bill (H.B. 06-1385)	46,278	1.0
Salary Survey Awarded in FY 2006-07	<u>0</u>	—
<b>FY 2006-07 Base Appropriation</b>	<b>46,278</b>	<b>1.0</b>
Common Policy Reduction (0.5 percent)	<u>(231)</u>	—
<b>Total Recommendation</b>	<b>46,047</b>	<b>1.0</b>

**Satellite Monitoring System**

This line item supports satellite-linked water resource monitoring stations throughout the state. This system provides "real-time" stream flow information that is used by the Division, consumptive water users such as agricultural users, and other interested persons such as rafters and anglers. Stations record stream flow, and transmit the information to a database. Once on the database, the information is accessible via computer, telephone, and the Internet. Cash revenue is generated through fees from local conservancy districts, water users, user associations, and municipalities, pursuant to Section 37-80-111.5, C.R.S.

The Division of Water Resources began operating the Satellite-Linked Monitoring System in 1985, and the Division believes that it has become one of the most important and integral tools for the administration and management of Colorado's water resources. The data collected from over 300 gaging stations, and over 250 stations operated by others are used by clients that include the Division of Water Resources personnel, other state and federal agencies including Colorado Conservation Board and the United States Geological Survey, municipalities, canal companies, attorneys, and consulting engineers.

A large number of these locations are essential to the early flood warning system, low flow warning system, critical water rights, and inter-state compacts. The Department contends that reductions to this line item would significantly hinder the Division's ability to perform this service. The data collected by this program is valuable in drought periods. A major portion of the Satellite-Linked Monitoring System General Fund, approximately 60 percent, is used for personnel wages for an electronics technician and a satellite monitoring system coordinator. The electronics technician is responsible for the repair and maintenance of our existing gaging sites, as well as the installation of any new sties that may be required. The Satellite-Linked Monitoring System coordinator handles the coordination of the Division's Satellite-Linked Monitoring System within the agency, and with other state, county, and federal agencies in an ongoing effort to keep the Satellite-Linked Monitoring System operating efficiently. Another 10 percent or more of the General Fund is used for necessary phone communications between the seven division offices and the Denver office. The balance is used for the purchase of supplies necessary for the maintenance and upkeep of the gaging sites and mileage for the technician to travel to and from the many sites. The request is for \$362,066 total funds and 2.0 FTE for the Satellite Monitoring System for FY 2007-08. **Staff recommends an appropriation of \$261,603 total funds (\$246,603 General Fund) and 2.0 FTE.** The source of the cash funds is the Satellite Monitoring Fund and the cash funds exempt is from the Satellite Monitoring Fund reserves.

<b>Summary of Recommendation – (8) Water Resources Division Satellite Monitoring System — Department of Natural Resources</b>					
	<b>General Fund</b>	<b>CF</b>	<b>CFE</b>	<b>Total</b>	<b>FTE</b>
Personal Services (estimate)	151,128	0	0	151,128	2.0
Operating Expense (estimate)	<u>93,219</u>	<u>94,443</u>	<u>20,557</u>	<u>208,219</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	244,347	94,443	20,557	359,347	2.0
Salary Survey Awarded in FY 2006-07	<u>3,027</u>	<u>0</u>	<u>0</u>	<u>3,027</u>	—
<b>FY 2006-07 Base Appropriation</b>	<b>247,374</b>	<b>94,443</b>	<b>20,557</b>	<b>362,374</b>	<b>2.0</b>
Common Policy Reduction (0.5 percent)	<u>(771)</u>	<u>0</u>	<u>0</u>	<u>(771)</u>	—
<b>Total Recommendation</b>	<b>246,603</b>	<b>94,443</b>	<b>20,557</b>	<b>361,603</b>	<b>2.0</b>

**Augmentation of Water for Sand and Gravel Extraction**

This line item supports contracts for the evaluation of augmentation plans for extraction of sand and gravel, which are required by Section 37-90-137 (11) (a) and (b), C.R.S. Sand and gravel pit owners (applicants) must submit water augmentation plans. By statute, these plans must be reviewed by the Water Resources Division. Fees are collected from applicants obtaining a well permit for exposing ground water in the process of sand and gravel extraction. House Bill 06-1293 increased fees charged for obtaining a groundwater pumping permit, reactivating a mining operation, reviving an approved but expired water supply plan, and resubmitting a disapproved substitute water supply plan. The bill also increases fees for renewing a groundwater well pumping permit. This bill was anticipated to generate \$10,000 in additional fee revenue to the Gravel Pit Lakes Augmentation Fund, and it included an appropriation of \$9,400.

The request is for a continuing level of funding for FY 2007-08, which includes the Long Bill appropriation of \$35,000 and \$9,400 appropriated pursuant to H.B. 06-1293. **Staff recommends the requested continuation of \$44,400 cash funds for FY 2007-08.** The source of cash funds is the Gravel Pit Lakes Augmentation Fund authorized in Section 37-90-137 (11) (f), C.R.S.

### **Dam Emergency Repair**

Pursuant to Section 37-87-108.5, C.R.S., this appropriation provides funding to the State Engineer in the event emergency action is necessary to repair a dangerous or threatened dam. Cash funds exempt are from the emergency dam repair cash account within the Water Conservation Board Construction Fund. Pursuant to Section 37-60-122.5, C.R.S., a maximum amount of \$50,000 is continuously appropriated. Funds expended are recoverable from the dam owner. There has been no event requiring the use of these funds to date, but the appropriation reflects the continuous spending authority should a need arise. The request is for a continuation of the \$50,000 to be reflected in the Long Bill for FY 2006-07.

**The recommendation is to continue to reflect the \$50,000 spending authority which is continuously appropriated.** As the funding is continuously appropriated, this is shown for informational purposes only and does not represent spending authority in the Long Bill.

### **Federal Grant**

The requested amount of \$79,595 reflects the grants anticipated to be received. Part of the funding is from the Federal Emergency Management Agency (FEMA) to support the Division's Dam Safety program and there is a small sum from the U.S. Bureau of Reclamation. The request reflects the anticipated (41 percent) reduction in funding from the federal government (FEMA). **Staff recommends reflecting the \$79,595 federal funds anticipated to be received for the grants.**

### **River Decision Support Systems**

The River Decision Support System is the first part in a statewide decision support system. Similar systems for the Rio Grande, South Platte, and Arkansas River basins are underway or anticipated for future development. The system consists of databases and models that facilitate decision making related to interstate compacts, water resource planning, and water rights administration, through use of historic data and a geographic information system.

Water Management in the State of Colorado is governed by a series of interstate compacts, international treaties, state and federal laws, and U.S. Supreme Court decrees. In 1993 the Colorado legislature authorized the Colorado Water Conservation Board (CWCB) and the Division of Water Resources (DWR) to design and construct a system for the Colorado River drainage. In 1997, an extension of this system was authorized for the Rio Grande basin. In 2002, an extension of this system was authorized for the South Platte basin. Long range plans of the CWCB and DWR are to include the Arkansas River Basin and thereby provide complete statewide coverage. These systems are collectively known as the *Colorado's Decision Support Systems* (CDSS). The principle goal of the CDSS system is to provide the capability to provide factual information on which to make informed decisions concerning the management of Colorado water. The CDSS has resulted in

significant benefits to the State of Colorado (Division of Water Resources, and Colorado Water Conservation Board), and the water users community, including agriculture, recreation (anglers, rafting, boating), safety, and conservation. Direct benefits include allowing decision-makers access to water resource data to simulate potential decisions and policies and examine potential consequences related to the following:

- Interstate Compact Policy, including evaluation of alternative reservoir operating policies, determination of available water for development and maximization of Colorado's apportionment.
- Water Rescue Planning, including development and use of a water resource-planning model (i.e. new projects, water exchanges, operating plans) and evaluation of impacts of instream flow appropriations (e.g. endangered fish flow, minimum flows).
- Water Rights Administration, including optimization of water rights administration, on-line sharing of information between water users, and administration of water rights within compact allocations (i.e., alternative strategies of administration which will enable the maximum use of available resource).

Both the Colorado Water Conservation Board and the Division of Water Resources share maintenance of the Decision Support System. By definition, maintenance begins in a basin when its development is essentially complete. Therefore, the Decision Support System maintenance program includes the Colorado River and Rio Grande Basins. Funds for this program have been provided both in the annual Colorado Water Conservation Board Construction Fund Bill (in support of development) and in the Long Bill (in support of ongoing costs starting in FY 1998-99). Appropriations have been made to both the Water Conservation Board and the Division of Water Resources. The request for this line item is for \$367,552 Cash Funds Exempt from the Colorado Water Conservation Board Construction Fund and 4.0 FTE for FY 2007-08.

**Staff recommends an appropriation of \$366,747 cash funds exempt (Colorado Water Conservation Board Construction Fund) and 4.0 FTE in accordance with the JBC common policy.**

<b>Summary of Recommendation – (8) Water Resources Division River Decision Support Systems — Department of Natural Resources</b>		
	<b>Cash Funds Exempt*</b>	<b>FTE</b>
Personal Services (estimate)	261,777	
Operating Expense (estimate)	<u>100,123</u>	
FY 2006-07 Long Bill (H.B. 06-1385)	361,900	4.0
Salary Survey Awarded in FY 2006-07	<u>6,187</u>	—
<b>FY 2006-07 Appropriation</b>	<b>368,087</b>	<b>4.0</b>
Common Policy Reduction (0.5 percent)	<u>(1,340)</u>	—
<b>Total Recommendation</b>	<b>366,747</b>	<b>4.0</b>

\* Source: Colorado Water Conservation Board Construction Fund.

### **H.B. 03-1334 Temporary Interruptible Water Supply Agreement**

House Bill 03-1334 (Mitchell/Hillman) enabled water users to transfer the historical consumptive use of an absolute right for application to another type or place of use on a temporary basis, without permanently changing the water right. The legislation authorized the State Engineers to approve and administer interruptible water supply agreements that permit a temporary change in the point of diversion, location of use, and type of use of any absolute water right without the need for adjudication. In FY 2005-06, the funding associated with this legislation was separated out into its own line item, pursuant to the Division's request. The funding will only be expended in this area upon the request for the temporary interruptible water supply agreement and hence the revenues would be raised. The request is for a continuing level of funding for FY 2006-07. **Staff recommends the request for a continuing level of funding of \$61,598 cash funds from the Ground Water Management Cash Fund for FY 2007-08.**

### **S.B. 04-225 Well Enforcement**

The request is for a continuing level of \$1,489 cash funds pursuant to S.B. 04-225 (Sen. Hillman / Rep. Hoppe). This bill authorized the state engineer and ground water management districts to issue well permit enforcement orders to facilitate administration of designated ground water, including a requirement to provide records of energy used to pump ground water. This bill also authorized the state engineer to seek court enforcement of such orders, and it created a well enforcement cash fund for penalties collected pursuant to the provisions of the bill. The fund is to be used for the investigation and enforcement of violations of orders or to regulate ground water. The fiscal note estimated that the bill could be implemented with existing staff. This line item is use for travel expenses. **Staff recommends the request for a continuing level of \$1,489 cash funds from the Well Enforcement Cash Fund for FY 2007-08.**

### **Indirect Cost Assessment**

The Department requests an appropriation of \$60,009 for indirect cost assessments. The amount collected from this line item will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$60,009.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

### **Expenditure of Water Project Bill Funds**

This line item is included in the JBC staff numbers pages to reflect the cash funds exempt spending authority to water projects from the Colorado Water Conservation Board Construction Fund established pursuant to Section 37-60-121 (1) (a), C.R.S. This is not a line item in the Long Bill, as such, **staff is not recommending an amount for FY 2007-08.** Rather, the appropriation for CWCB Construction Fund projects will be included in S.B. 07-122 (Sen. Isgar).

## **(9) DIVISION OF WILDLIFE**

This division contains appropriations for the following programs:

**Wildlife Habitat.** This program supports habitat for the more than 900 game and non-game species in Colorado. Activities include operation and maintenance of roughly 256 State Wildlife Areas, identification of high priority wildlife habitat, conservation of high priority habitat, maintenance of instream flow, improvement of wildlife habitat (including water quality), improvement of habitat through cooperative projects on public and private lands, and providing comments to local, state, and federal agencies regarding the impact to wildlife of certain land use and permitting decisions.

**Wildlife Species.** This program preserves, protects, and enhances the viability of all Colorado wildlife species. This program includes: efforts to inventory wildlife species and determine their population status; projects to assess, restore, and acquire species habitat; studies to better understand species' life needs; and projects to transplant / re-introduce species to bolster population levels. For species with dangerously low population levels, the program develops and implements management plans with the intent of ensuring these species maintain viable population levels and do not become candidates for listing under the federal Endangered Species Act.

**Hunting Recreation.** This program funds the management of game species and their habitat, which includes habitat modification and improvement, predator control, herd inventory, development of herd objectives, and monitoring of harvest levels. This program also involves providing access to hunting on both public and private lands, managing the conflicts between big game and agricultural interests through the Habitat Partnership Program, compensating landowners for game related damage, and providing hunting information.

**Fishing Recreation.** This program seeks to provide fishing opportunities by expanding access to fishing waters, monitoring catch levels, studying and strategically managing fish populations, producing and stocking certain fish species, researching Whirling Disease and other fish health topics, and protecting water habitats.

**Watchable Wildlife.** This program provides wildlife viewing opportunities through the development, construction, and maintenance of watchable wildlife viewing facilities at state wildlife areas, at state parks, and on other public and private lands. This program also provides viewing guides, brochures, videos, and workshops aimed at educating the public regarding wildlife viewing.

**Law Enforcement.** This program seeks to enforce regulations pertaining to hunting and fishing to ensure public safety. Activities under this program include maintaining a field presence to deter illegal activity and inspect licenses, checking bag and possession limits, responding to complaints of illegal activities, investigating hunting accidents, and conducting special law enforcement activities.

**Licensing.** This program handles the licensing of hunters and anglers in Colorado, including managing "limited" licensing draws where a random drawing is used to allocate a fixed number of licenses. This program includes working with private sales agents who sell licenses, as well as maintaining data about license holders in the Division's Colorado Outdoor Recreation Information System (CORIS) database.

**Wildlife Education.** This program is designed to provide public outreach and education to the citizens of Colorado on wildlife protection and recreation issues. Activities include providing the public with information on how to live in harmony with wildlife and how to enjoy wildlife recreation, as well as providing basic ecological and scientific information to interested members of the public.

**Wildlife Information.** This program is responsible for providing information about wildlife related recreation to the public. This information includes explanations of applicable statutes and regulations, how to apply for limited licenses, and how to enjoy wildlife related recreation safely. Information is provided through brochures, radio programs, videos, maps, magazines, the Internet, and newsletters.

**Customer Service.** This program maintains 16 customer service centers through the State, as well as managing a telephone call center in the Denver headquarters office. These centers respond to customer inquiries, respond to calls about nuisance wildlife, and sell licenses and other Division products to the public.

**Public Policy.** This program is designed to analyze public satisfaction with wildlife resource management by the Division and develop a policymaking process which includes the public. Activities under this program include establishing wildlife regulations, surveying public opinion, holding public meetings, and analyzing wildlife related policy issues.

**Human Resources.** This program is responsible for the hiring of new Division staff, evaluating and providing staff training, overseeing basic training for new law enforcement officers, developing a diverse workforce, and working with Colorado colleges and universities to offer scholarships, internships, mentoring, volunteer experiences, and summer jobs to students.

**Internal Systems.** This program provides computer and professional support for all Division programs and activities. Related functions include the following: accounting and finance; supporting employee computers, telecommunications equipment, and the Division's website; preparing contracts and legal documents; applying for and monitoring grant expenditures; maintaining Division facilities, and equipment; providing Division planning, and budgeting; providing engineering/design support for proposed construction projects; and managing construction projects.

*Note:* Pursuant to the provisions of Section 33-1-103(9.5), C.R.S., the Division of Wildlife is an enterprise (see H.B. 01-1012). As such revenue received by the Division is exempt from Article X, Section 20 of the Constitution. In addition to revenue received by the Division for

finances and fees, the Division receives some funding from Great Outdoors Colorado. These funds are also exempt from state revenue limits, and are shown in the Long Bill for informational purposes only.

In FY 2006-07, the JBC approved the Division's request to consolidate these line items into four line items: (1) Director's Office, (2) Wildlife Management, (3) Technical Services, and (4) Information Technology.

The Department requested two decision items for the Division of Wildlife:

- ▶ Decision Item #16 — \$121,986 cash funds exempt for 1,800 hours of legal services; and
  - ▶ Decision Item #24 — \$900,000 cash funds exempt for the Public Education Advisory Council.
- ☐ **Decision Item #16 — Legal Services for the Division of Wildlife.** The Department of Natural Resources has requested an appropriation of \$121,986 cash funds exempt (Division of Wildlife Cash Fund) for 1,800 hours of legal services in FY 2007-08.

Appropriations from the Division of Wildlife Cash Fund are considered to be exempt from Article X, Section 20 of the State Constitution because the Division of Wildlife is designated as an enterprise pursuant to the provisions of Section 33-1-103 (9.5) (a), C.R.S.

**Department Justification for the Request.** According to the request, the Division of Wildlife has begun a significant expansion in its ongoing real property acquisition program. The request indicates that the majority of this expansion is for conservation easements, as well as third party easements, which by their nature tend to be more complex. As such more time is required for legal review. In FY 2004-05, the Division entered into four conservation easements. The Department billed approximately 400 hours for this work, approximately 100 hours per conservation easement.

The Department has a goal of entering into 20 conservation easements per year. The Department requests funding for an additional 1,800 hours of legal services to support the increase from four conservation easements in FY 2004-05 to 20 conservation easements in FY 2007-08.

<b>Decision Item #16 – Legal Services for the Division of Wildlife</b>			
	<b>Easements</b>	<b>Hours</b>	<b>Hours/Easement</b>
FY 2007-08 Goal	20	2,200	110.0
FY 2004-05 Actual	4	400	100.0
<b>Total Incremental Need</b>	<b>16</b>	<b>1,800</b>	<b>10.0</b>



**Staff Recommendation.** Staff recommends that the JBC approve funding for 1,600 additional hours of legal services, 200 hours less than the request. Given the Division's goal of 20 easements, staff believes that only 2,000 hours of legal services are necessary. With the base appropriation of 400 hours, an additional 1,600 hours should enable the Division to achieve its goals.

- **Decision Item #24 — Public Education Advisory Council.** The Department of Natural Resources has requested an appropriation of \$900,000 cash funds exempt (Wildlife Management Public Education Fund) to the "Wildlife Management" line item in FY 2007-08. The request is to fund the Wildlife Management Public Education Advisory Council's (PEAC's) public information campaign. In the 2006 session, the General Assembly approved a one-time appropriation of \$900,000 cash funds exempt to pay for the public information campaign in FY 2006-07. This request is for a continuation appropriation.

<b>Decision Item #24 – Public Education Advisory Council in the DOW</b>			
<b>Budget Component</b>		<b>Estimated Expenditure</b>	
Media Budget			
Denver/Northern Front Range	Television	422,579	
Denver/Northern Front Range	Newspaper	181,106	
Colorado Springs / Pueblo	Television	112,687	
Colorado Springs / Pueblo	Newspaper	48,295	
Western Slope	Television	28,172	
Western Slope	Newspaper	<u>12,074</u>	
<b>Sub-total Media Budget</b>			<b>804,913</b>
Administration			
Benchmark Research	Contract	34,087	
Public Relations	Contract	18,000	
TV Production	Contract	7,000	
Newspaper Production	Contract	6,000	
Project Coordination	Contract	<u>30,000</u>	
<b>Sub-total Administration</b>			<b><u>95,087</u></b>
<b>Total Request / Recommended</b>			<b>900,000</b>

Appropriations from the Wildlife Management Public Education Fund are considered to be exempt from Article X, Section 20 of the State Constitution because the Division of Wildlife is designated as an enterprise pursuant to the provisions of Section 33-1-103 (9.5) (a), C.R.S.

**Background.** The Wildlife Management Public Education Advisory Council (PEAC) was created in 1998 pursuant to the provisions of H.B. 98-1409 (Rep. S. Johnson / Sen. Dennis). PEAC is responsible for the development and implementation of a comprehensive media-based public information program to educate the general public about the benefits of wildlife, wildlife management, and wildlife-related recreational opportunities in Colorado (see Section 34-4-120, C.R.S.). Originally, PEAC received gifts, grants, and donations with a primary source of revenue coming from an income tax checkoff. In 2005, a \$0.75 surcharge was established on hunting and fishing licenses pursuant to H.B. 05-1266 (Rep. Stengel / Sen. Isgar). These funds are credited to the Wildlife Management Public Education Fund created in Section 33-1-112 (3.5) (a), C.R.S.

**Department Justification for the Request.** The request is based on the anticipated revenue to the fund and the desire to continue implementing the media campaign that was funded on a one-time basis in FY 2006-07. This media campaign is consistent with the statutory objectives established to educate and inform the public about the role that hunting and fishing play in managing healthy wildlife populations. Furthermore, the request is consistent with the statutory objectives of the \$0.75 surcharge that has been established on hunting and fishing licenses. The request includes estimates of how the funds would be spent. These are summarized in the following table.

**Staff Recommendation.** Staff believes that the request is consistent with the legislative intent of H.B. 05-1266. The request is based on anticipated revenue to the Wildlife Public Education Fund, and is a continuation of the funding provided in FY 2006-07. **Staff recommends that the JBC approved the request for \$900,000 cash funds exempt Wildlife Management Public Education Fund created in Section 33-1-112 (3.5) (a), C.R.S.**

#### **(1) Director's Office**

These staff are responsible for the overall management and oversight of Division activities. They work closely with the Executive Director, the Governor, the Legislature, constituents, and other employees in the development and implementation of wildlife policies and regulations. This program includes division-wide planning, budgeting and evaluation activities, as well as management of the Division's grant programs. This program also supports the Colorado Wildlife Commission.

<b>DOW - Director's Office Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management and Administration	8.8	11.0	11.0	11.0
Policy Analysis and Financial Services	6.0	6.0	6.0	6.0
Internal Auditor	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
<b>Total</b>	<b>15.8</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>

**Staff recommends total funding of \$1,993,773 and 18.0 FTE for this line item, which is comprised of \$1,872,824 cash funds exempt and \$120,949 federal funds.**

<b>Summary of Recommendation – Division of Wildlife (9) (A) (1) Director's Office — Department of Natural Resources</b>				
	<b>CFE</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services (Estimate)			1,915,223	18.0
Operating Expense (Estimate)			<u>53,523</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	1,847,189	121,557	1,968,746	18.0
Annualize Salary Survey Awarded in FY 2006-07	<u>34,777</u>	<u>0</u>	<u>34,777</u>	—
<b>Continuation Estimate</b>	<b>1,881,966</b>	<b>121,557</b>	<b>2,003,523</b>	<b>18.0</b>
Common Policy Personal Services Reduction (0.5%)	(9,142)	(608)	(9,750)	—
GOCO Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>1,872,824</b>	<b>120,949</b>	<b>1,993,773</b>	<b>18.0</b>

## **(2) Wildlife Management**

This line item is used for the programs that manage the state's wildlife resources, which include: wildlife habitat, wildlife species, hunting recreation, fishing recreation, watchable wildlife, licensing, and wildlife education.

<b>DOW - Wildlife Management Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Engineers	1.9	1.9	1.9	1.9
Information Technology	7.8	9.0	9.0	9.0
Information/Education	29.2	31.5	31.5	31.5
Laboratory Technology/Veterinarian	5.0	5.0	5.0	5.0
Management and Administration	85.1	97.3	97.3	97.3
Property/Hatchery Technicians	126.3	126.7	126.7	126.7

Scientists/Researcher	28.6	30.0	30.0	30.0
Wildlife Management/Biologist	246.2	254.0	254.0	254.0
Temporaries	<u>123.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>653.1</b>	<b>555.4</b>	<b>555.4</b>	<b>555.4</b>

Staff recommends total funding of \$62,153,521 and 555.4 FTE for this line item, which is comprised of \$51,812,094 cash funds exempt and \$10,341,427 federal funds.

<b>Summary of Recommendation – Division of Wildlife</b>				
<b>(9) (A) (2) Wildlife Management — Department of Natural Resources</b>				
	<b>CFE</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services (Estimate)			40,064,000	555.4
Operating Expense (Estimate)			<u>20,242,928</u>	_____
FY 2006-07 Long Bill (H.B. 06-1385)	49,932,303	10,374,625	60,306,928	555.4
Minus One-time Funding in FY 2006-07	(900,000)	0	(900,000)	
Annualize Salary Survey Awarded in FY 2006-07	<u>1,017,500</u>	<u>0</u>	<u>1,017,500</u>	_____
<b>Continuation Estimate</b>	<b>50,049,803</b>	<b>10,374,625</b>	<b>60,424,428</b>	<b>555.4</b>
Common Policy Personal Services Reduction (0.5%)	(167,709)	(33,198)	(200,907)	
Decision Item #24 (Public Education Advisory Council)	900,000	0	900,000	
GOCO Adjustment	<u>1,030,000</u>	<u>0</u>	<u>1,030,000</u>	_____
<b>Total Recommendation</b>	<b>51,812,094</b>	<b>10,341,427</b>	<b>62,153,521</b>	<b>555.4</b>

\* FY 2006-07 base estimate does not include a one-time appropriation of \$400,000 pursuant to H.B. 06-1311.

### **(3) Technical Services**

The Technical Services line item provides support to other Division of Wildlife programs in the form of administrative services, engineering services and facilities management. Administrative support includes accounting and cash management, contracting, grant accounting, procurement, time sheet and labor data collection, license services, human resources, training, and legal services. Engineering services include designing and managing capital construction projects. Facilities management includes operating and maintaining division administrative facilities (offices and customer service centers) and operating the Division's vehicle fleet.

<b>DOW - Technical Services Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management and Administration	21.2	25.5	25.5	25.5
Accounting and Procurement	8.7	9.0	9.0	9.0
Engineers	16.0	18.7	18.7	18.7
Information Technology	0.0	1.0	1.0	1.0
Licensing	4.0	4.0	4.0	4.0
Wildlife Management / Biologists	7.6	2.8	2.8	2.8
Temporaries	<u>2.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>59.5</b>	<b>61.0</b>	<b>61.0</b>	<b>61.0</b>

Staff recommends total funding of \$6,375,414 and 61.0 FTE for this line item, which is comprised of \$6,357,215 cash funds exempt and \$18,199 federal funds.

<b>Summary of Recommendation – Division of Wildlife</b>				
<b>(9) (A) (3) Technical Services — Department of Natural Resources</b>				
	<b>CFE</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services (Estimate)			4,901,695	61.0
Operating Expense (Estimate)			<u>1,409,866</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	6,293,271	18,290	6,311,561	61.0
Annualize Salary Survey Awarded in FY 2006-07	<u>88,805</u>	<u>0</u>	<u>88,805</u>	—
<b>Continuation Estimate</b>	<b>6,382,076</b>	<b>18,290</b>	<b>6,400,366</b>	<b>61.0</b>
Common Policy Personal Services Reduction (0.5%)	(24,861)	(91)	(24,952)	
GOCO Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>6,357,215</b>	<b>18,199</b>	<b>6,375,414</b>	<b>61.0</b>

#### **(4) Information Technology**

This section supports information technology systems necessary for core Division of Wildlife functions by providing computer and communications infrastructure, asset management, user support, standardized software applications, internet oversight, development of information technology policies and plans, and the development and maintenance of new and existing business applications.

<b>DOW - Information Technology Staffing Summary</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 Request</b>	<b>FY 2007-08 Recommendation</b>
Management and Administration	1.0	1.0	1.0	1.0
Information Technology	<u>17.8</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>
<b>Total</b>	<b>18.8</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>

Staff recommends total funding of \$2,816,199 cash funds exempt and 18.0 FTE for this line item.

<b>Summary of Recommendation – Division of Wildlife</b>				
<b>(9) (A) (4) Information Technology — Department of Natural Resources</b>				
	<b>CFE</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Personal Services (Estimate)			1,513,886	18.0
Operating Expense (Estimate)			<u>1,237,134</u>	—
FY 2006-07 Long Bill (H.B. 06-1385)	2,751,020	0	2,751,020	18.0
Annualize Salary Survey Awarded in FY 2006-07	<u>73,114</u>	<u>0</u>	<u>73,114</u>	—
<b>Continuation Estimate</b>	<b>2,824,134</b>	<b>0</b>	<b>2,824,134</b>	<b>18.0</b>
Common Policy Personal Services Reduction (0.5%)	(7,935)	0	(7,935)	
GOCO Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	—
<b>Total Recommendation</b>	<b>2,816,199</b>	<b>0</b>	<b>2,816,199</b>	<b>18.0</b>

### **Bottom Line Funding Recommendation**

Staff recommends the following funding sources be reflected in the Long Bill. These sources are based on information provided in the Division of Wildlife's budget schedules.

<b>Summary of Recommendation – Division of Wildlife</b>			
<b>(9) (A) Division Operations — Department of Natural Resources</b>			
	<b>CFE</b>	<b>FF</b>	<b>Total</b>
Director's Office	1,872,824	120,949	1,993,773
Wildlife Management	51,812,094	10,341,427	62,153,521
Technical Services	6,357,215	18,199	6,375,414
Information Technology	<u>2,816,199</u>	<u>0</u>	<u>2,816,199</u>
<b>Total Recommendation</b>	<b>62,858,332</b>	<b>10,480,575</b>	<b>73,338,907</b>
Wildlife Cash Fund (Section 33-1-112 (1), C.R.S.)	54,673,332	0	54,673,332
Colorado Outdoor Sales	550,000	0	550,000
Great Outdoors Colorado (non-appropriated)	6,070,000	0	6,070,000
Non-game & Endangered Wildlife Cash Fund (Section 39-22-702, C.R.S.)	500,000	0	500,000
Federal Aid Projects Fund	15,000	0	15,000
Wildlife Mgmt. Public Education Fund (Section 33-1-112 (3.5), C.R.S.)	900,000	0	900,000
Donations	150,000	0	150,000
Miscellaneous Federal Funds	<u>0</u>	<u>10,480,575</u>	<u>10,480,575</u>
<b>Total Recommendation</b>	<b>62,858,332</b>	<b>10,480,575</b>	<b>73,338,907</b>

## **(9) DIVISION OF WILDLIFE**

### **(B) Division of Wildlife Special Purpose Line Items**

#### **Wildlife Commission Discretionary Fund**

**Staff recommends the Department's continuation request of \$160,000 cash funds exempt for this line item**, which was reduced by \$90,000 cash funds exempt in FY 2005-06. This appropriation is used to provide "seed" money to the Division for cooperative efforts to enhance wildlife and wildlife management. The Division must apply to the Commission for this money and may work in cooperation with other agencies to complete the proposed projects. Past projects funded out of the Wildlife Commission Discretionary Fund have included the Deloitte & Touche Management Review, a cooperative workshop with Colorado State University on Whirling Disease, partial funding for the purchase of the Division's new budgeting software system, partial funding for research on declining mule deer populations in Colorado, and a study on limited licensing.

#### **Game Damage Claims and Prevention**

**Staff recommends the Department's continuation request of \$1,050,000 cash funds exempt for this line item**, which represents spending authority for when and if a game damage claim is made against the Department. Approximately half of the spending in this line is for game damage prevention and the other half is for the claims. It is not possible to accurately predict the spending on claims as it is dependent upon a myriad of factors, including the weather.

This line item includes funds for the purchase of fencing, pyrotechnics and other materials which are provided to landowners for the purpose of preventing damage (and potential DOW liability) to standing and harvested crops, forage, and other property.

#### **Instream Flow Program**

**Staff recommends the Department's request for \$296,027 cash funds exempt for this line item.** Funds appropriated to this line item are transferred to the Colorado Water Conservation Board (CWCB) to support the instream flow program. Pursuant to Section 37-92-102(3) C.R.S., the CWCB uses the funds to acquire water for minimum stream flows or volumes for natural lakes to preserve the natural environment.

#### **Habitat Partnership Program**

**Staff recommends the Department's request for \$2,500,000 cash funds exempt for this line item**, which is continuously appropriated. Senate Bill 01-006 dedicated five percent of the net sales of big game hunting licenses used in geographic locations represented by a habitat partnership committee to the Habitat Partnership Program.

The Habitat Partnership Program, which is managed through 17 local Habitat Partnership Committees, is designed to reduce wildlife conflicts, especially those related to forage and fencing issues. Local committees develop big game distribution management plans designed to minimize such wildlife conflicts. In this regard, the Division funds fencing projects and performs various habitat improvement projects designed to meet game management objectives and to keep big game

off of private property. Pursuant to Section 33-1-112 (8)(e), C.R.S., there is an annual transfer of five percent of the net sales of big game hunting licenses used in geographic locations represented by a Habitat Partnership Committee.

**Indirect Cost Assessment**

The Department requests an appropriation of \$3,489,334 for indirect cost assessments. The amount collected from this line item is from the Wildlife Cash Fund established in Section 33-1-112 (1) (a), C.R.S. It will be used to offset the need for General Fund for overhead expenses appropriated in the Executive Director's Office. **Staff recommends approval of the request for an appropriation of \$3,489,334.** After the JBC's figure setting decisions have been made, JBC staff will work with the Department to determine whether any revisions to the indirect cost plan will be required. If changes in indirect cost recoveries are necessary, staff will present them to the JBC for final approval prior to the introduction of the Long Bill.

**Bottom Line Funding Recommendation**

Staff recommends the following funding sources be reflected in the Long Bill. These sources are based on information provided in the Division of Wildlife's budget schedules.

<b>Summary of Recommendation – Division of Wildlife (9) (B) Special Purpose — Department of Natural Resources</b>	
	<b>CFE</b>
Wildlife Commission Discretionary Fund	160,000
Game Damage Claims and Prevention	1,050,000
In stream Flow Program	296,027
Habitat Partnership Program	2,500,000
Indirect Cost Assessment	<u>3,489,334</u>
<b>Total Recommendation</b>	<b>7,495,361</b>
Wildlife Cash Fund (Section 33-1-112 (1), C.R.S.)	4,995,361
Habitat Partnership Cash Fund (Section 33-1-112 (8) (a), C.R.S.)	<u>2,500,000</u>
<b>Total Recommendation</b>	<b>7,495,361</b>



## FOOTNOTES

Staff recommends the following new footnotes to the FY 2007-08 Long Bill.

**N**     **DEPARTMENT OF NATURAL RESOURCES, DIVISION OF RECLAMATION, MINING, AND SAFETY, INACTIVE MINES, RECLAMATION OF FORFEITED MINE SITES** -- IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE APPROPRIATION TO THIS LINE ITEM REMAIN AVAILABLE UNTIL THE COMPLETION OF THE PROJECT OR THE CLOSE OF FY 2009-10, WHICHEVER COMES FIRST. AT PROJECT COMPLETION OR THE END OF THE THREE-YEAR PERIOD, ANY UNEXPENDED AMOUNT SHALL REVERT TO THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND, FROM WHICH THIS APPROPRIATION WAS MADE.

Comment: This footnote expresses legislative intent. It will give the Department flexibility to spend the appropriation over a three-year period. This flexibility will assist the Department in contracting throughout a three-year period to reclaim forfeited mine sites.

**N**     **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 FROM THE SYSTEM. THIS REPORT IS REQUESTED TO BE SUBMITTED BY JUNE 30, 2008.

Comment: For figure setting the division in future years, the JBC should take into consideration potential savings realized from this project. The staff recommendation for this line item included an annualized salary of \$58,121 General Fund and 1.0 FTE for this project. This project was originally funded with lottery proceeds, which are not subject to appropriation by the General Assembly. Given that the Division of Water Resources was able to realize over \$100,000 in cost avoidance, staff believes that the JBC should be provided a report detailing the status of the VOIP system for the Parks and Outdoor Recreation System. After the system is implemented, the JBC should consider eliminating the \$58,121 recommended for this project, assuming that the savings exceed this figure.

Staff recommends **continuing** the following footnotes in the Department's section of the FY 2007-08 Long Bill.

**97**     **Department of Natural Resources, ~~Minerals and Geology~~, DIVISION OF RECLAMATION, MINING, AND SAFETY, Inactive Mines, Mine Site Reclamation** -- It is the intent of the General Assembly that these funds shall remain available until completion of the project or the close of ~~FY 2008-09~~, FY 2009-10, whichever comes first. At project completion or the end of the three-year period, any unexpended balances shall revert to the Operation Account of the Severance Tax Trust Fund from which they were appropriated.

Comment: This footnote expresses legislative intent, and allows the Department to spend the appropriated funds over a three-year period (similar to capital construction appropriations). The Inactive Mines Program was instituted under the provisions of the federal Surface Mining Control and Reclamation Act (SMCRA) of 1977. Moneys appropriated for this function are used to safeguard mine openings, to inspect and monitor mine sites, and to reclaim abandoned mines. Only mines abandoned prior to 1977 are eligible for this program. Approximately 16,000 abandoned mines remain in Colorado.

This line item received an appropriation of \$405,000 in FY 2006-07. Of the amount appropriated, \$375,000 is cash funds (Operational Account of the Severance Tax Trust Fund) and \$30,000 cash funds exempt (a transfer from the Department of Public Health and Environment). Projects supported by this line item include construction of hydro-geologic controls such as diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and revegetation at the abandoned mine sites. Some of these moneys are granted to local entities as a match to receive federal Clean Water Act moneys from the U.S. Environmental Protection Agency.

The funding for this line item was increased by \$250,000 cash funds and 1.0 FTE in FY 2006-07 through a decision item in the 2006 session. This decision item was based on the available funds in the Operational Account of the Severance Tax Trust Fund, and the need to address acid mine drainage from abandoned mines. The Department determined that 150 water remediation projects remain at locations all over the State. Based on the funding levels prior to FY 2006-07, the Department estimated it would take approximately 75 years to eliminate the current project inventory.

- 98 Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response** -- It is the intent of the General Assembly that funding for this line item be expended in the event that there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this funding is for investigation, prevention, monitoring, and mitigation of circumstances which are caused by or are alleged to be associated with oil and gas activities and which call for immediate action by the Oil and Gas Conservation Commission. An emergency creates a threat to public health, safety, or welfare or to the environment as proclaimed by the Oil and Gas Conservation Commission Director and approved by order of the Oil and Gas Conservation Commission. The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

Comment: This footnote expresses legislative intent. In the FY 2006-07 budget, the JBC added a new line item entitled "Emergency Response" with an appropriation of \$1.5 million from the Oil and Gas Conservation and Environmental Response Fund. This amount is to be used, if and when necessary, for emergency responses. Over the last few years, there have been a number of emergency funding requests both during the session and during the interim.

Recent years' examples which drove the funding change included the following:

- \$50,000 in FY 2003-04 for EnCana West Divide Creek leak;
- \$70,000 for FY 2004-05 for additional complaints/workload demand;
- \$200,000 in FY 2004-05 for initial research on the La Plata County natural gas explosion; and,
- \$908,445 in FY 2005-06 for drilling on the La Plata County natural gas explosion.

The funding was added due to a concern that emergency funding would be necessary during a time when the JBC may not yet be meeting during the interim (and thus would have to wait for a "1331") if the substantial increase in drilling activities combined with the encroachment of residential and commercial development resulted in additional emergencies that required immediate funding.

**99 Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies** -- It is the intent of the General Assembly that funding for this line item be used for special environmental protection and mitigation studies including, but not limited to gas seepage mitigation studies, outcrop monitoring studies, soil gas surveys in the vicinity of plugged orphaned wells, and baseline water quality and subsequent follow-up studies. The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

Comment: This footnote expresses legislative intent. In the FY 2006-07 budget, the JBC recognized the OGCC's need for faster movement with respect to substantial large scale projects, and added a new line item entitled "Special Environmental Protection and Mitigation Studies" and funding of \$500,000 cash funds authorized from the Oil and Gas Conservation and Environmental Response Fund. The JBC's goal was greater efficiency by allowing the Commission to plan projects and use overlapping analyses and resources.

Staff believes that there is value in continuing this footnote for accountability over the appropriation. As such, **staff recommends continuing this footnote.**

Examples of projects might include the following: a gas seep mitigation study in La Plata County and also in Raton Basin, soil gas surveys for where orphaned wells were plugged (to prevent another La Plata County, Bondad explosion), baseline water quality study in Yuma county, another Piceance Basin DJ Basin analysis, Piceance basin water sampling followup, and La Plata County follow-up water sampling. All of these aforementioned studies would each be in the \$200,000 - \$300,000 range. Knowing that funding is available up front and in advance may result in planning efficiencies for the Commission.

Staff recommends **discontinuing** the following footnote in the Department's section of the FY 2007-08 Long Bill.

**100 Department of Natural Resources, Parks and Outdoor Recreation, State Park Operations** -- The Department is requested to provide to the Joint Budget Committee a report detailing the cost allocations by all specified funding sources to each state park and also to detail the respective state parks' revenues from all sources. This report should also detail the Department's long-term plans regarding the feasibility of seeking enterprise status. Such a report should specifically examine how any plans to generate additional cash revenues and increase self-sufficiency affect State Parks' ability to meet statutory goals such as: (1) offering the greatest possible variety of outdoor recreational opportunities to the people of the State; and (2) continuously operating a program to acquire, develop, and maintain outdoor recreation lands, waters, and facilities. This information is requested to be provided to the Joint Budget Committee by no later than November 1, 2006.

Comment: The Department did not provide this report by November 1, 2006, as requested. This footnote was vetoed by the Governor on the basis that it violates the separation of powers and attempts to administer the appropriation. At its hearing, the Department testified that the report would be provided to the JBC by January 1, 2007. The report was delivered to the JBC on Friday, February 16, 2007. Staff has not had the opportunity to review the report prior to figure setting the Department. Staff believes there is no value in requesting this report again.

# MEMORANDUM

**TO:** Members of the Joint Budget Committee

**FROM:** Karl Spiecker, JBC Staff (303-866-3481)

**SUBJECT:** Department of Natural Resources – JBC Staff Technical

**DATE:** March 15, 2007

This staff memorandum was prepared to correct a number of technical errors that were approved for the Department of Natural Resources through the figure setting process.

1. The Department of Natural Resources inadvertently requested \$236,656 more than was necessary for the Interbasin Compacts line.

### **Interbasin Compacts (new line item)**

Staff recommends that the JBC approve a new line item entitled "Interbasin Compacts". This line item should fund activities pursuant to H.B. 05-1177 and H.B. 06-1400. Based on this error in the Department's request, **staff's revised recommendation is for an appropriation of \$1,108,425 cash funds (Operational Account of the Severance Tax Trust Fund) and 1.7 FTE.**

<b>Summary of Recommendation – (7) Water Conservation Board Interbasin Compacts (new line) — Department of Natural Resources</b>		
	<b>Cash Funds (Severance Tax)</b>	<b>FTE</b>
H.B. 05-1177 Negotiation of Interbasin Compacts	236,656	0.5
H.B. 06-1400 (Interbasin Compacts)	<u>1,108,425</u>	<u>1.2</u>
<b>Original Recommendation – Interbasin Compacts APPROVED BY JBC</b>	<b>1,345,081</b>	<b>1.7</b>
Recommended Adjustment	<u>(236,656)</u>	—
<b>Revised Recommendation</b>	<b>1,108,425</b>	<b>1.7</b>

2. For Decision Item #22, the JBC approved a JBC staff recommendation to refinance the line item with additional fee revenue. Based on new information from the Department regarding the cost of the Land Use Review Program (the source of fee revenue), staff is revising the recommendation this line item to appropriate more cash funds from the Operational Account of the Severance Tax Trust Fund and less fee revenue.

Decision Item #22 – Geological Survey – RECOMMENDATION			
Env. Geology & Geological Hazards Program	Recommendation		
	Fees	Severance Tax	Total CF
Original Recommendation (APPROVED)	148,126	(148,126)	0
Recommended Adjustment	<u>(42,845)</u>	<u>42,845</u>	<u>0</u>
<b>Revised Recommendation</b>	<b>105,281</b>	<b>(105,281)</b>	<b>0</b>

3. **Personal Services Reduction for the Inactive Mines Program in the Division of Mining, Reclamation, and Safety.** The staff recommendation for the Inactive Mines Program took the entire personal services reduction from state funds. Furthermore, the recommended reduction was applied to the incorrect base appropriation — staff had underestimated the operating expenses in the program line item. The Department did not include a common policy reduction for personal services expenses. The revised recommendation is summarized in the following table.

Summary of Recommendation – (2) Division of Reclamation, Mining, and Safety (B) Inactive Mines Program Costs — Department of Natural Resources				
	CFE	FF	Total	FTE
Personal Services Estimate	248,781	838,012	1,086,793	12.4
Operating Expense Estimate	<u>251,219</u>	<u>0</u>	<u>251,219</u>	—
<b>FY 2006-07 Long Bill (H.B. 06-1385)</b>	<b>500,000</b>	<b>838,012</b>	<b>1,338,012</b>	<b>12.4</b>
Annualize Salary Survey Awarded in FY 2006-07	<u>0</u>	<u>21,829</u>	<u>21,829</u>	—
<b>Continuation Estimate</b>	<b>500,000</b>	<b>859,841</b>	<b>1,359,841</b>	<b>12.4</b>
Common Policy Reduction (0.5%)	(1,244)	(4,299)	(5,543)	—
Fund Mix Adjustment for Anticipated Fed. Funds	<u>(4,299)</u>	<u>4,299</u>	<u>0</u>	—
<b>Original JBC Staff Recommendation (Approved)</b>	<b>494,457</b>	<b>859,841</b>	<b>1,354,298</b>	<b>12.4</b>
Recommended Adjustment	5,305	<u>(4,299)</u>	<u>1,006</u>	—
<b>Revised Recommendation</b>	<b>499,762</b>	<b>855,542</b>	<b>1,355,304</b>	<b>12.4</b>

4. **Short-term Disability, Amortization Equalization Disbursement (AED), and Supplemental AED.** Staff recommends a series of miscellaneous adjustments for (a) short-term disability, (b) AED, and (b) supplemental AED. These adjustments are necessary for three reasons: (1) staff used the incorrect base for the Oil & Gas Conservation Commission; (2) staff did not include the Off-highway Vehicle Program in the calculated need; and (3) staff used the wrong fund mix for the Executive Director's Office, the Inactive Mines Program, and the Division of Reclamation, Mining, and Safety Program.

Revised Recommendations					
	General Fund	Cash Funds	CFE	Federal Funds	Total Funds
<b>Short-term Disability</b>					
Original Amt. Approved	39,650	12,023	56,171	11,697	119,541
Recommended Adjustment	<u>1</u>	<u>3,080</u>	<u>(5,017)</u>	<u>605</u>	<u>(1,331)</u>
Revised Recommendation	39,651	15,103	51,154	12,302	118,210
<b>Amortization Equalization Disbursement (AED)</b>					
Original Amt. Approved	355,838	110,977	516,011	107,976	1,090,802
Recommended Adjustment	<u>0</u>	<u>28,433</u>	<u>(46,309)</u>	<u>5,587</u>	<u>(12,289)</u>
Revised Recommendation	355,838	139,410	469,702	113,563	1,078,513
<b>Supplemental Amortization Equalization Disbursement (SAED)</b>					
Original Amt. Approved	63,544	23,120	107,503	22,495	216,662
Recommended Adjustment	<u>0</u>	<u>5,924</u>	<u>(9,648)</u>	<u>1,164</u>	<u>(2,560)</u>
Revised Recommendation	63,544	29,044	97,855	23,659	214,102

5. **Salary Survey for the Off-Highway Vehicle Program in the Division of Parks and Outdoor Recreation.** The Department's salary survey and performance-based pay request for the Off-Highway Vehicle Program was requested as General Fund. The request should have been for cash funds. The recommended adjustments are shown in the following table.

Recommended Adjustments			
	General Fund	Cash Funds	Total Funds
Salary Survey and SES	(5,892)	5,892	0
Performance-based Pay	<u>(2,112)</u>	<u>2,112</u>	<u>0</u>
<b>Request</b>	<b>(8,004)</b>	<b>8,004</b>	<b>0</b>

6. **Operating Expenses in Decision Item #5 (Responding to Development on Colorado Land).** Staff recommended, and the JBC approved Decision Item #5 (Responding to Development on Colorado Land). Staff inadvertently included the wrong amount for "Operating Expense" line item in the summary table. Staff had intended to recommend an appropriation of \$8,708. Instead, staff included \$7,010.

March 15, 2007

Summary of Recommendation – Executive Director's Office Operating Expenses — Department of Natural Resources				
	CF	CFE	FF	Total
FY 2006-07 Long Bill (H.B. 06-1385)	317,332	939,899	5,337	1,262,568
Annualize 2006 Decision Item	(3,005)	0	0	(3,005)
Decision Item #5 (NEPA Coordinator / Energy Dir.)	<u>7,010</u>	<u>0</u>	<u>0</u>	<u>7,010</u>
<b>Original Recommendation (Approved)</b>	<b>321,337</b>	<b>939,899</b>	<b>5,337</b>	<b>1,266,573</b>
Recommended Revision for Decision Item #5	<u>1,698</u>	<u>0</u>	<u>0</u>	<u>1,698</u>
<b>Revised Recommendation</b>	<b>323,035</b>	<b>939,899</b>	<b>5,337</b>	<b>1,268,271</b>

7. **Leased Space.** Staff had recommended a lower amount than the Department's request. It was staff's understanding that the Department had requested a 7.0 percent inflationary increase for leased space. However, staff did not take into consideration the impact of annualizing decision items for the Department that were approved in 2006. The revised recommendation is reflected in the following table. This recommendation is equal to the Department's request for leased space.

Leased Space					
Line Item	Recommendation				
	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total
FY 2006-07 Appropriation	484,690	258,936	86,124	23,088	852,838
Dec. Item #1	0	2,928	0	0	2,928
Dec. Item #3	15,344	0	0	0	15,344
Dec. Item #4	0	25,196	0	0	25,196
Dec. Item #17	0	1,793	5,708	0	7,501
Dec. Item #20	0	18,000	0	0	18,000
Budget Amend. Lone Mesa	2,400	0	0	0	2,400
Budget Amend. Glenwood	(29,489)	0	0	0	(29,489)
Lease Escalator (4%)	<u>19,388</u>	<u>10,357</u>	<u>3,445</u>	<u>924</u>	<u>34,114</u>
<b>Original Recommendation APPROVED</b>	<b>492,333</b>	<b>317,210</b>	<b>95,277</b>	<b>24,012</b>	<b>928,832</b>
Recommended Adjustment to Annualize DIs	40,383	(7,412)	0	0	32,971
Reduce Recommended Lease Space Escalator	(19,388)	(10,357)	(3,445)	(924)	(34,114)
Revised Lease Space Escalator	<u>16,298</u>	<u>13,510</u>	<u>0</u>	<u>51</u>	<u>29,859</u>
<b>Revised Recommendation</b>	<b>529,626</b>	<b>312,951</b>	<b>91,832</b>	<b>23,139</b>	<b>957,548</b>