

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2010-11**

**DEPARTMENT OF NATURAL RESOURCES**

**(All Divisions.)**

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

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**Non-Prioritized Supplementals**

**Statewide One Percent Across the Board General Fund Personal Services Reduction**

Request	
General Fund	(228,360)

**Department Request:** The Department requests a one percent reduction to the General Fund portion of its personal services appropriations for FY 2010-11. The following table details the request:

One Percent Across the Board General Fund Personal Services Reduction						
Division, Line Item	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<b>(1) EDO, Administration</b>						
Personal Services	(37,451)	0	0	(37,451)	0	0.0
Health, Life, and Dental	0	(37,451)	0	37,451	0	0.0
<b>(2) Parks and Outdoor Recreation</b>						
State Park Operations	(13,230)	(13,230)	0	0	0	0.0
<b>(8) Water Resources Division</b>						
Personal Services	(172,831)	(172,831)	0	0	0	0.0
Republican River Compact Compliance	(3,056)	(3,056)	0	0	0	0.0
Satellite Monitoring System	(1,792)	(1,792)	0	0	0	0.0
<b>Total</b>	<b>(\$228,360)</b>	<b>(\$228,360)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>

**Staff Recommendation:** The staff recommendation for this request is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves common policy supplementals.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

**Statewide Common Policy Supplemental Requests**

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

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<b>Department's Portion of Statewide Supplemental Request</b>	<b>Total</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappro p. Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
Annual Fleet Vehicle Replacement	14,788	941	13,549	163	135	0.0
Printing of Statewide Warrants and Mainframe Documents	(10,701)	10,089	(21,212)	0	422	0.0
<b>Department's Total Statewide Supplemental Requests</b>	<b>\$4,087</b>	<b>\$11,030</b>	<b>(\$7,663)</b>	<b>\$163</b>	<b>\$557</b>	<b>0.0</b>

**Staff Recommendation:** The staff recommendation for these requests is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves this common policy supplemental.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

**Cash Fund Transfers**

**Transfer Request**

**Severance Tax Perpetual Base Account Transfer to the General Fund in FY 2010-11**

<b>Perpetual Base Account of the Severance Tax Trust Fund Transfer to the General Fund</b>		
	<b>Request</b>	<b>Recommendation</b>
Total	\$10,000,000	\$10,000,000

**This request requires separate legislation.**

**Department Request:** The Department requests that \$10.0 million be transferred from the Severance Tax Perpetual Base Account to the General Fund to increase FY 2010-11 General Fund revenues.

In addition, the Department requests that \$15.0 million be transferred from the Severance Tax Perpetual Base Account to the General Fund to increase FY 2011-12 General Fund revenues.

**Staff Recommendation:**

**Staff recommends that the Committee approve the request and introduce legislation to transfer \$10,000,000 from the Severance Tax Perpetual Base Account to the General Fund in**

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**FY 2010-11.** If the Committee approves other transfers to the General Fund, this transfer could be combined with the other transfers in a single bill.

The JBC staff "General Fund Overview Based on Legislative Council December 2010 Revenue Estimate" forecasts that for FY 2010-11 there will be \$161.8 million in excess of the statutory General Fund reserve. On the other hand, the JBC staff "General Fund Overview Based on OSPB December 2010 Revenue Estimate (CORRECTED on 3-Jan-11)" forecasts that for FY 2010-11 there will be \$77.8 million deficit of the statutory General Fund reserve.

The "**Staff Analysis**" section below details additional funds available to be transferred to the General Fund from the Perpetual Base Account as well as the CWCB Construction Fund in both FY 2010-11 and FY 2011-12. The total additional funds available are \$41.0 million in FY 2010-11 and \$50.0 million in FY 2011-12. **Staff recommends that the Committee flag these two funds in the case that the Committee needs additional options for additional General Fund budget balancing in FY 2010-11 and FY 2011-12.**

Staff is not making a recommendation on any potential FY 2011-12 transfers at this time.

**Staff Analysis:**

**Actions Taken to Increase Available State Revenues**

The General Assembly transferred a total of \$120.3 million from the Perpetual Base Account of the Severance Tax Trust Fund and the Colorado Water Conservation Board Construction Fund in FY 2008-09, FY 2009-10, and FY 2010-11. These transfers are detailed in the following table.

<b>Transfers to the General Fund</b>		
<b>Name of Fund</b>	<b>Bill</b>	<b>Amount of Transfer</b>
<i>FY 2008-09 Transfers to General Fund:</i>		
CWCB Construction Fund	S.B. 09-208	\$10,250,000
Perpetual Base Account of the Severance Tax Trust Fund	S.B. 09-208	20,000,000
Perpetual Base Account of the Severance Tax Trust Fund	S.B. 09-279	15,000,000
<i>FY 2009-10 Transfers to General Fund:</i>		
Perpetual Base Account of the Severance Tax Trust Fund	S.B. 09-279	43,000,000
Perpetual Base Account of the Severance Tax Trust Fund	S.B. 09-279	19,000,000

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<b>Transfers to the General Fund</b>		
<b>Name of Fund</b>	<b>Bill</b>	<b>Amount of Transfer</b>
Perpetual Base Account of the Severance Tax Trust Fund	H.B. 10-1327	2,000,000
<i>FY 2010-11 Transfers to General Fund:</i>		
Perpetual Base Account of the Severance Tax Trust Fund	H.B. 10-1388	11,000,000
<b>Total Transfers to General Fund</b>		<b>\$120,250,000</b>

**Perpetual Base Account of the Severance Tax Trust Fund**

The Perpetual Base Account of the Severance Tax Trust Fund is authorized in Section 39-29-109 (2) (a), C.R.S., to be used for the same purposes as the Colorado Water Conservation Board Construction Fund. Specifically, to fund directly or provide loans for construction, rehabilitation, enlargement, or improvement of water projects. The Severance Tax Perpetual Base Account receives half of receipts to the severance tax trust fund (one fourth of all severance tax income). This fund is a revolving loan account, as such no permanent programs depend on this fund.

The June 30, 2010, financial statements for the Perpetual Base Account show total equity of \$297.0 million (\$164.0 million restricted for loans, \$129.0 million restricted for authorized projects, as well as \$4.0 million unrestricted cash).

The table below shows the Department estimate of revenues and expenditures for the Perpetual Base Account. The Department submitted requests to transfer \$10.0 million from the Perpetual Base Account to the General Fund in FY 2010-11 and \$15.0 million in FY 2011-12 as General Fund budget balancing actions. These amounts are shown in the line item titled "*Department Request/Staff Recommendation for Transfers*".

The line item titled "*Options for Additional Transfers to the General Fund*" shows that there are additional funds available for transfers to the General Fund totaling approximately \$22.0 million in FY 2010-11 and \$31.0 million in FY 2011-12.

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<b>Perpetual Base Account of the Severance Tax Trust Fund</b>					
	<b>FY 2008-09 Actual</b>	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Estimate</b>	<b>FY 2011-12 Estimate</b>	<b>FY 2012-13 Estimate</b>
Cash Balance - Beginning of Year	\$18,058,960	\$40,454,321	\$4,865,510	\$1,520,880	\$1,978,251
<i>Receivables/Interest Earnings</i>	<i>11,071,624</i>	<i>7,062,895</i>	<i>7,426,920</i>	<i>9,658,044</i>	<i>9,436,971</i>
<i>Severance Tax</i>	<i>71,253,177</i>	<i>17,856,646</i>	<i>41,470,250</i>	<i>44,753,113</i>	<i>47,756,840</i>
<i>Principal Repayment</i>	<u><i>3,099,696</i></u>	<u><i>4,151,218</i></u>	<u><i>3,758,200</i></u>	<u><i>5,046,214</i></u>	<u><i>6,973,385</i></u>
<i>Total Revenues</i>	<i>85,424,497</i>	<i>29,070,759</i>	<i>52,655,370</i>	<i>59,457,371</i>	<i>64,167,196</i>
Agriculture Emergency Drought Grants	(1,716,142)	0	(1,000,000)	(1,000,000)	(1,000,000)
Loan Issuances	(26,312,994)	(659,570)	0	0	0
Animas La-Plata Water Purchase (H.B. 10-1250; Sect. 7 and 8)	0	0	(12,000,000)	(12,000,000)	(12,000,000)
<b>Non-obligated Amounts</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>(52,000,000)</b></u>
Ending FY Balance without transfer	\$75,454,321	\$68,865,510	\$44,520,880	\$47,978,251	\$1,145,447
Transfer to the General Fund in S.B. 09-208 (Sect. 34)	(20,000,000)	0	0	0	0
Transfers to the General Fund in S.B. 09-279 (Sect. 22)	(15,000,000)	(62,000,000)	0	0	0
Transfer to the General Fund in H.B. 10-1327 (Sect. 8)	0	(2,000,000)	0	0	0
Transfer to the General Fund in H.B. 10-1388 (Sect. 2)	0	0	(11,000,000)	0	0
<b>Department Request/Staff Recommendation for Transfers</b>	<b>0</b>	<b>0</b>	<b>(10,000,000)</b>	<b>(15,000,000)</b>	<b>0</b>
<b>Options for Additional Transfers to the General Fund</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>(22,000,000)</b></u>	<u><b>(31,000,000)</b></u>	<u><b>0</b></u>
Ending Balance after transfer	\$40,454,321	\$4,865,510	\$1,520,880	\$1,978,251	\$1,145,447

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**Colorado Water Conservation Board Construction Fund**

The Colorado Water Conservation Board Construction Fund (Construction Fund), created in Section 37-60-121 (1) (a), C.R.S., provides loans and grants for projects that will increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters. Section 37-60-121 (1) (b) (IV), C.R.S., instructs the Colorado Water Conservation Board (CWCB) to participate in only those projects that can repay the board's investment, unless specifically authorized by the legislature through a bill. Section 37-60-122 (1) (b), C.R.S., authorizes the CWCB to make loans without General Assembly approval in amounts not to exceed ten million dollars. In FY 2010-11, H.B. 10-1250 appropriated \$13.2 million for various water related projects including \$12.0 million for the purchase of all or a portion of Colorado's allotment of water from the Animas-La Plata Project. The \$12.0 million was transferred to the Construction Fund from the Perpetual Base Account of the Severance Tax Trust Fund.

The Construction Fund receives revenues from the return of principal and interest on outstanding loans, interest earned on the cash balance of the fund through investments by the State Treasurer, and federal mineral lease (FML) fund distributions. Senate Bill 08-218 modified the allocation of the state's portion of FML revenue by creating separate distribution formulas for FML bonus payment revenues as well as non-bonus (rent and royalty) FML revenues. Senate Bill 08-218 amended statute so that beginning with FY 2008-09, the Construction Fund receives a distribution of 10.0 percent of non-bonus revenue, up to \$14.0 million. The amount transferred is allowed to grow by 4.0 percent annually in succeeding years.

The June 30, 2010, financial statements for the CWCB Construction Fund show total equity of \$324.0 million (\$238.0 million restricted for loans, \$63.0 million restricted for authorized projects, as well as \$23.0 million unrestricted cash).

The Construction Fund also pays for the administrative expenses of the CWCB. For FY 2010-11 the CWCB estimates that it will need \$7.5 million for salaries, operating costs, and other related expenditures. In addition the Construction Fund provides funding for non-reimbursable projects, an estimated \$4.7 million in FY 2010-11. The CWCB anticipates providing loans for new water projects totaling \$19.8 million in FY 2010-11.

The line item titled "*Options for Additional Transfers to the General Fund*" shows that there are additional funds available for transfers to the General Fund totaling approximately \$19.0 million in FY 2010-11 and \$19.0 million in FY 2011-12.



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<b>Colorado Water Conservation Board Construction Fund</b>					
	<b>FY 2008-09 Actual</b>	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Estimate</b>	<b>FY 2011-12 Estimate</b>	<b>FY 2011-12 Request</b>
Cash Balance - Beginning of Year	\$13,282,580	\$19,305,372	\$23,599,996	\$1,678,464	\$1,040,192
Accounts Receivable (Principal/Interest)	31,041,628	16,119,580	15,064,773	15,523,208	15,811,288
FML Revenues	14,258,395	11,724,295	13,961,228	14,570,915	15,083,584
Animas-La Plata Project Transfer	<u>0</u>	<u>0</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
<b>Total Revenues</b>	<b>58,582,603</b>	<b>47,149,247</b>	<b>64,625,997</b>	<b>43,772,587</b>	<b>43,935,064</b>
<i>CWCB Operations</i>	<i>(6,255,134)</i>	<i>(6,290,891)</i>	<i>(7,451,373)</i>	<i>(7,595,086)</i>	<i>(7,780,436)</i>
<i>Non-Reimbursable Investments &amp; Cash Replenishment</i>	<i>(4,724,563)</i>	<i>(6,412,364)</i>	<i>(4,725,000)</i>	<i>(4,137,309)</i>	<i>(4,137,309)</i>
<i>Animas-La Plata Expenditure</i>	<i>0</i>	<i>0</i>	<i>(12,000,000)</i>	<i>(12,000,000)</i>	<i>(12,000,000)</i>
<i>Actual Loan Issuances/CWCB Loan Obligations</i>	<i>(18,047,534)</i>	<i>(10,845,996)</i>	<i>(15,231,160)</i>	<i>0</i>	<i>0</i>
<i>Anticipated Loan Issuances (pre-qualified)</i>	<i>0</i>	<i>0</i>	<i>(4,540,000)</i>	<i>0</i>	<i>0</i>
<b>Non-obligated Amounts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,000,000)</b>
<b>Total Expenditures</b>	<b><u>(29,027,231)</u></b>	<b><u>(23,549,251)</u></b>	<b><u>(43,947,533)</u></b>	<b><u>(23,732,395)</u></b>	<b><u>(42,917,745)</u></b>
Ending FY Balance without transfer	\$29,555,372	\$23,599,996	\$20,678,464	\$20,040,192	\$1,017,319
Transfer to the General Fund in S.B. 09-208	(10,250,000)	0	0	0	0
<b>Options for Additional Transfers to the General Fund</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(19,000,000)</u></b>	<b><u>(19,000,000)</u></b>	<b><u>0</u></b>
Ending Balance after transfer	\$19,305,372	\$23,599,996	\$1,678,464	\$1,040,192	\$1,017,319

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>DEPARTMENT OF NATURAL RESOURCES</b>					
<b>Executive Director - Mike King</b>					
<b>Statewide One Percent Across the Board General Fund Personal Services Reduction</b> (see narrative for more detail)					
Total - Various Line Items	N.A.	55,317,310	(228,360)	Pending	Pending
FTE		<u>549.6</u>	<u>0.0</u>		
General Fund		21,237,687	(228,360)		
Cash Funds		28,635,524	0		
Reappropriated Funds		3,991,548	0		
Federal Funds		1,452,551	0		
<hr/>					
<b>Statewide Common Policy Supplementals</b> (see narrative for more detail)					
	<u>N.A.</u>	<u>N.A.</u>	<u>4,087</u>	Pending	<u>N.A.</u>
General Fund			11,030		
Cash Funds			(7,663)		
Reappropriated Funds			163		
Federal Funds			557		

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>Totals Including Pending Items</b>					
<b>DEPARTMENT OF NATURAL RESOURCES</b>					
Totals for ALL Departmental line items	205,947,070	245,934,482	(224,273)	Pending	Pending
FTE	<u>1,454.1</u>	<u>1,474.8</u>	<u>0.0</u>		
General Fund	25,533,680	26,419,333	(217,330)		
Cash Funds	152,398,416	191,814,141	(7,663)		
Reappropriated Funds	7,266,104	7,972,361	163		
Federal Funds	20,748,870	19,728,647	557		

Key: N.A. = Not Applicable or Not Available