

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2009-10

DEPARTMENT OF NATURAL RESOURCES

**(Division of Reclamation, Mining, and Safety, Colorado Geological Survey, Oil and Gas
Conservation Commission, State Board of Land Commissioners)**

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

**Prepared By:
Craig Harper, JBC Staff
January 15, 2010**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

**DEPARTMENT OF NATURAL RESOURCES
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Prioritized Supplementals in Department-Assigned Order		
None		
 Non-prioritized Supplementals		
Statewide Furlough Impact	1	11
Mail Equipment Upgrade Supplemental	2	11
 Cash Fund Transfers		
JBC Staff Initiated - Transfer from the Operational Account of the Severance Tax Trust Fund to the General Fund	3	N/A

**DEPARTMENT OF NATURAL RESOURCES
 FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Non-Prioritized Supplementals

**Department Requested NP-1
 Budget Adjustment to Reflect FY 2009-10 Furloughs**

	Request	Recommendation
Total	(\$215,223)	(\$215,223)
FTE	<u>0.0</u>	<u>0.0</u>
Cash Funds	(139,836)	(139,836)
Reappropriated Funds	(4,911)	(4,911)
Federal Funds	(70,476)	(70,476)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? <small>[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]</small>	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The General Assembly included a statewide personal services reduction equivalent to 1.82 percent of each agency's appropriation in the FY 2009-10 Long Bill (S.B. 09-259). The net FY 2009-10 impact of the one-time reduction was \$26.5 million, of which \$16.1 million was General Fund. The executive branch was given the flexibility to develop and implement a plan to meet the mandated reduction. The Governor requests an adjustment to the personal services reductions within the FY 2009-10 Long Bill to reflect the actual staffing actions taken within each agency to achieve a decrease of 1.82 percent.

For the divisions addressed in this packet, the request includes a total reduction of \$215,223, with no General Fund, from the current FY 2009-10 appropriation. The request is summarized by line item in the following table.

Department of Natural Resources (DRMS, CGS, OGCC, SLB) Portion of Statewide Furlough Impact Supplemental Request	General Fund	Cash Funds	Reappropri. Funds	Federal Funds	Total	FTE
(2) Division of Reclamation, Mining, and Safety (DRMS)						
(A) Coal Land Reclamation, Program Costs	0	(4,491)	0	(16,841)	(21,332)	0.0

15-Jan-10

1

NAT-sup

**DEPARTMENT OF NATURAL RESOURCES
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department of Natural Resources (DRMS, CGS, OGCC, SLB) Portion of Statewide Furlough Impact Supplemental Request	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	Total	FTE
(B) Inactive Mines, Program Costs	0	0	0	(41,914)	(41,914)	0.0
(C) Minerals, Program Costs	0	(6,587)	0	0	(6,587)	0.0
(D) Mines Program, Program Costs	0	(11,562)	0	0	(11,562)	0.0
(D) Mines Program, Blaster Certification Program	<u>0</u>	<u>(778)</u>	<u>0</u>	<u>(2,926)</u>	<u>(3,704)</u>	<u>0.0</u>
Total, DRMS	0	(23,418)	0	(61,681)	(85,099)	0.0
(3) Colorado Geological Survey (CGS)						
Environmental Geology and Geological Hazards Program	0	(35,165)	(2,045)	(3,680)	(40,890)	0.0
Mineral Resources and Mapping	0	(10,933)	0	(4,685)	(15,618)	0.0
Colorado Avalanche Information Center	<u>0</u>	<u>(11,038)</u>	<u>(2,866)</u>	<u>(430)</u>	<u>(14,334)</u>	<u>0.0</u>
Total, CGS	0	(57,136)	(4,911)	(8,795)	(70,842)	0.0
(4) Oil and Gas Conservation Commission, Program Costs	0	(30,762)	0	0	(30,762)	0.0
(5) State Board of Land Commissioners, Program Costs	0	(28,520)	0	0	(28,520)	0.0
Total Furlough Adjustment for Included Natural Resources Divisions	0	(139,836)	(4,911)	(70,476)	(215,223)	0.0

Staff Recommendation: Staff recommends that the Committee approve the Department's request as a technical adjustment to reflect the Executive Branch's implementation of the reduction required by the FY 2009-10 Long Bill.

Statewide Common Policy Supplemental Requests

The Mail Equipment Upgrade supplemental request is the only statewide common policy supplemental affecting appropriations to the divisions included in this packet. The request is not analyzed in this packet but is summarized in the following table. The JBC will act on this item later when it makes decisions regarding common policies.

**DEPARTMENT OF NATURAL RESOURCES
 FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department of Natural Resources (DRMS, CGS, OGCC, SLB) Portion of Mail Equipment Upgrade Supplemental Request	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	Total	FTE
Various line items	0	(5,350)	0	(573)	(5,923)	0.0

Staff Recommendation: The staff recommendation for this request is pending committee approval of common policy supplementals. Staff asks permission to make the corresponding adjustments 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.

**JBC Staff Initiated Transfer Recommendation
 Transfer from the Operational Account of the Severance Tax Trust Fund
 Statutory Change Required**

FY 2008-09	Recommendation
Transfer from Operational Account to General Fund	\$11,000,000

Staff Analysis: This write-up provides an update on the status of the Operational Account of the Severance Tax Trust Fund under three scenarios: 1) current law; 2) reflecting the Committee's decisions to date; and 3) reflecting staff's recommendation to transfer \$11.0 million from the Operational Account to the General Fund in FY 2009-10 or FY 2010-11. The write-up also discusses additional options to either improve the status of the Operational Account or make additional resources available for transfer to the General Fund.

Current Law

The table on the following page presents an overview of projected revenues and expenditures for the Operational Account under current law based on the December 2009 Legislative Council Staff Revenue Forecast. The December forecast indicates that the Operational Account will have sufficient balances to fund all authorized and appropriated expenditures in FY 2009-10 and anticipated expenditures in FY 2010-11 and FY 2011-12. However, as shown in the table (line 34), anticipated expenditures would spend down the uncommitted balance in FY 2009-10 and FY 2010-11 with a slight rebound predicted in FY 2011-12. Based on current law and the December 2009 forecast, the Committee could transfer up to \$12.1 million from the Operational Account to the General Fund without impacting authorized expenditures, although such a transfer would eliminate the Account's uncommitted balance for FY 2010-11 and could be problematic if revenues are lower than the December forecast anticipates.

Severance Tax Trust Fund												
Operational Account Revenues and Expenditures Under Current Law Based on December 2009 LCS Revenue Forecast												
Date Printed: January 14, 2010		Statutory Site	Actual FY 07-08		Actual FY 08-09		Appropriation FY 09-10		Estimated FY 10-11		Estimated FY 11-12	Key Bills
1	Beginning balance		\$40,012,876		\$46,588,101		\$68,073,848.45		\$49,642,022.95		\$32,725,349	
2	Revenue		39,457,043		81,216,379		\$19,161,552.00 (est.)		\$39,514,520.00 (est.)		49,677,107 (est.)	
3	Public School Energy Fund	39-29-109.5	(89,096)		(163,769)		TBD		TBD		TBD	
4	TOTAL Available for Expenditure		79,380,823	100.0%	127,640,711	100.0%	\$87,235,400.45	100.0%	\$89,156,542.95	100.0%	82,402,456	100.0%
5	Roll-forwards		0		0	0.0%	\$1,832,635.00	2.1%	\$0.00		0	
	Tier 1	39-29-109.3 (1)										
6	Colorado Geological Survey	(b)	2,197,478	2.8%	2,451,579	1.9%	\$2,510,056.50	2.9%	\$2,560,257.63	2.9%	2,611,463	3.2%
7	Oil and Gas Conservation Commission	(a)	2,300,213	2.9%	2,639,668	2.1%	\$3,095,122.00	3.5%	\$3,157,024.44	3.5%	3,220,165	3.9%
8	Division of Reclamation, Mining, and Safety	(c)	3,925,306	4.9%	3,817,071	3.0%	\$4,167,386.00	4.8%	\$4,250,733.72	4.8%	4,335,748	5.3%
9	Colorado Water Conservation Board	(d)	1,292,890	1.6%	1,266,839	1.0%	\$1,319,250.00	1.5%	\$1,319,250.00	1.5%	1,319,250	1.6%
10	Division of Parks and Outdoor Recreation	(f)	0	0.0%	1,234,058	1.0%	\$1,324,592.00	1.5%	\$1,324,592.00	1.5%	1,324,592	1.6%
11	Division of Wildlife	(e)	0	0.0%	1,292,059	1.0%	\$1,618,264.00	1.9%	\$1,618,264.00	1.8%	1,618,264	2.0%
12	SUBTOTAL Tier 1		9,715,887	12.2%	12,701,274	10.0%	\$14,034,670.50	16.1%	\$14,230,121.79	16.0%	14,429,482	17.5%
	Tier 2	39-29-109.3 (2)										
13	Water Conservation Board Litigation Fund		0		0		\$0.00		\$0.00		0	HB 06-1313 (Sect. 17)
14	Underground water storage		0		0		\$0.00		\$0.00		0	SB 06-193
15	Water infrastructure development	(a)	6,000,000		7,000,000		\$5,775,000.00		\$10,000,000.00		10,000,000	SB 06-179
16	Soil Conservation Districts matching grants	(b)	0		450,000		\$450,000.00		\$450,000.00		0	HB 06-1393
17	Water efficiency grants	(c)	800,000		1,800,000		\$0.00		\$0.00		0	SB 07-008/HB 08-1398
18	Species Conservation Trust Fund	(d) & (e)	0		12,513,886		\$4,500,000.00		\$11,000,000.00		4,000,000	SB 08-168/SB 08-226
19	Low income energy assistance	(f)	12,000,000		13,000,000		\$3,250,000.00		\$13,000,000.00		13,000,000	HB 08-1387
20	Renewable energy - Higher ed consortium	(g)	2,000,000		2,000,000		\$0.00		\$0.00		0	HB 06-1322
21	Renewable energy - Agriculture	(h)	500,000		500,000		\$500,000.00		\$500,000.00		500,000	HB 06-1322
22	Interbasin water compacts	(i)	1,626,835		1,145,067		\$745,067.00		\$745,067.00		745,067	HB 05-1177/HB 06-1400
23	CO Water Research Institute - CSU	(j)	150,000		500,000		\$0.00		\$0.00		0	HB 08-1405
24	Forest restoration grants/ bark beetle	(k) and (n)	0		1,000,000		\$2,500,000.00		\$2,500,000.00		2,500,000	SB 08-71/HB 09-1199
25	Tamarisk control	(l)	0		1,000,000		\$0.00		\$0.00		0	HB 08-1346 (Sect. 29)
26	Acquatic Nuisance Species Fund	(m)	0		5,956,636		\$4,006,005.00		\$4,006,005.00		4,006,005	SB 08-226
27	SUBTOTAL Tier 2		23,076,835	29.1%	46,865,589	36.7%	\$21,726,072.00	24.9%	\$42,201,072.00	47.3%	34,751,072	42.2%
28	TOTAL Expenditures		32,792,722		59,566,863		\$37,593,377.50		\$56,431,193.79		49,180,554	
29	Ending Balance		46,588,101		68,073,848		\$49,642,022.95		\$32,725,349.16		33,221,902	
30	Tier 1 Reserve	39-29-109.3 (3)	19,431,774		12,701,274		\$14,034,670.50		\$14,230,121.79		14,429,482	HB 02-1041/HB 08-1398
31	Tier 2 Reserve	39-29-109.3 (3)	0		7,029,838		\$3,258,910.80		\$6,330,160.80		5,212,661	HB 08-1398
32	Low income energy assistance reserve		13,000,000		0		\$0.00		\$0.00		0	HB 06-1200/HB 08-1387
33	TOTAL Reserve Requirement		32,431,774	40.9%	19,731,112	15.5%	\$17,293,581.30	19.8%	\$20,560,282.59	23.1%	19,642,143	23.8%
34	UNOBLIGATED BALANCE		14,156,327	17.8%	48,342,736	37.9%	\$32,348,441.65	37.1%	\$12,165,066.57	13.6%	13,579,759	16.5%

(est.) = estimate. Revenue Estimates based on Legislative Council's March 2009 Economic Forecast, not including interest.

TBD = To be determined

**DEPARTMENT OF NATURAL RESOURCES
 FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The Department noted at the recent hearing with the Committee that the Operational Account currently has a structural imbalance, with expenditures exceeding anticipated revenues in FY 2009-10 and FY 2010-11 (see table below).

	FY 2009-10 Appropriation	FY 2010-11 Estimate	FY 2011-12 Estimate
Revenues	\$19,161,552	\$39,514,520	\$49,677,107
Expenditures	<u>37,593,378</u>	<u>56,431,194</u>	<u>49,180,554</u>
Difference	(18,431,826)	(16,916,674)	496,553

Because of the current imbalance between revenues and expenditures, and the relatively low uncommitted balance foreseen for FY 2009-10 and FY 2010-11, staff would not recommend significant transfers to the General Fund without enactment of changes to Operational Account expenditures. The following section discusses the Committee's decisions affecting the Operational Account through January 13, 2010.

JBC Decisions Through January 13, 2010

The Committee has approved several adjustments to the Operational Account in the past week that will require statutory changes and/or supplemental appropriations. The overview table on the following page reflects the status of the Operational Account based on the December 2009 revenue forecast and assuming enactment of all of the Committee's decisions to date (described below).

- *Governor's State Parks Proposal:* The Committee approved the Governor's proposal to permanently refinance \$2.1 million General Fund per year in State Parks starting in FY 2009-10. To remain neutral for the Operational Account the proposal includes reductions of \$6.0 million from the Water Supply Reserve Account in FY 2010-11 and \$2.5 million per year thereafter.
- *GEO Weatherization Funding:* The Committee approved a reduction of \$6.5 million per year in Operational Account funding for the Governor's Energy Office (GEO) weatherization program in FY 2010-11 and FY 2011-12, a total reduction of \$13 million in expenditures over two years. The GEO has sufficient federal funds to absorb the reduction.
- *DHS Energy Assistance (LEAP):* The Committee approved a \$1.6 million reduction to Department of Human Services energy assistance funding for FY 2009-10. The Department has sufficient federal funds to absorb the reduction without significantly impacting program operations in FY 2009-10.

Severance Tax Trust Fund											
Operational Account Revenues and Expenditures Reflecting Committee Actions as of Jan. 13, 2010 Based on December 2009 LCS Revenue Forecast											
Date Printed: January 14, 2010	Statutory Site	Actual FY 07-08		Actual FY 08-09		Appropriation FY 09-10		Estimated FY 10-11		Estimated FY 11-12	Key Bills
1	Beginning balance	\$40,012,876		\$46,588,101		\$68,073,848		\$49,119,608		\$42,555,519	
2	Revenue	39,457,043		81,216,379		19,161,552 (est.)		39,514,520 (est.)		49,677,107 (est.)	
3	Public School Energy Fund	(89,096)		(163,769)		TBD		TBD		TBD	
4	TOTAL Available for Expenditure	79,380,823	100.0%	127,640,711	100.0%	87,235,400	100.0%	88,634,128	100.0%	92,232,626	100.0%
5	Roll-forwards	0		0	0.0%	1,832,635	2.1%	0		0	
	Tier 1										
	39-29-109.3 (1)										
6	Colorado Geological Survey	2,197,478	2.8%	2,451,579	1.9%	2,510,057	2.9%	2,560,258	2.9%	2,611,463	2.8%
7	Oil and Gas Conservation Commission	2,300,213	2.9%	2,639,668	2.1%	3,095,122	3.5%	3,157,024	3.6%	3,220,165	3.5%
8	Division of Reclamation, Mining, and Safety	3,925,306	4.9%	3,817,071	3.0%	4,167,386	4.8%	4,250,734	4.8%	4,335,748	4.7%
9	Colorado Water Conservation Board	1,292,890	1.6%	1,266,839	1.0%	1,319,250	1.5%	1,319,250	1.5%	1,319,250	1.4%
10	Division of Parks and Outdoor Recreation	0	0.0%	1,234,058	1.0%	3,472,007	4.0%	3,472,007	3.9%	3,472,007	3.8%
11	Division of Wildlife	0	0.0%	1,292,059	1.0%	1,618,264	1.9%	1,618,264	1.8%	1,618,264	1.8%
12	SUBTOTAL Tier 1	9,715,887	12.2%	12,701,274	10.0%	16,182,086	18.5%	16,377,537	18.5%	16,576,897	18.0%
	Tier 2										
	39-29-109.3 (2)										
13	Water Conservation Board Litigation Fund	0		0		0		0		0	HB 06-1313 (Sect. 17)
14	Underground water storage	0		0		0		0		0	SB 06-193
15	Water infrastructure development	6,000,000		7,000,000		5,775,000		4,000,000		7,500,000	SB 06-179
16	Soil Conservation Districts matching grants	0		450,000		450,000		450,000		0	HB 06-1393
17	Water efficiency grants	800,000		1,800,000		0		0		0	SB 07-008/HB 08-1398
18	Species Conservation Trust Fund	0		12,513,886		4,500,000		11,000,000		4,000,000	SB 08-168/SB 08-226
19	Low income energy assistance	12,000,000		13,000,000		1,625,000		6,500,000		6,500,000	HB 08-1387
20	Renewable energy - Higher ed consortium	2,000,000		2,000,000		0		0		0	HB 06-1322
21	Renewable energy - Agriculture	500,000		500,000		500,000		500,000		500,000	HB 06-1322
22	Interbasin water compacts	1,145,835		1,145,067		745,067		745,067		745,067	HB 05-1177/HB 06-1400
23	CO Water Research Institute - CSU	150,000		500,000		0		0		0	HB 08-1405
24	Forest restoration grants/ bark beetle	0		1,000,000		2,500,000		2,500,000		2,500,000	SB 08-71/HB 09-1199
25	Tamarisk control	0		1,000,000		0		0		0	HB 08-1346 (Sect. 29)
26	Acquatic Nuisance Species Fund	0		5,956,636		4,006,005		4,006,005		4,006,005	SB 08-226
27	SUBTOTAL Tier 2	23,076,835	29.1%	46,865,589	36.7%	20,101,072	23.0%	29,701,072	33.5%	25,751,072	27.9%
28	TOTAL Expenditures	32,792,722		59,566,863		38,115,793		46,078,609		42,327,969	
29	Ending Balance	46,588,101		68,073,848		49,119,608		42,555,519		49,904,657	
30	Tier 1 Reserve	19,431,774		12,701,274		16,182,086		16,377,537		16,576,897	HB 02-1041/HB 08-1398
31	Tier 2 Reserve	0		7,029,838		3,015,161		4,455,161		3,862,661	HB 08-1398
32	Low income energy assistance reserve	13,000,000		0		0		0		0	HB 06-1200/HB 08-1387
33	TOTAL Reserve Requirement	32,431,774	40.9%	19,731,112	15.5%	19,197,246	22.0%	20,832,698	23.5%	20,439,558	22.2%
34	UNOBLIGATED BALANCE	14,156,327	17.8%	48,342,736	37.9%	29,922,362	34.3%	21,722,822	24.5%	29,465,099	31.9%
(est.) = estimate. Revenue Estimates based on Legislative Council's March 2009 Economic Forecast, not including interest.											
TBD = To be determined											

**DEPARTMENT OF NATURAL RESOURCES
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The Committee's actions to date would improve the status of the Operational Account in FY 2010-11 and FY 2011-12, increasing the uncommitted balance from \$12.2 million to \$21.7 million in FY 2010-11 and from \$13.6 million to \$29.5 million in FY 2011-12. Thus, assuming enactment of Committee's actions, the December revenue forecast indicates that the General Assembly could transfer up to \$21.7 million from the Operational Account to the General Fund in either FY 2009-10 or FY 2010-11 (but not both) without impacting authorized expenditures for the term of the forecast.

While the Committee's approved changes do improve the status of the Operational Account, the structural imbalance between annual revenues and expenditures persists (see table below).

	FY 2009-10 Appropriation	FY 2010-11 Estimate	FY 2011-12 Estimate
Revenues	\$19,161,552	\$39,514,520	\$49,677,107
Expenditures	<u>38,115,793</u>	<u>46,078,609</u>	<u>42,327,969</u>
Difference	(18,954,241)	(6,564,089)	7,349,138

Staff Recommendation: Staff recommends that the Committee sponsor legislation to transfer \$11.0 million from the Operational Account to the General Fund in either FY 2009-10 or FY 2010-11. The recommendation would transfer roughly half of the maximum balance available based on the Committee's actions to date and the December revenue forecast, leaving approximately \$10.7 million in uncommitted revenues in FY 2010-11 in an attempt to balance the needs of the Operational Account with the need for additional General Fund assistance (see summary table below and detail on the following page).

	FY 2009-10 Appropriation	FY 2010-11 Estimate	FY 2011-12 Estimate
Beginning Balance	\$68,073,848	\$38,119,607	\$31,555,518
Estimated Revenues	<u>19,161,552</u>	<u>39,514,520</u>	<u>49,677,107</u>
Total Available	87,235,400	77,634,127	81,232,625
Roll Forward Expenditures	1,832,635	TBD	TBD
Tier 1 Expenditures	16,182,086	16,377,537	16,576,897
Tier 2 Expenditures	20,101,072	29,701,072	25,751,072
Total Reserve Requirement	<u>19,197,247</u>	<u>20,832,698</u>	<u>20,439,558</u>
Uncommitted Balance Before Transfer	\$29,922,361	\$10,722,821	\$18,465,099
Recommended Transfer to General Fund	\$11,000,000	N/A	N/A
Uncommitted Balance After Transfer	\$18,922,361	N/A	N/A

Severance Tax Trust Fund
Operational Account Revenues and Expenditures Based on December 2009 LCS Revenue Forecast with Staff Recommendation

Date Printed: January 14, 2010		Statutory Site	Appropriation FY 09-10	Estimated FY 10-11	Estimated FY 11-12	Key Bills
1	Beginning balance		\$68,073,848	\$38,119,608	\$42,555,519	
2	Revenue		19,161,552 (est.)	39,514,520 (est.)	49,677,107 (est.)	
3	Public School Energy Fund	39-29-109.5	TBD	TBD	TBD	
4	TOTAL Available for Expenditure		87,235,400 100.0%	77,634,128 100.0%	92,232,626 100.0%	
5	Roll-forwards		1,832,635 2.1%	0	0	
	Tier 1	39-29-109.3 (1)				
6	Colorado Geological Survey	(b)	2,510,057 2.9%	2,560,258 3.3%	2,611,463 2.8%	
7	Oil and Gas Conservation Commission	(a)	3,095,122 3.5%	3,157,024 4.1%	3,220,165 3.5%	
8	Division of Reclamation, Mining, and Safety	(c)	4,167,386 4.8%	4,250,734 5.5%	4,335,748 4.7%	
9	Colorado Water Conservation Board	(d)	1,319,250 1.5%	1,319,250 1.7%	1,319,250 1.4%	
10	Division of Parks and Outdoor Recreation	(f)	3,472,007 4.0%	3,472,007 4.5%	3,472,007 3.8%	SB 08-13
11	Division of Wildlife	(e)	1,618,264 1.9%	1,618,264 2.1%	1,618,264 1.8%	SB 08-13
12	SUBTOTAL Tier 1		16,182,086 18.5%	16,377,537 21.1%	16,576,897 18.0%	
	Tier 2	39-29-109.3 (2)				
13	Water Conservation Board Litigation Fund		0	0	0	HB 06-1313 (Sect. 17)
14	Underground water storage		0	0	0	SB 06-193
15	Water infrastructure development	(a)	5,775,000	4,000,000	7,500,000	SB 06-179
16	Soil Conservation Districts matching grants	(b)	450,000	450,000	0	HB 06-1393
17	Water efficiency grants	(c)	0	0	0	SB 07-008/HB 08-1398
18	Species Conservation Trust Fund	(d) & (e)	4,500,000	11,000,000	4,000,000	SB 08-168/SB 08-226
19	Low income energy assistance	(f)	1,625,000	6,500,000	6,500,000	HB 08-1387
20	Renewable energy - Higher ed consortium	(g)	0	0	0	HB 06-1322
21	Renewable energy - Agriculture	(h)	500,000	500,000	500,000	HB 06-1322
22	Interbasin water compacts	(i)	745,067	745,067	745,067	HB 05-1177/HB 06-1400
23	CO Water Research Institute - CSU	(j)	0	0	0	HB 08-1405
24	Forest restoration grants/ bark beetle	(k) and (n)	2,500,000	2,500,000	2,500,000	SB 08-71/HB 09-1199
25	Tamarisk control	(l)	0	0	0	HB 08-1346 (Sect. 29)
26	Acquatic Nuisance Species Fund	(m)	4,006,005	4,006,005	4,006,005	SB 08-226
27	SUBTOTAL Tier 2		20,101,072 23.0%	29,701,072 33.5%	25,751,072 27.9%	
28	TOTAL Expenditures		38,115,793	46,078,609	42,327,969	
28a	Transfer to General Fund		11,000,000			
29	Ending Balance		38,119,608	42,555,519	49,904,657	
30	Tier 1 Reserve	39-29-109.3 (3)	16,182,086	16,377,537	16,576,897	HB 02-1041/HB 08-1398
31	Tier 2 Reserve	39-29-109.3 (3)	3,015,161	4,455,161	3,862,661	HB 08-1398
32	Low income energy assistance reserve		0	0	0	HB 06-1200/HB 08-1387
33	TOTAL Reserve Requirement		19,197,246 22.0%	20,832,698 23.5%	20,439,558 22.2%	
34	UNOBLIGATED BALANCE		18,922,362 21.7%	21,722,822 24.5%	29,465,099 31.9%	

(est.) = estimate. Revenue Estimates based on Legislative Council's March 2009 Economic Forecast, not including interest.

TBD = To be determined

**DEPARTMENT OF NATURAL RESOURCES
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Alternatively, the Committee may wish to wait to pursue a transfer to the General Fund until the March revenue forecast is available, which would provide greater certainty about the Operational Account's status and may allow for a larger (or smaller) transfer to the General Fund.

Staff further recommends that the Committee discuss how to package the various adjustments to the Operational Account.

- **Staff recommends including all of the statutory revisions (adjustments to authorized Tier 2 spending, adjustments to percentage caps associated with the State Parks proposal, and the cash fund transfer) in a single bill.** The actual refinancing of the State Parks appropriation from General Fund to severance tax can be accomplished through a supplemental bill or through the statutory bill.
- The Committee could also separate the various proposals into separate bills. The Department of Natural Resources has indicated that the State Parks proposal is time sensitive, so the Committee may wish to consider running that bill separately.
- The cash fund transfer could be included in an omnibus transfer bill but doing so may present difficulties if the associated spending reductions are delayed or not enacted. Staff would not currently recommend a significant transfer without the Committee-approved spending reductions.

Additional Balancing Options

The combination of S.B. 09-293 (which reduced Tier 2 spending by approximately \$23 million in FY 2008-09 and FY 2009-10 to better balance Operational Account revenues and expenditures) and the Committee's actions thus far in 2010 limits the available options to reduce spending from the Operational Account. Below is a brief discussion of several remaining options that the Committee may wish to consider. Staff is not currently recommending the options discussed below but may do so following the release of the March 2010 revenue forecast.

Water Supply Studies

Of the appropriations from the Operational Account for the Colorado Water Conservation Board (CWCB), \$1,275,000 is devoted to water supply studies and planning efforts, instream flow projects, water conservation planning, and flood protection efforts. The Department indicates that some funding is necessary to address critical needs and ensure that on-going projects continue uninterrupted. While the Department would not currently support reductions to this program (particularly in light of significant reductions already affecting water programs), the Department also indicated that there may be room to prioritize projects to manage a short-term reduction in funding should fiscal conditions continue to deteriorate.

Refinance Operations of the Oil and Gas Conservation Commission (OGCC)

The Oil and Gas Conservation Commission (OGCC) is currently funded in part from a 0.7 mill levy on the value of oil and gas production and in part from severance taxes in the Operational Account.

**DEPARTMENT OF NATURAL RESOURCES
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Severance taxes for the OGCC total a little more than \$3 million and represent just over 50 percent of the Program Costs line item. Statutes allow the Department to set the mill levy rate, but cap the rate at 1.7 mills. The Department has an informal opinion from the Attorney General's Office that the mill levy is a fee rather than a tax, and thus a vote is not required to change the rate. The Department estimates that completely replacing the current severance tax appropriation with mill levy revenue would require an increase in the rate of roughly 0.4 mills (about 57 percent). Mill levy revenue is not as variable as severance tax revenue, but it can still fluctuate significantly with oil and gas prices. The oil and gas industry would oppose this option, and the Department would likely oppose it as well.

The refinance could be accomplished through the FY 2010-11 Long Bill but **staff would recommend changing two statutes if the Committee chose to refinance the OGCC.** First, Section 39-29-109.3 (1) (a) (II), C.R.S. requires the OGCC when determining the use of severance tax moneys to, "give priority to uses that reduce industry fees and mill levies." If severance tax appropriations to the OGCC are eliminated, this statutory direction would be meaningless, and so the JBC may want to consider removing it. Second, Section 34-60-122 (1) (b), C.R.S. limits the unobligated reserve of mill levy revenues that may be retained by the Department to a two-year average of four million. The Department has indicated that a higher reserve limit would be necessary if the Division were fully funded with mill levy dollars.

Low-income Energy Assistance Program (DHS)

As mentioned above, the Committee could reduce or eliminate the transfer to Human Services for energy assistance in FY 2010-11 and FY 2011-12 (currently authorized at \$3.25 million each year). The Committee has approved elimination of the funding in FY 2009-10 based on the availability of federal funds but the status of federal funds for FY 2010-11 and FY 2011-12 is unknown.

Wildlife Studies

Senate Bill 08-013 authorized severance tax appropriations to the Division of Wildlife to study the impacts of energy development on habitat and best practices to reduce such impacts. The work is being done primarily by contract researchers. According to the Department, most of the studies have begun, and taking reductions now would result in the waste of resources already spent. The Department also notes that the Interim Water Committee has expressed interest in legislation to take some or all of the Division of Wildlife's allocation to backfill funding reductions in the Division of Water Resources.

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF NATURAL RESOURCES
Executive Director: James Martin

Supplemental NP-1 - Budget Adjustment to Reflect FY 2009-10 Furloughs

(see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>(215,223)</u>	<u>(215,223)</u>	<u>N.A.</u>
Cash Funds	N.A.	N.A.	(139,836)	(139,836)	
Reappropriated Funds	N.A.	N.A.	(4,911)	(4,911)	
Federal Funds	N.A.	N.A.	(70,476)	(70,476)	

Totals Excluding Pending Items					
Department of Natural Resources					
Totals for DRMS, CGS, OGCC, and SLB	22,292,023	25,868,947	(215,223)	(215,223)	25,653,724
FTE	<u>172.9</u>	<u>219.3</u>	<u>219.3</u>	<u>0.0</u>	<u>219.3</u>
General Fund	0	0	0	0	0
Cash Funds	17,489,176	20,428,391	(139,836)	(139,836)	20,288,555
Reappropriated Funds	591,873	873,482	(4,911)	(4,911)	868,571
Federal Funds	4,210,974	4,567,074	(70,476)	(70,476)	4,496,598

Statewide Common Policy Supplementals

(see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>(5,923)</u>	<u>Pending</u>	<u>N.A.</u>
Cash Funds			(5,350)		
Federal Funds			(573)		

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals Including Pending Items					
Department of Natural Resources					
Totals for DRMS, CGS, OGCC, and SLB	22,292,023	25,868,947	(221,146)	(215,223)	25,653,724
FTE	<u>172.9</u>	<u>219.3</u>	<u>219.3</u>	<u>(139,836.0)</u>	<u>(139,616.7)</u>
General Fund	0	0	0	0	0
Cash Funds	17,489,176	20,428,391	(145,186)	(139,836)	20,288,555
Reappropriated Funds	591,873	873,482	(4,911)	(4,911)	868,571
Federal Funds	4,210,974	4,567,074	(71,049)	(70,476)	4,496,598

Key:

N.A. = Not Applicable or Not Available