



**Colorado
Legislative
Council
Staff**

SB16-174

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1165
Prime Sponsor(s): Sen. Sonnenberg
 Rep. Vigil; Coram

Date: March 30, 2016
Bill Status: Senate Agriculture
Fiscal Analyst: Chris Creighton (303-866-5834)

BILL TOPIC: CO WATER CONSERVATION BOARD CONSTRUCTION FUND PROJECT

| Fiscal Impact Summary | FY 2016-2017 | FY 2017-2018 |
|--|--------------------------|--------------------------|
| State Revenue | Potential increase. | |
| Cash Funds | \$0 | |
| <i>State Transfers</i> | \$0 | |
| Severance Tax Perpetual Base Cash Fund | (10,200,000) | (5,000,000) |
| CWCB Construction Cash Fund | 9,100,000 | 5,000,000 |
| Other Cash Funds | 1,100,000 | |
| State Expenditures | up to \$8,005,000 | up to \$1,100,000 |
| Cash Funds | up to \$8,005,000 | up to \$1,100,000 |
| TABOR Impact | Potential increase. | |
| Appropriation Required: \$8,005,000 - Department of Natural Resources (FY 2016-17). | | |
| Future Year Impacts: Ongoing expenditure and potential revenue increase. | | |

Summary of Legislation

This bill appropriates funds from the Colorado Water Conservation Board (CWCB) Construction Fund in the Department of Natural Resources (DNR) for specific water-related projects in FY 2016-17. This bill also:

- authorizes seven cash fund transfers;
- extends the Windy Gap Reservoir bypass channel project until July 1, 2020; and
- allows the CWCB to participate in water distribution system projects.

Additionally as part of the Animas-La Plata project this bill provides the CWCB authority to:

- contract with and allocate Animas-La Plata project water to local entities and water providers;
- undertake Animas-La Plata project operations, maintenance, and replacement costs;
- pay Animas-La Plata project storage or other necessary costs;

- undertake actions to sell, lease, sublease, exchange, and assign the project water acquired; and
- receive and expend proceeds from the sale or lease of Animas-La Plata water and land.

All proceeds from the Animas-La Plata project are to be credited to the CWCB Construction Fund and are continuously appropriated until fully expended. The Animas-La Plata project is repealed when the state has no water allocation in the project, is not a member of the Animas-La Plata operation, maintenance, and replacement association, and all existing purchases and leases or any other contractual agreements have been fully repaid or fulfilled.

Background

The CWCB Construction Fund was created in 1971 to provide low-interest loans for water projects. Revenue for this revolving loan fund comes from interest earned on outstanding loans and the fund's cash balance and distribution of royalties from federal mineral leases.

The Animas-La Plata project was built to fulfill a water rights settlement between the federal government and two Indian tribes in southwestern Colorado: the Southern Ute Indian Tribe and the Ute Mountain Ute Tribe. The project also has auxiliary benefits for other water users in the region as a municipal and industrial water source and reservoir for long-term storage in Lake Nighthorse. In 2010, the General Assembly authorized the expenditure of up to \$36 million toward the purchase of the state's 10,460 acre-feet allocation of Animas-La Plata project water. In 2012, the CWCB and the U.S. Bureau of Reclamation finalized a contract to allow Colorado to purchase a portion of water from the Animas-La Plata project.

State Revenue

This bill increases CWCB Construction Fund revenue beginning in FY 2016-17 from the proceeds collected from selling, leasing, or assigning Animas-La Plata project water. The amount of project water that will be sold, leased, or assigned and the nature of the contracts is unknown at this time, therefore no revenue estimate has been provided.

State transfers. This bill transfers \$11,300,000 in FY 2016-17 as follows:

- up to \$500,000 from the CWCB Construction Fund to the Flood and Drought Response Fund;
- \$600,000 from the CWCB Construction Fund to the Litigation Fund;
- \$200,000 from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund for the Windy Gap reservoir bypass channel project;
- \$1,500,000 from the Severance Tax Perpetual Base Fund to CWCB Construction Fund to continue the watershed restoration program;
- \$2,500,000 from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund for the Bear Creek reservoir reallocation study;
- \$1,000,000 from the Severance Perpetual Base Fund to the CWCB Construction Fund for the statewide water supply initiative; and
- \$5,000,000 from the Severance Perpetual Base Fund to the CWCB Construction Fund for the board to fund studies, programs, or projects that assist in implementing the state water plan. This transfer continues annually indefinitely.

TABOR Impact

This bill potentially increases state revenue from proceeds collected from selling, leasing, or assigning Animas-La Plata project water, which potentially increases the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

State Expenditures

The bill expends \$6,905,000 in FY 2016-17 from the CWCB Construction Fund. The projects for which funds are appropriated are shown in Table 1. The CWCB also has continuous spending authority for \$1,100,000 in transferred funds, including \$500,000 in the Flood and Drought Fund and \$600,000 in the Litigation Cash Fund. These expenditures could occur in either FY 2016-17 or FY 2017-18.

By allowing the CWCB to participate in water treatment and distribution system projects, this bill expands the number of possible water projects that could be funded increasing workload for the CWCB. CWCB workload is also expected to be required to allocate Animas-La Plata project water and undertake operations, maintenance, and replacement costs. The CWCB previously had this authority until July 1, 2015. This increase in workload can be accomplished within existing appropriations.

| Table 1. FY 2015-16 Appropriations for Water-Related Projects in SB16-174 | |
|---|-------------------|
| Cost Components | FY 2015-16 |
| Satellite Monitoring System Maintenance – to renovate existing gauging stations, replace outdated collection platforms; upgrade transmission components of the satellite monitoring system; funding for stream gauge flood hardening projects; and data collection efforts related to flood forecasting and warning. | \$380,000 |
| Colorado Floodplain Map Modernization Program – to continue assistance to communities to revise and improve floodplain studies and maps. | 500,000 |
| Watershed Restoration Program – to provide planning and engineering studies, including implementation measures, to address technical needs for watershed restoration and flood mitigation projects throughout the state. | 1,500,000 |
| Weather Modification Program - to provide assistance to water conservation and conservancy districts with the development of cloud seeding programs to provide benefits to recreation, streams, and reservoirs through snowpack enhancement. | 175,000 |
| Colorado Mesonet Project - to support the project at the Colorado Climate Center at Colorado State University. | 150,000 |
| Water Forecasting Partnership Project - to support the development of new ground and areal remote sensing data and equipment and hydrologic modeling, to provide reliable volumetric water supply forecasting. | 300,000 |
| Bear Creek Reservoir Reallocation Study - to study the potential reallocation of flood storage capacity of Bear Creek reservoir for other beneficial uses. | 2,500,000 |
| Underground Storage Study - to study the suitability of various aquifers to store water, availability of water to be stored, and a conceptual framework to initiate an underground storage project. | 200,000 |

| Table 1. FY 2015-16 Appropriations for Water-Related Projects in SB16-174 (Cont.) | |
|---|--------------------|
| Cost Components | FY 2015-16 |
| Statewide Water Supply Initiative - to continue to reexamine municipal, industrial, agricultural and environmental demands, hydrologic analyses, climate and drought planning, scenario planning, climate change, hydrologic variability, agricultural gap, nonconsumptive gap, basin implementation plan project review, and economics. | 1,000,000 |
| Windy Gap Reservoir Bypass Channel Project - to continue the planning, design, and construction of the Windy Gap bypass channel project. | 200,000 |
| TOTAL | \$6,905,000 |

Local Government Impact

The majority of projects funded under this bill will benefit local water districts.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2016-17, the Department of Natural Resources requires an annual appropriation of \$6,905,000 from the CWCB Conservation Fund.

State and Local Government Contacts

Natural Resources

Property Tax

Treasury

Research Note Available

An LCS Research Note for Senate Bill 16-174 is available online and through the ilegislature app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.