

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2017-18

DEPARTMENT OF NATURAL RESOURCES

(Division of Reclamation, Mining, and Safety, Oil and Gas
Conservation Commission, State Board of Land Commissioners,
and Severance Tax Policy)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF NATURAL RESOURCES

(Division of Reclamation, Mining, and Safety, Oil and Gas Conservation Commission, State Board of Land Commissioners, and Severance Tax Policy)

DEPARTMENT OVERVIEW

The Department of Natural Resources is responsible for developing, protecting, and enhancing Colorado's natural resources for the use and enjoyment of the State's present and future residents and visitors. The Department is comprised of the following divisions:

- The DIVISION OF RECLAMATION, MINING, AND SAFETY (DRMS) regulates development and reclamation at mining sites, reclaims abandoned mine sites, and provides safety training for mine operators and employees.
- The OIL AND GAS CONSERVATION COMMISSION (OGCC) promotes the exploration, development, and conservation of Colorado's oil and natural gas resources by issuing permits, conducting inspections, pursuing enforcement actions, and engaging in public outreach efforts.
- The STATE BOARD OF LAND COMMISSIONERS (State Land Board or Land Board) manages agricultural, commercial, mineral, and other leases on state-owned lands to generate reasonable and consistent revenue for public schools and other trust beneficiaries over time.

The four remaining divisions (The Executive Director's Office, THE DIVISION OF PARKS AND WILDLIFE, THE COLORADO WATER CONSERVATION BOARD, AND THE WATER RESOURCES DIVISION) were discussed in a separate staff briefing today.

This packet also includes an overview discussion of STATEWIDE SEVERANCE TAX POLICY.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$26,309,329	\$27,671,518	\$28,742,941	\$30,746,476
Cash Funds	192,487,142	198,404,864	202,967,586	196,199,421
Reappropriated Funds	8,103,450	8,701,045	7,703,225	6,947,706
Federal Funds	28,852,895	29,141,800	26,641,222	26,703,480
TOTAL FUNDS	\$255,752,816	\$263,919,227	\$266,054,974	\$260,597,083
Full Time Equiv. Staff	1,444.7	1,462.6	1,462.7	1,464.6

*Requested appropriation.

DIVISION OF RECLAMATION MINING AND SAFETY: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$0	\$0	\$0	\$0
Cash Funds	4,462,496	4,492,845	4,485,633	4,460,425
Reappropriated Funds	30,000	30,000	0	0
Federal Funds	3,433,640	3,496,997	3,512,878	3,488,792
TOTAL FUNDS	\$7,926,136	\$8,019,842	\$7,998,511	\$7,949,217
Full Time Equiv. Staff	68.9	68.9	67.9	67.9

*Requested appropriation.

OIL AND GAS CONSERVATION COMMISSION: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$0	\$0	\$0	\$0
Cash Funds	10,901,375	12,719,508	12,397,060	12,370,025
Reappropriated Funds	0	0	0	0
Federal Funds	101,585	107,516	104,559	101,129
TOTAL FUNDS	\$11,002,960	\$12,827,024	\$12,501,619	\$12,471,154
Full Time Equiv. Staff	96.3	110.3	110.3	110.3

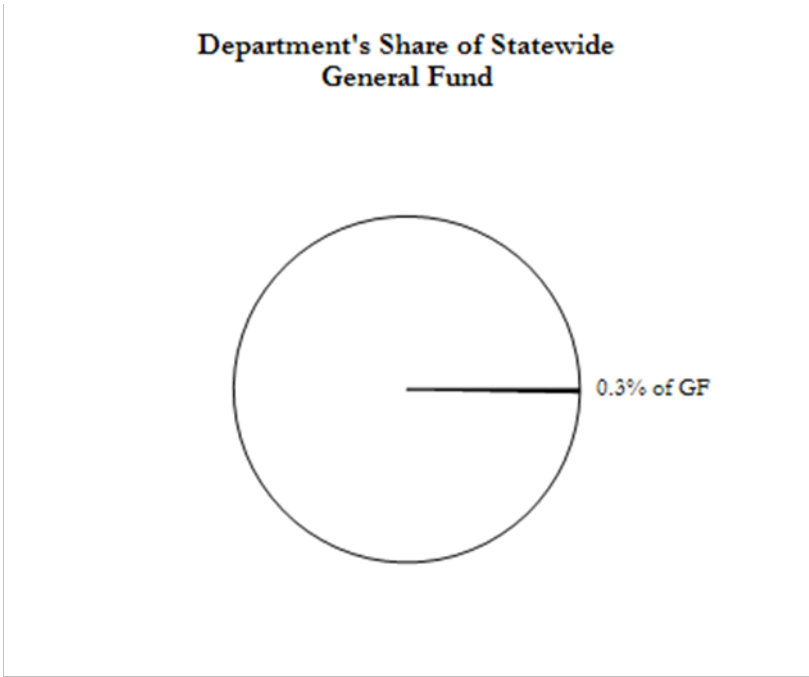
*Requested appropriation.

STATE BOARD OF LAND COMMISSIONERS: RECENT APPROPRIATIONS

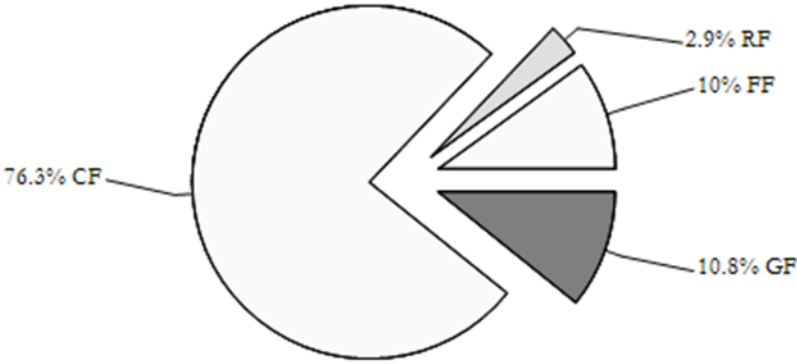
FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$0	\$0	\$0	\$0
Cash Funds	4,439,478	4,576,909	4,766,219	4,864,096
Reappropriated Funds	225,000	225,000	225,000	225,000
Federal Funds	0	0	0	0
TOTAL FUNDS	\$4,664,478	\$4,801,909	\$4,991,219	\$5,089,096
Full Time Equiv. Staff	40.0	40.0	41.0	41.0

*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

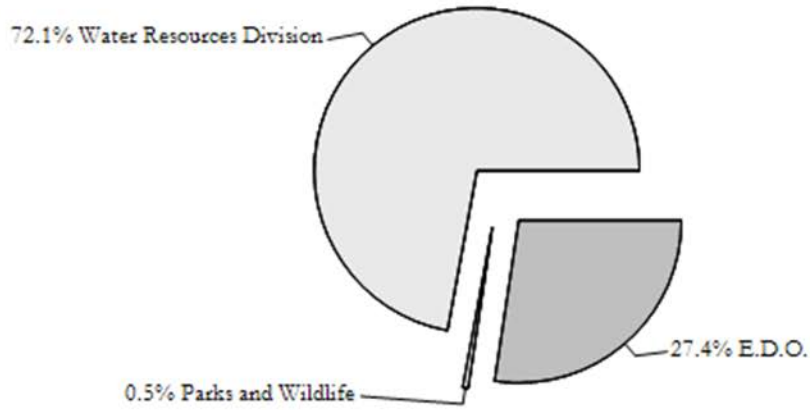


Department Funding Sources

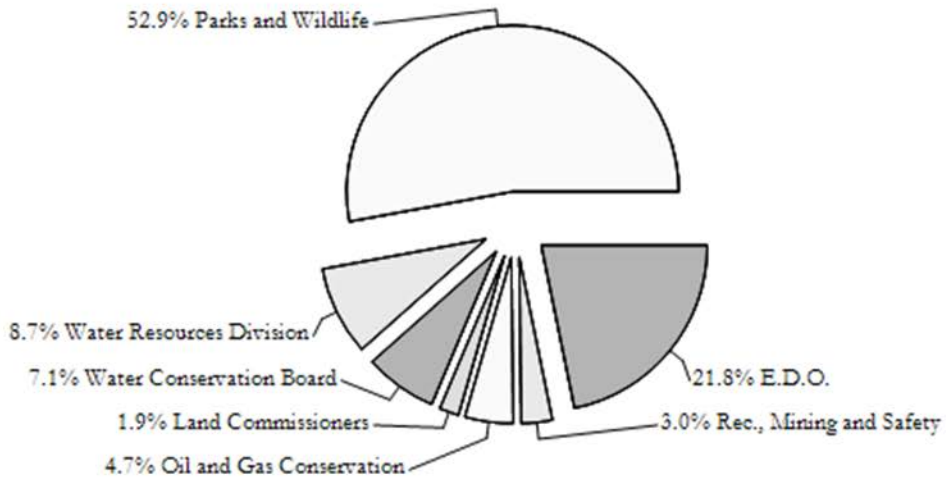


All charts are based on the FY 2016-17 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2016-17 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Funding for the Department of Natural Resources in FY 2016-17 consists of 10.8 percent General Fund, 76.3 percent cash funds, 2.9 percent reappropriated funds, and 10.0 percent federal funds.

Funding for the divisions covered in this briefing packet consists of 84.8 percent cash funds, 1.1 percent reappropriated funds, and 14.1 percent federal funds. These divisions received no General Fund appropriations in FY 2016-17 and are not requesting General Fund appropriations in FY 2017-18. Some of the major factors driving the Department's budget are discussed below.

SEVERANCE TAX REVENUE (OPERATIONAL FUND)

The availability of severance tax revenues affects funding for many programs in the Department. Pursuant to Section 39-29-108 (2) (a), C.R.S., total severance tax revenues are divided equally between the State Severance Tax Trust Fund, administered by the Department of Natural Resources, and the Local Government Severance Tax Fund, which is administered by the Department of Local Affairs to provide funding to local governments impacted by mining activities. Of revenues credited to the State Severance Tax Trust Fund, 50.0 percent (or 25.0 percent of total severance tax revenues) are allocated to the Severance Tax Perpetual Base Fund, used by the Colorado Water Conservation Board for water construction projects. The other 50.0 percent of State Severance Tax Trust Fund revenues (or 25.0 percent of total severance tax revenues) are allocated to the Severance Tax Operational Fund for "programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water."

Severance tax revenues are highly variable and programs supported by the Operational Fund are divided into two tiers to manage the impact of this variability. Tier I expenditures primarily support employee salaries and on-going costs for programs in the Department. The required reserve for Tier I programs is equal to total appropriations for Tier I programs in a given fiscal year. Tier II programs generally support grants, loans, research, and construction and the distribution of funding is staggered: 40.0 percent released July 1, 30.0 percent released January 4, and the remaining 30.0 percent released April 1 of a given fiscal year. The required reserve for Tier II programs is equal to 15.0 percent of the authorized expenditures for Tier II programs in that fiscal year. Tier II programs are subject to proportional reductions if revenue projections indicate there are insufficient funds available to support authorized expenditures.

Severance Tax Operational Fund Summary

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Estimate	FY 2017-18 Estimate
Beginning Balance	\$25,665,238	\$18,981,012	\$34,935,927	\$52,759,696	\$16,352,419	\$8,519,114
Revenues	32,567,255	65,222,486	68,307,732	16,972,369	21,059,702	25,552,297
SB 16-218 Restricted Funds ^b	0	0	0	0	(10,000,000)	0
Total Funds Available	\$58,232,493	\$84,203,498	\$103,243,659	\$69,732,065	\$27,412,121	\$34,071,411
Tier I Appropriations	\$13,612,136	\$13,135,215	\$12,680,817	\$14,698,496	\$17,729,448	\$14,733,386
Tier II Transfers ^a	25,610,735	36,078,691	38,251,072	38,306,150	0	4,229,639
Other ^c	28,593	53,665	64,305	375,000	1,163,559	375,000
Total Expenditures	\$39,251,464	\$49,267,571	\$50,996,194	\$53,379,646	\$18,893,007	\$19,338,025

Severance Tax Operational Fund Summary

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Estimate	FY 2017-18 Estimate
Ending Balance	\$18,981,012	\$34,935,927	\$52,247,464	\$16,352,419	\$8,519,114	\$14,733,386
Tier I and II Reserve Requirements	12,612,136	13,135,215	12,680,817	14,698,496	14,749,448	14,733,386
Unobligated Balance	\$1,006,215	\$16,438,051	\$33,828,986	(\$4,657,788)	(\$11,762,045)	(\$5,081,711)

^a Tier II spending in FY 2016-17 and FY 2017-18 is based on the September 2016 Legislative Council Staff Revenue Forecast.

^b Senate Bill 16-218 (State Severance Tax Refunds) included a provision restricting \$10.0 million in Operational Fund revenue from being spent for any purpose. This restriction may be released upon a majority vote of the Joint Budget Committee.

^c Includes roll-forwards and off the top expenditures. See Appendix F for more detail.

STATE BOARD OF LAND COMMISSIONERS

The State Board of Land Commissioners (State Land Board) manages agricultural, commercial, mineral, and other leases on eight public trusts of land and is tasked with generating reasonable and consistent revenue for trust beneficiaries over time. Total trust revenues have more than tripled over the past ten years, with a record high of \$191.4 million in FY 2014-15. This growth is largely driven by record bonus payments on mineral leases and by rental payments and royalties on oil and gas production, which accounted for more than 82 percent of total trust revenue last year. However, bonus payments are expected to taper off significantly over the next two years as the number of available land parcels decreases and payments for oil and gas development leases on the State Land Board's Lowry Range and 70 Ranch properties are completed.

The Public School Trust benefiting K-12 education is the largest of the trusts managed by the State Land Board, accounting for more than 98.0 percent of total trust revenues. House Bill 08-1335, also known as the Building Excellent Schools Today or BEST Act, significantly changed the distribution of state public school land revenue (see Section 22-43.7-104, C.R.S.). Fifty percent of the gross amount of income received during the fiscal year from state public school lands is deposited in the Public School Capital Construction Assistance Fund for the BEST program. Of the remaining 50.0 percent, approximately \$10.2 million will support State Land Board operations and the Investment and Development Fund in FY 2016-17 and the remainder will be deposited into the Public School (Permanent) Fund.

PUBLIC SCHOOL TRUST REVENUE

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Forecast	FY 2017-18 Forecast
Mineral Royalties	\$49,464,902	\$101,215,660	\$113,189,670	\$63,157,705	\$55,141,000	\$43,641,000
Mineral Bonuses	53,183,032	50,038,216	50,445,063	42,672,837	13,500,000	2,500,000
Mineral Rental	2,963,852	2,849,719	2,231,912	1,771,837	1,778,069	1,779,340
Surface Rental	10,389,785	10,010,655	11,744,758	13,149,443	13,437,357	13,636,768
Commercial/Other	7,051,629	7,449,732	7,208,034	9,124,821	8,547,135	9,259,062
Land and Timber Sales	975	86,250	58,558	32,431	44,553	44,553
Non-Reinvested Sales	0	0	3,750,892	5,302,996	0	0
Interest Income	273,360	185,148	875,725	952,322	952,322	952,322
Total Revenues	\$123,327,535	\$171,835,380	\$189,504,612	\$136,164,392	\$93,400,436	\$71,813,045

OIL AND GAS ACTIVITY

The Colorado Oil and Gas Conservation Commission (OGCC) is responsible for promoting the exploration, development, and conservation of Colorado's oil and natural gas resources. The level of oil and gas drilling activity, shown in the table below, impacts the OGCC's workload and necessary expenditures:

OGCC WORKLOAD MEASURES						
	FY 2012-13 ACTUAL	FY 2013-14 ACTUAL	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 ESTIMATE ^a	FY 2017-18 ESTIMATE ^a
Active Wells	50,909	52,337	53,608	53,651	54,000	55,000
Drilling Permits Requested	3,893	4,401	3,895	3,317	3,330	3,670
Well Starts (Spud)	1,853	2,134	1,961	995	1,100	1,250
Active Drilling Rigs	60	66	58	25	23	27
Site Investigations & Remediation Workplans	640	546	551	514	450	450
Avg. Inspection Frequency (per year)	2.7	1.8	1.5	1.3	1.4	1.4
Hearing Applications	525	614	672	680	625	640
OGCC Expenditures ^b	\$7,624,914	\$9,619,457	\$10,307,697	\$11,403,628	\$12,501,619	\$12,471,154
Total FTE	72.2	82.4	94.6	104.0	110.3	110.3

^a Data included for FY 2016-17 and FY 2017-18 are estimates provided by the Oil and Gas Conservation Commission.

^b Expenditures are shown for the division only. They include all fund sources (including bond claims) but do not include centrally appropriated items funded in the Executive Director's Office. Expenditures for FY 2016-17 and FY 2017-18 reflect the appropriated and requested amounts, respectively.

SUMMARY: FY 2016-17 APPROPRIATION & FY 2017-18 REQUEST

The table below contains only changes to the parts of the Department of Natural Resources discussed in this packet including: the Division of Reclamation, Mining, and Safety, the Oil and Gas Conservation Commission, the State Board of Land Commissioners, and Severance Tax Policy

DEPARTMENT OF NATURAL RESOURCES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$25,491,349	\$0	\$21,648,912	\$225,000	\$3,617,437	219.2
TOTAL	\$25,491,349	\$0	\$21,648,912	\$225,000	\$3,617,437	219.2
FY 2017-18 REQUESTED APPROPRIATION:						
FY 2016-17 Appropriation	\$25,491,349	\$0	\$21,648,912	\$225,000	\$3,617,437	219.2
Centrally appropriated line items	23,151	0	50,667	0	(27,516)	0.0
Annualize prior year budget actions	(5,033)	0	(5,033)	0	0	0.0
Refinance severance tax funding	0	0	0	0	0	0.0
TOTAL	\$25,509,467	\$0	\$21,694,546	\$225,000	\$3,589,921	219.2
INCREASE/(DECREASE)	\$18,118	\$0	\$45,634	\$0	(\$27,516)	0.0
Percentage Change	0.1%	0.0%	0.2%	0.0%	(0.8%)	0.0%

CENTRALLY APPROPRIATED LINE ITEMS: The request includes a net increase of \$23,151 total funds for centrally appropriated line items summarized in the table below:

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Indirect cost assessment adjustment	\$21,718	\$0	\$49,234	(\$27,516)	0.0
Annualize prior year salary survey	1,433	0	1,433	0	0.0
TOTAL	\$23,151	0	\$50,667	(\$27,516)	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a reduction of \$5,033 to reflect the second-year impact of the Committee's decision to fund the Department's request in FY 2016-17 to add 1.0 FTE to the State Land Board for an Asset Manager on the Western Slope.

REFINANCE SEVERANCE TAX FUNDING: The request includes a net-zero cash fund refinancing of activities previously funded with severance tax revenue from the severance tax operational account with funding from the cash fund that receives revenue from the Oil and Gas Conservation Commission conservation mill levy.

ISSUE: OVERVIEW OF THE SEVERANCE TAX OPERATIONAL FUND

Projected severance tax revenues are not sufficient to support anticipated expenditures from the Severance Tax Operational Fund in FY 2016-17, reducing Tier II programs to zero. On top of zero funding available for Tier II programs, FY 2017-18 Tier II programs are projected to require proportional reductions of 87.5 percent.

SUMMARY:

- Projected revenues based on the September 2016 Legislative Council Staff revenue forecast indicate the Severance Tax Operational Fund will not be able to support authorized expenditures for FY 2016-17. Tier II programs will receive zero funding under current law.
- Proportional reductions are projected to be required in FY 2017-18 totaling 87.5 percent of authorized spending for Tier II programs.
- The goal of this issue is to provide a framework for how severance tax functions in a normal year, not accounting for the changes resulting from the BP American Colorado Supreme Court decision or the bill passed in response to it, S.B. 16-218 (State Severance Tax Refunds).

RECOMMENDATION:

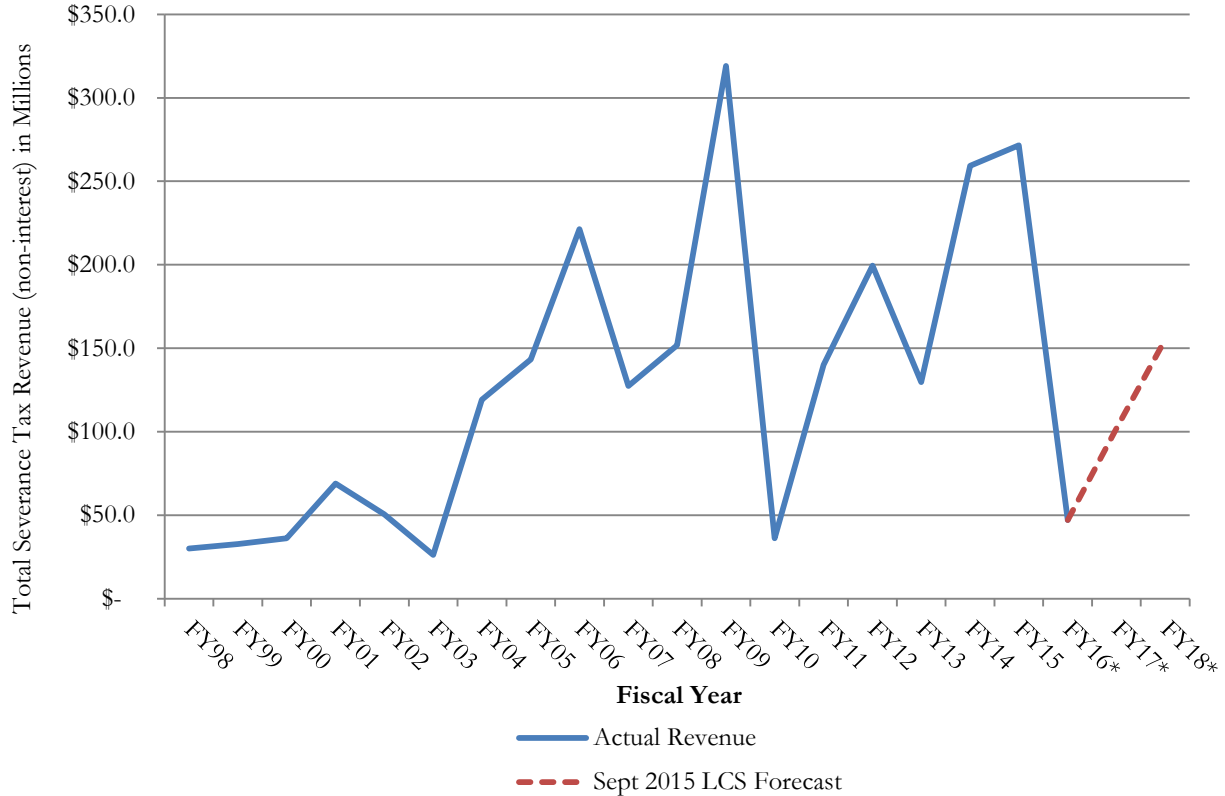
Staff recommends the Committee discuss the impact of the anticipated shortfall in Operational Fund revenue with the Department at the hearing. Please note that Tier II distributions are statutory, which means a bill would be required if the Committee wishes to adjust the distribution of cuts across these programs.

DISCUSSION:

BACKGROUND

Pursuant to Sections 39-29-191 *et seq.*, C.R.S., the State of Colorado levies a tax on the severance of non-renewable natural resources including oil and gas, coal, molybdenum, and other metallic minerals. The following figure shows total annual severance tax revenues over time (excluding interest) based on the September 2016 Legislative Council Staff (LCS) revenue forecast:

SEVERANCE TAX REVENUE - SEPT 2016 LCS FORECAST



*Estimated revenue. Estimated revenue includes two adjustments due to S.B. 16-218 and the September 2016 Forecast: (1) in FY 2015-16 the figure in this chart includes \$56.8 million additional severance tax to account for severance tax refunds paid out of the General Fund; and (2) the FY 2016-17 figure includes an increase of \$36.5 million for severance tax refunds forecast to be funded with General Fund.

Severance tax revenue is highly volatile in part because it is closely linked to the price and production of oil and gas. Oil and gas generates the large majority of total severance tax revenue, accounting for 97.5 percent in FY 2014-15, however in FY 2015-16 that dropped to 50.8 percent, largely due to unexpectedly high ad valorem credits claimed at the end of the fiscal year.

An ad valorem tax credit amplifies swings in severance tax revenue due to changes in commodity prices and production. Severance taxpayers can deduct a portion of local property taxes paid on production from severance tax liability (Section 39-29-105 (2), C.R.S.), but the amount is based on production from two years prior because of a lag in the way property taxes are calculated (assessment cycles). This makes swings in severance tax revenue more extreme than they would be otherwise.¹ For example, if property taxes are high in the year used to determine the tax credit, but the gross taxable income is low in the year that determines initial tax liability, severance tax revenue would be very low (high credit against low income). Conversely, if property taxes are low in the year where the credit is established, but gross taxable income is high, severance tax revenue will be very high (low credit against high income).

¹ Changes in local tax policy and geographic shifts in production can also affect the amount of tax credits for producers and associated state severance tax collections.

These two variables make forecasting and budgeting for severance tax almost impossible. To illustrate the variance between forecasts for the fiscal year that the forecast is occurring in, the Department provided the following information that JBC staff thought was insightful:

SIMPLIFIED SEVERANCE TAX DECEMBER FORECASTS COMPARED TO ACTUALS (MILLIONS)						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Actual Revenue	\$48	\$149	\$208	\$139	\$269	280
December LCS Forecast	\$85	\$177	\$171	\$122	\$182	\$312
Variance (\$)	(\$37)	(\$28)	\$37	\$17	\$87	(\$32)
Variance (%)	(27.8%)	(8.6%)	9.8%	6.5%	19.3%	(5.4%)
December OSPB Forecast	\$64	\$145	\$198	\$115	\$219	\$350
Variance (\$)	(\$16)	\$4	\$10	\$24	\$50	(\$70)
Variance (%)	(14.3%)	1.4%	2.5%	9.4%	10.2%	(11.1%)

*Data provided by the Department of Natural Resources. Acronyms used: LCS is Legislative Council Staff and OSPB is the Governor's Office of State Planning and Budgeting.

After observing variances between December and the last six months of the fiscal year ranging from \$37 million too high to \$87 million too low the forecasting difficulty is apparent. These are significant variances and not something that is easily planned for in the state budget, which is why the General Assembly created a tiered funding system for many programs that receive severance tax funding.

DISTRIBUTION OF SEVERANCE TAX REVENUES

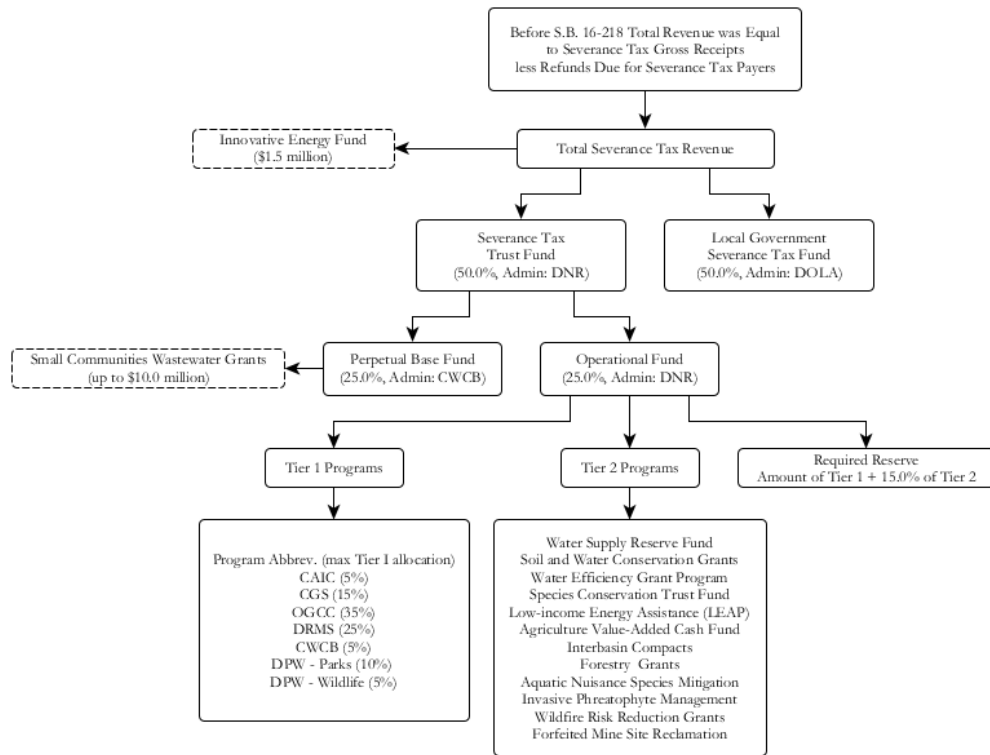
In FY 2015-16 and FY 2017-18, S.B. 16-218 changes the calculation for what is considered "Total Severance Tax Revenue" and will be discussed in more detail in the next issue. The remainder of how severance tax is distributed remains the same as before passage of S.B. 16-218.

After severance tax collections are reduced by severance tax refunds due, the state calculates the total severance tax to flow through the funding formula. Once total severance tax revenue is known it is divided equally between the Severance Tax Trust Fund, administered by the Department of Natural Resources, and the Local Government Severance Tax Fund administered by the Department of Local Affairs.² Revenue in the Local Government Severance Tax Fund is distributed to local governments, both through the "direct distribution" and through grant funding for infrastructure projects, and is not subject to appropriation by the General Assembly. Severance Tax Trust Fund revenue is used to support "programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water, and for use in funding programs to reduce the burden of increasing home energy costs on low-income households" (Section 39-29-109 (1), C.R.S.).

The following figure illustrates the distribution of total severance tax revenues to different parts of state government for years except FY 2016-17 and FY 2017-18:

² Pursuant to Section 39-29-108 (2) (a) (I), C.R.S., \$1.5 million of total severance tax revenue is allocated to the Innovative Energy Fund annually through July 1, 2016.

FLOW CHART OF SEVERANCE TAX DISTRIBUTION



Of the severance tax revenue credited to the Severance Tax Trust Fund, 50.0 percent is allocated to the Perpetual Base Fund, which is administered by the Colorado Water Conservation Board (CWCB) and used for water construction projects.³ The other 50.0 percent goes to the Operational Fund which is divided between Tier I and Tier II expenditures (Section 39-29-109.3, C.R.S.). Please the end of this briefing issue for a detailed account of all Operational Fund expenditures based on the September 2016 LCS revenue forecast.

OPERATIONAL FUND TIER I EXPENDITURES

Expenditures from Tier I of the Operational Fund primarily support salaries and ongoing program costs in the Department of Natural Resources. These appropriations are insulated from volatility in severance tax revenue in two ways:

1. Each of the Tier I programs is authorized by statute to receive a percentage of total available Operational Fund revenues (e.g. the OGCC can receive up to 35.0 percent of the total moneys available in the Operational Fund). This prioritizes funding for these programs which could, receive all available revenues in the Operational Fund. As shown in the following table, however, Tier I programs have generally used a much smaller percentage of total revenue than statute allows.

³ The Small Communities Wastewater Grant Fund only receives severance tax money if the Perpetual Base Fund receives more than \$50.0 million in revenue, and funding is capped at \$10.0 million per year.

OPERATIONAL FUND APPROPRIATIONS FOR TIER I PROGRAMS			
	Allowable % by Statute	FY 2016-17 % Approp	5-Year Average ^b
Oil and Gas Conservation Commission	35.0%	26.9%	4.7%
CAIC and CGS ^a	20.0%	2.7%	2.9%
Reclamation, Mining, and Safety	25.0%	16.6%	5.9%
Colorado Water Conservation Board	5.0%	4.8%	1.8%
Division of Parks and Wildlife	15.0%	9.4%	3.4%
Total %	100.0%	60.4%	18.7%

^a The Colorado Avalanche Information Center and the Colorado Geological Survey began receiving separate appropriations from the Operational Fund starting in FY 2013-14.

^b Average of actuals from FY 2011-12 to FY 2015-16.

- The reserve requirement for Tier I programs is equal to one full year of operating appropriations which helps protect against the need to change staffing and operating levels based on fluctuating revenues. This does have the effect of doubling the impact of any Tier I appropriation and any increase in Tier I expenditures decreases revenue available for distribution to Tier II programs. Important to note about the reserve requirement in FY 2016-17 is that the passage of S.B. 16-167 (Severance Tax Operational Fund Reserve Reduction), which temporarily reduced the required reserve by \$2.9 million.

OPERATIONAL FUND TIER II EXPENDITURES

Tier II programs are funded with Operational Fund revenues left over after Tier I appropriations are fulfilled, and support primarily things like grants, loans, research, and construction (Section 39-29-109.3 (2), C.R.S.). The reserve requirement for Tier II programs is equal to 15.0 percent of authorized expenditures, based on the expectation they are better able to accommodate fluctuations in revenue than Tier I programs. Funding for Tier II programs is disbursed in three installments over the course of the year: 40.0 percent in July, 30.0 percent in January, and the remaining 30.0 percent in April. As established in H.B. 08-1398, if mid-year projections indicate there will be insufficient Operational Fund revenue to support authorized expenditures for Tier II programs, they are all subject to proportional reductions unless the General Assembly acts to prioritize cuts via legislation.

ANTICIPATED PROPORTIONAL REDUCTIONS TO TIER II PROGRAMS

A revenue shortfall of \$11.8 million is currently anticipated for FY 2016-17, which will reduce all authorized spending for Tier II programs to zero. The forecast also estimates that in FY 2017-18 proportional reductions totaling 87.5 percent will be required. The following table displays authorized expenditures and distributions to Tier II programs currently anticipated for FY 2017-18:

PROJECTED PROPORTIONAL REDUCTIONS TO TIER II PROGRAMS, FY 2017-18			
	Authorized Expenditures	Estimated Distributions	Difference (Auth-Est)
Water Infrastructure Development	\$10,000,000	\$1,248,489	\$8,751,511
Soil Conservation Districts Matching Grants	450,000	56,182	393,818
Water Efficiency Grants	550,000	68,667	481,333
Species Conservation Trust Fund	5,000,000	624,244	4,375,756
Low Income Energy Assistance	13,000,000	1,623,035	11,376,965
Interbasin Water Compacts	745,067	93,021	652,046

PROJECTED PROPORTIONAL REDUCTIONS TO TIER II PROGRAMS, FY 2017-18			
	Authorized Expenditures	Estimated Distributions	Difference (Auth-Est)
Aquatic Nuisance Species Fund	4,006,005	500,145	3,505,860
Forfeited Mine Site Reclamation	127,000	15,856	111,144
Total	\$33,878,072	\$4,229,639	\$29,648,433

Please note that these figures do not include the impact of the Governor's separate request for legislation to transfer \$31.7 million in severance tax revenue to the General Fund in FY 2016-17. The figures above are estimates based on current law and do not make any other assumptions.

DEPARTMENT POSITION ON THE STATUS OF THE OPERATIONAL FUND

Tier I programs are still the Department's highest priority and it is opposed to any cuts at this level. Severance tax funding for state parks was highlighted as being particularly valuable because of the elimination of General Fund support for park operations during the last downturn.

The Department declined to prioritize Tier II programs as 40.1 percent of authorized expenditures in FY 2015-16 (the last year Tier II received funding) will occur in other departments and agencies. The Department exhibited some

The Department offered one solution to ease the effect the variance in the severance tax cycles has on Tier II programs is to increase the Tier II required reserve. The Department did express a preference to proportional reductions instead of targeted cuts generally, however, the level at which estimated cuts are to occur may not provide programs with funding sufficient for each agency to justify holding a grant cycle.

The Department's rationale for proportional over targeted cuts or the elimination of specific programs is that: (1) by reducing funding for all programs by a small amount, the most important/highest priority projects will have some continuity of funding; (2) revenue forecasts often vary from actual revenues by 10 percent or more, making it difficult to negotiate targeted cuts based on an estimated shortfall; and (3) statute provides for a bonus installment to true-up cuts with actual revenue, which can be a difficult process if cuts are not proportionally distributed to start with.

JBC staff recommends the Committee discuss with its members priorities for funding Tier II programs in FY 2016-17 and FY 2017-18. It should also decide whether a minimal amount of funding for Tier II programs in FY 2017-18 is preferable to using the estimated \$4.9 million for Tier II programs to balance the General Fund or build a larger reserve for the following year.

NEW APPROPRIATIONS AND RECENT LEGISLATION IMPACTING THE OPERATIONAL FUND

2016 Legislation

Senate Bill 16-167 (Severance Tax Operational Account Reserve Reduction) Excluded \$2.98 million from the Severance Tax Operational Fund Tier I reserve requirement in FY 2016-17. The bill reduces the impact of the Oil and Gas Conservation Commission fund source adjustment, which refinanced \$2.98 million cash funds from the Oil and Gas Conservation and Environmental Response Fund with the same amount from Tier I of the Severance Tax Operational Fund in FY 2016-17. The Tier

I reserve requirement is normally 100.0 percent of Tier I appropriations pursuant to Section 39-29-109.3 (3) (a), C.R.S.

Senate Bill 16-218 (State Severance Tax Refunds) More detail on this bill may be found in the next briefing issue. Specified the funding mechanism for potential severance tax refunds associated with the Colorado Supreme Court decision in *BP America v. Colorado Department of Revenue*. In FY 2015-16, any required refunds will first be made from severance tax revenue collected during June 2016. If the amount of required refunds exceeds severance tax collections, the remainder will be made from the General Fund reserve and the statutory reserve requirement will be adjusted by the same amount. In FY 2016-17, refunds will be made from severance tax collections up to a cap of 15.0 percent of gross monthly severance tax revenues. If the amount required for refunds exceeds 15.0 percent of gross severance tax revenues in a month, the additional amount will be refunded from income tax revenue diverted from the General Fund. Includes provisions restricting a total of \$77.4 million within the three cash funds that receive severance tax revenue:

- Severance Tax Operational Fund (Department of Natural Resources): \$10.0 million
- Severance Tax Perpetual Base Fund (Department of Natural Resources): \$19.1 million
- Local Government Severance Tax Fund (Department of Local Affairs): \$48.3 million from the portion of revenue allocated grants.
 - This amount was reduced by \$19.9 million in August 2016 when the Joint Budget Committee authorized a release on a restriction for that amount.
 - The remaining Local Government restriction is \$28.4 million.

These funds are restricted from being expended for any use unless released in whole or in part by a majority vote of the Joint Budget Committee.

2015 Legislation

Senate Bill 15-022 (Wildfire Risk Reduction Grant Program) replenished grant funding for projects that reduce hazardous fuels and lower wildfire risk. The Wildfire Risk Reduction Grant Program was established in 2003 and originally funded by a transfer of \$9.8 million from the General Fund to the continuously-appropriated Wildfire Risk Reduction Fund. This bill transferred an additional \$1.0 million from Tier II of the Operational Fund to the Wildfire Risk Reduction Fund in FY 2015-16. With the 15.0 percent reserve requirement for Tier II expenditures, the bill has a total impact of \$1.15 million. The grant program and cash fund are repealed on July 1, 2018.

Senate Bill 15-253 (CWCB Projects Bill) authorized \$2.2 million in Tier II expenditures, including \$1.2 million for the Watershed Restoration Program and \$1.0 million to develop analytical tools to help design and regulate dam spillways. The revenue will remain available for both purposes until the end of FY 2018-19, at which point any remaining money will revert back to the Operational Fund.

Senate Bill 15-255 (Deposit Severance Tax Revenues In General Fund) authorized the diversion of up to \$20.0 million in severance tax revenue to the General Fund prior to being distributed to funds administered by the Department of Natural Resources and the Department of Local Affairs. Pursuant to Section 39-29-109 (b), C.R.S., the Operational Fund receives 25.0 percent of total severance tax revenue and bears the same proportion of any reduction in total severance tax revenues. The September 2015 LCS forecast shows a total of \$16.2 million was diverted at the end of FY 2014-15, reducing revenue to the Operational Fund by \$4.1 million.

House Bill 15-1006 (Invasive Phreatophyte Grant Program) created a two-year grant program, administered by the CWCB, for the management of invasive phreatophytes, e.g. tamarisk and Russian olive. The bill included a provision transferring \$2.0 million cash funds from Tier II of the Operational Fund to the CWCB Construction Fund in both FY 2015-16 and FY 2016-17 to fund the program. With the 15.0 percent reserve requirement for Tier II expenditures, the bill has a total impact of \$2.3 million per year. However, the second transfer will only be made if proportional reductions are not anticipated for other Tier II transfers in FY 2016-17 under the relevant LCS revenue forecasts.

House Bill 15-1150 (Sev Tax Op Fund Transfers for Mine Reclamation), recommended by JBC staff and sponsored by the JBC, provided \$127,000 cash funds for reclamation projects at forfeited mine sites from Tier II of the Operational Fund starting in FY 2015-16. The program was originally funded at a higher level as part of Tier I funding for the DRMS. The program is now subject to any proportional reductions that may be required by future revenue shortfalls.

Severance Tax Operational Fund Projections based on LCS Sept. 2016 Forecast

	Actual FY 2015-16		Projected FY 2016-17		Projected FY 2017-18		Projected FY 2018-19	
Beginning balance	\$52,759,696		\$16,352,419		\$8,507,834		\$14,733,386	
Revenue	16,972,369	est.	21,048,422	est.	25,599,085	est.	39,008,419	est.
Restricted Funds (S.B. 16-218)	0		(10,000,000)		0		0	
TOTAL Available for Expenditure	\$69,732,066	100.0%	\$27,400,841	100.0%	\$34,106,919	100.0%	\$53,741,805	100.0%
Roll-forwards (TOTAL)			788,559					
Off-the-Top Expenditures								
Colorado Energy Office (H.B. 12-1315)	375,000		375,000		375,000		375,000	
Public School Energy Fund	TBD		TBD		TBD		TBD	
SUBTOTAL OTT	\$375,000		\$375,000		\$375,000		\$375,000	
Tier I								
Oil and Gas Conservation Commission	4,576,745	6.6%	7,376,784	26.9%	4,398,067	12.9%	4,398,067	8.2%
Colorado Geological Survey	1,408,265	2.0%	1,379,672	5.0%	1,379,672	4.0%	1,414,164	2.6%
Avalanche Information Center	502,142	0.7%	550,899	2.0%	582,044	1.7%	596,595	1.1%
Div of Reclamation, Mining, and Safety	4,346,743	6.2%	4,540,625	16.6%	4,627,877	13.6%	4,743,574	8.8%
Colorado Water Conservation Board	1,286,676	1.8%	1,319,250	4.8%	1,319,250	3.9%	1,319,250	2.5%
Division of Parks and Wildlife	2,577,926	3.7%	2,562,218	9.4%	2,426,476	7.1%	2,426,476	4.5%
SUBTOTAL Tier I	\$14,698,496	21.1%	\$17,729,448	64.7%	\$14,733,386	43.2%	\$14,898,126	27.7%
Tier II								
Water Conservation Board Litigation Fund								
Underground water storage								
Water Infrastructure Development	9,103,590		0		1,258,970		6,955,337	
Soil Conservation Districts Matching Grants	409,662		0		56,654		312,990	
Water Efficiency Grants	500,697		0		69,243		382,544	
Species Conservation Trust Fund	4,551,795		0		629,485		3,477,668	
Low Income Energy Assistance	11,834,667		0		1,636,661		9,041,938	
Renewable energy - Higher ed consortium	0		0		0		0	
Renewable energy - Agriculture	455,179		0		0		0	
Interbasin Water Compacts	678,278		0		93,802		518,219	
CO Water Research Institute - CSU	0		0		0		4,520,969	
Forest restoration grants/ bark beetle	2,275,897		0		0		0	
Tamarisk control (H.B. 08-1346)	0		0		0		2,260,484	
Aquatic Nuisance Species Fund	3,646,903		0		504,344		2,786,311	
Forfeited Mine Site Reclamation (H.B. 15-1150)	115,616		0		15,989		88,333	
Wildfire Risk Reduction Grants (S.B. 15-022)	910,359		0		0		0	
Watershed Restoration (S.B. 15-253)	910,359		0		0		0	
Dam Spillway Analysis (S.B. 15-253)	1,092,431		0		0		0	
Phreatophyte Control Program (H.B. 15-1006)	1,820,718		0		0		0	
SUBTOTAL Tier II	\$38,306,150	54.9%	\$ 0.0%	0.0%	\$4,265,147	12.5%	\$23,563,339	43.8%
TOTAL Expenditures	\$53,379,646		\$18,893,007		\$19,373,533		\$38,836,465	
Ending Balance	16,352,419		8,507,834		14,733,386		14,905,340	
Tier 1 Reserve ^a	14,698,496		14,749,448		14,733,386		14,898,126	
Tier 2/LEAP Reserve	6,311,711		5,531,711		5,081,711		5,081,711	
TOTAL Reserve Requirement	\$21,010,207	30.1%	\$20,281,159	74.0%	\$19,815,097	58.1%	\$19,979,837	37.2%
UNDERFUNDED RESERVE	(\$4,657,788)	(6.7%)	(\$11,773,325)	(43.0%)	(\$5,081,711)	(14.9%)	(\$5,074,497)	(9.4%)

est. = estimate. Revenue estimates are based on the Legislative Council Staff's March 2016 Revenue Forecast and include interest income of \$358,000 in FY 2015-16 and \$93,008 in FY 2016-17. In FY 2015-16, Tier II programs received 91.0 percent of authorized distributions. However, current projections indicate that there may not be sufficient revenue to make any Tier 2 distributions in FY 2016-17.

TBD = To be determined

^a For FY 2016-17, JBC-sponsored S.B. 16-167 reduced the required reserve for Tier I programs by \$2.98 million.

ISSUE: EFFECT OF S.B. 16-218 AND REQUESTED LEGISLATION

At the end of the 2016 legislative session the General Assembly was informed of a recent Colorado Supreme Court decision involving how severance tax credits are calculated. With initial estimates first suggesting refunds may reach \$100 - \$400 million, the General Assembly quickly passed S.B. 16-218 to ensure programs funded with severance tax were not completely defunded. The impact of the Supreme Court decision is still mostly unknown, however, S.B. 16-218 is having a potentially unintended effect on General Fund revenue in FY 2016-17.

SUMMARY

- Senate Bill 16-218 (Concerning Severance Tax Refunds) temporary changed the way in which severance tax refunds are made.
 - For FY 2015-16, all severance tax refunds that were remitted after passage of the bill did not reduce severance tax revenue credited to each of the funds, which is estimated to total \$56.8 million. It instead reduced General Fund Revenue by \$56.8 million.
 - For FY 2016-17, severance tax refunds are to be paid with 15 percent of severance tax collected in the month, with the remainder funded with General Fund. In FY 2016-17 this is estimated to divert \$36.5 million from the General Fund.
- The bill also restricted severance tax revenues in three cash funds that receive transfers of severance tax to prevent its expenditure until and unless the Joint Budget Committee authorizes its release by a majority vote. The amount reserved initially totaled \$77.4 million and was comprised of \$48.3 million in the Local Government Severance Tax Fund, \$10.0 million in the Severance Tax Operational Fund, and \$19.1 million in the Severance Tax Perpetual Base Fund.
- In August, the Joint Budget Committee authorized a release of \$19.9 million from the restriction placed on the Local Government Severance Tax Fund, which allowed the Department of Local Affairs to finalize its awards for the fall Mineral and Energy Impact grant cycle. The restriction remaining on that fund totals \$28.4 million and the total restriction across all three funds is now \$57.5 million.
- The Governor requested the Joint Budget Committee sponsor legislation to transfer \$31.7 million of the amount restricted by S.B. 16-218 to the General Fund to help balance the budget in FY 2016-17. This would reduce the amount of General Fund that subsidized severance tax programs in FY 2016-17 from \$56.8 million to \$25.1.

RECOMMENDATION

Staff recommends the Committee discuss its severance tax funding priorities, including:

- Which programs should receive a priority for funding in FY 2017-18;
- Which programs should receive funding even if there is not sufficient revenue in FY 2017-18;
- Whether some programs should receive direct General Fund appropriations and be removed completely from severance tax for FY 2017-18 and the future; and

- Whether the General Assembly wishes to put in place a new mechanism, such as increased Tier II reserve requirements, to try to reduce the extreme swings severance tax revenue experiences.

DISCUSSION

BACKGROUND

On April 25, 2016, the Colorado Supreme Court issued a decision in *BP America v. Colorado Department of Revenue*, in which BP America Production Company sought to deduct the cost of capital under state statute that permits taxpayers to deduct “any transportation, manufacturing, and processing costs” from revenue in valuing oil and gas resources for severance tax purposes. The Court held that the plain language of the current severance tax statute authorizes all deductions for transportation, manufacturing, and processing costs. Specifically:

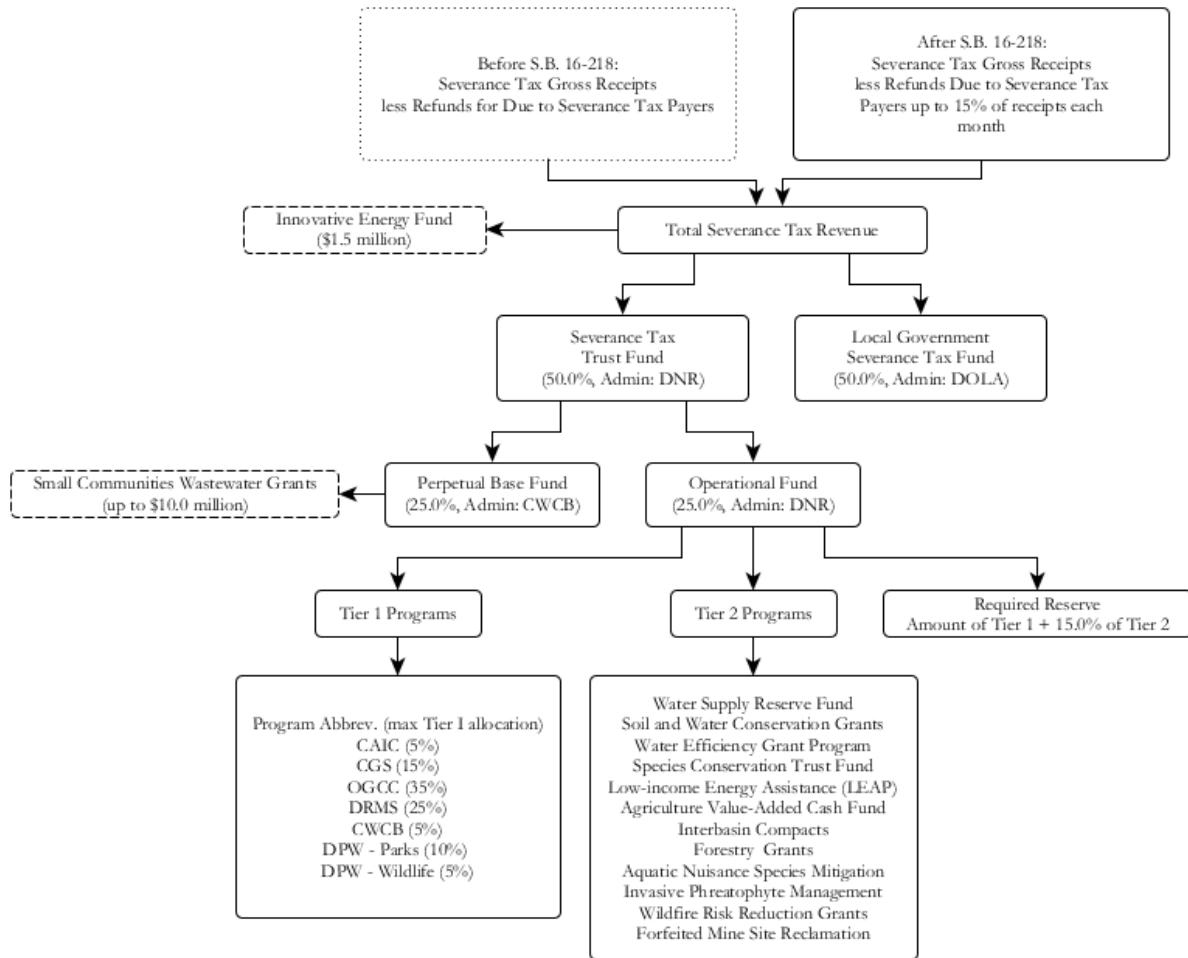
By using the phrase “any . . . costs,” the legislature did not distinguish between different types of costs. [Section 39-29-102 (3) (a), C.R.S.] Simply, the statute does not allow taxpayers to deduct some transportation, manufacturing, and processing costs but not others. Rather, it unambiguously allows a deduction for all transportation, manufacturing, and processing costs.

The specific tax deductions at issue in the case were “Return on Investment” or “ROI” deductions, which include the cost of capital. However, the Court’s broad interpretation of the language in Section 39-29-102 (3) (a), C.R.S., implies that other deductions may be allowable as well. The industry calls the other deductions “NERF” deductions, because the form for reporting the deductions is the Netback Expense Report Form. These expenses cover a wide range of transportation, manufacturing, and processing expenses that the Department of Revenue has not previously allowed companies to deduct.

When the General Assembly first received notice of the outcome and potential impact of the *BP America* decision back in late April and early May 2016, the Department of Revenue estimated refunds resulting from the decision to be between \$100 million and \$400 million. The estimate was revised down to between \$24.9 million and \$98.4 million when more information became available. Since that time, not much new information that would contribute to accurate estimates has been obtained.

The unknown effect the decision would have on future severance tax revenues led to introduction and passage of JBC-sponsored bill S.B. 16-218 (Concerning Severance Tax Refunds). For this discussion, there are three pieces to pay attention to: (1) accrued \$56.8 million to the General Fund as a tax credit expenditure in FY 2015-16 and estimates diversions of \$36.5 million from the General Fund in FY 2016-17, (2) directed refunds of severance tax that exceed 15 percent of the monthly severance tax collections to be made from the General Fund in FY 2016-17, and (3) reserved \$77.4 million severance tax for programs funded with it. The diagram below is similar to the one you saw in the previous Briefing Issue, but illustrates how severance tax funding flows in FY 2016-17 under the provisions of S.B. 16-218.

FLOW CHART OF SEVERANCE TAX DISTRIBUTION AFTER S.B. 16-216



The bill provides the JBC with authority to release the funds restricted upon a majority vote of the Committee. The JBC exercised this authority in August when it voted to release \$19.9 million for the Department of Local Affairs to fund its fall Local Government Energy and Mineral Impact Grant awards.⁴ Included in Appendix E is a summary of the projects funded, please note some grant funding is derived from Federal Mineral Lease revenues.

SEVERANCE TAX REVENUE CONDITIONS

For FY 2015-16, S.B. 16-218 directed the state to pay all remaining severance tax refunds due at the end of FY 2015-16 from the General Fund. At the same time, it would reduce the required General Fund reserve by a like amount. At the end of every year the Department of Revenue places an accrual entry for anticipated tax refunds, including severance, for those it knows are due for the fiscal year that is about to end. Typically, this accrual is only at most a few million dollars. In collaboration with Governor's Office of State Planning and Budgeting, Legislative Council Staff, and

⁴ For more information on the Local Government Mineral and Energy Impact Program, please see the Department of Local Affairs Briefing, presented November 29, 2016, accessible at: http://leg.colorado.gov/sites/default/files/fy2017-18_locbrf.pdf

the affected programs, the Department of Revenue estimated the additional credits anticipated for amended tax returns that were due in FY 2015-16 related to be \$56.8 million and “booked” this accrual against the General Fund in FY 2015-16. Even though these payments will be made in FY 2016-17, they reduced the revenue reported for FY 2015-16 through an accounting accrual adjustment. The Department provided the Joint Budget Committee with this information in August and September.

Both September 2016 revenue forecasts included this figure for FY 2015-16; it is composed of two numbers. First, \$40.0 million is for returns that were made in August 2016. These payments were regular severance tax. The other \$16.8 million represents cases that are awaiting their final disposition in the Tax Conferee’s queue, which were awaiting final disposition *BP America* litigation.

GENERAL FUND DIVERTED IN FY 2015-16 TO SEVERANCE TAX REFUNDS	
	FY 2015-16
Tax Refunds from Ad Valorem Tax	\$40.0
Tax Refunds from BP America	16.8
Total	\$56.8

The table below summarizes severance tax activity so far in FY 2016-17. This level of detail only began being compiled monthly in FY 2016-17.

SEVERANCE TAX ACTIVITY IN FY 2016-17							
	BEGINNING ESTIMATED EFFECT	PERIOD 1 JULY 2016	PERIOD 2 AUGUST 2016	PERIOD 3 SEPTEMBER 2016	PERIOD 4 OCTOBER 2016	YTD TOTAL	ACCRUAL REMAINING BALANCE
Severance Tax Collections		6,042,907	6,542,625	8,262,452	6,961,763	27,809,746	
Severance Tax Refunds ^a		429,305	41,341,258	3,017,667	569,321	45,357,551	
Refund Cap (15% of Gross Collections)		906,436	981,394	1,239,368	1,044,264		
Refunds covered by Severance Tax		429,305	981,394	1,239,368	569,321	3,219,388	
Refunds covered by General Fund 2015-16	56,800,000	0	40,359,864	1,778,299	0	42,138,163	14,661,837
Refunds covered by General Fund 2016-17	(est.)36,500,000	0	0	0	0	0	
Total Estimated Impact of S.B. 16-218	93,300,000						
Amount to be distributed		5,613,602	5,561,231	7,023,084	6,392,442	24,590,359	
Transfer for Governor's Energy Office		1,500,000	0	0	0	1,500,000	
Amount distributed to DOLA Fund Local Government Severance Tax Fund		2,056,801	2,780,616	3,511,542	3,196,221	11,545,180	
Amount distributed to DNR Fund Operational Fund		1,028,401	1,390,308	1,755,771	1,598,111	5,772,591	
Amount distributed to DNR Fund Perpetual Base Fund		1,028,401	1,390,308	1,755,771	1,598,111	5,772,591	

^aMost, if not all, severance tax refunds made to date are the result of regular tax activity and not the *BP America* decision.

The September 2016 Legislative Council Revenue Forecast estimated that the amount of General Fund that will be diverted to pay severance tax refunds that exceed monthly collections by 15.0 percent in FY 2016-17 to be \$36.5 million. Again, staff must remind the Committee how difficult severance tax is to forecast to begin and it probably is not safe to rely on these with utmost confidence. In the forecast, severance tax revenue reflects actual anticipated revenue from severance

tax activities, regardless of where the funding for refunds comes. Therefore, JBC staff is accounting for this \$36.5 million in the Severance Tax Operational Fund model by increasing the funds that receive severance tax to account for the anticipated General Fund subsidy.

To date, the total estimated diversion of General Fund between FY 2015-16 and FY 2016-17 is \$93.3 million as a result of the provisions of S.B. 16-218.

S.B. 16-218 Estimated General Fund Diversion (Millions)	
FY 2015-16 Typical Severance Tax Refunds	\$40.0
FY 2015-16 Tax Conferee Cases	16.8
FY 2015-16 Est. Total	\$56.8
FY 2016-17 Estimated Severance Tax Refunds Exceeding Monthly Collections by 15%	36.5
Total General Fund Reduction Reflected in September Forecast for FY 2015-16 and FY 2016-17	\$93.3

Additionally, the Department of Revenue explained to JBC staff that the majority of all refunds that have been made to date are regular severance tax refunds and have nothing to do with the *BP America* decision. Instead, it is the result of the interplay between severance tax and the ad valorem tax credit, which accounted for approximately \$40.0 million of the severance tax refunds in Period 2. Stated another way, the issue with severance tax revenues in FY 2016-17 is not due to the outcome of the *BP America* decision.

The Department of Revenue is observing that the severance tax payers included in the stakeholder group are waiting to file amended returns until after the Department promulgates new rules on calculating allowable deductions. It has also observed that some taxpayers were already taking deductions for ROI and NERF expenditures as part of regular practice. Still yet, some larger taxpayers have expressed no desire to even seek amended returns, but that may change at the conclusion of the stakeholder process. *An issue providing an update on the Department of Revenue's ongoing stakeholder process related to severance tax will be presented during the Department of Revenue's briefing on December 19th.*

In FY 2016-17, S.B. 16-218 also limited the refunds to be made from severance tax collections each month to be at most 15 percent of the severance tax collected that month. The table above shows how the Department of Revenue has accounted for this provision. First it pays refunds from severance up to 15 percent, for example, in Period 2 \$981,394 of all refunds due was paid from severance tax which equals 15 percent of \$6.5 million collected. The remaining \$40.4 million was paid from the FY 2015-16 accrual. Thus, instead of severance tax revenue being hit with negative revenue totaling about \$34.8 million, it actually "earned" \$5.6 million.

One result of how FY 2015-16 and FY 2016-17 restrictions work in practice is that severance tax programs were artificially inflated by \$58.6 million in FY 2015-16 and will continue to be artificially inflated by an estimated \$36.5 million in FY 2016-17. To further illustrate the effect of S.B. 16-218, two periods from the above table were selected that staff thought were most illustrative of the effect of the 15 percent cap on funds that benefit from the revenue:

COMPARISON OF IMPACT TO SEVERANCE TAX CASH FLOW WITH AND WITHOUT S.B. 16-218

	Period 2 August 2016 Without S.B. 16-218	Period 2 August 2016 With S.B. 16-218	Period 3 September 2016 Without	Period 3 September 2016 Before S.B. 16-218
Severance Tax Collections	\$6,542,625	\$6,542,625	\$8,262,452	\$8,262,452
Severance Tax Refunds/ ^a	41,341,258	41,341,258	3,017,667	3,017,667
Refund Cap (15% of Gross Collections)	0	981,394	0	1,239,368
Refunds covered by Severance Tax	41,341,258	981,394	3,017,667	1,239,368
Refunds covered by General Fund 2015-16	0	40,359,864	0	1,778,299
Refunds covered by General Fund 2016-17	0	0	0	0
Net Total Severance Tax Revenue	(\$34,798,633)	\$5,561,231	\$5,244,785	\$7,023,084
Amount to be distributed/ ^b	\$0	\$5,561,231	\$5,244,785	\$7,023,084
Amount distributed to DOLA Fund Local Government Severance Tax Fund	0	2,780,616	2,622,393	3,511,542
Amount distributed to DNR Fund Operational Fund	0	1,390,308	1,311,196	1,755,771
Amount distributed to DNR Fund Perpetual Base Fund	0	1,390,308	1,311,196	1,755,771

^{/a} Based on information provided by the Department of Revenue, most refunds accounted for thus far are the result of the regular ad valorem tax cycle and not the result of the BP America decision.

^{/b} Prior to S.B. 16-218, the net severance tax identified in the Period 2 Before S.B. 16-218 cell would have reduced FY 2015-16 Severance Tax Revenues due to the timing of refunds.

One thing the Committee should take away from this issue is that in FY 2016-17, no additional General Fund has been diverted to pay severance tax refunds, *yet*. It does appear likely that without a change to provisions included in S.B. 16-218, the General Fund is at risk of preserving funding for programs that likely would have received proportional reductions regardless of the outcome of the *BP America* decision. Historically, looking at monthly data back to FY 2008-09, August, December, January, and April, on average, are the months most likely to process refunds that exceed 15 percent. It takes about a week for the Department of Revenue to close out the month before it is able to provide the monthly comparison of collections and refunds.

Finally, the following table is a summary comparison between projected Operational Fund cash flows with and without the passage of S.B. 16-218 for FY 2016-17 and FY 2017-18. The expanded comparison may be found in Appendix J.

SUMMARY COMPARISON OF IMPACT TO SEVERANCE OPERATIONAL FUND WITH AND WITHOUT S.B. 16-218

	Without S.B. 16-218 FY 16-17		With S.B. 218 FY 16-17		Without S.B. 218 FY 17-18		With S.B. 218 FY 17-18	
Beginning balance	\$10,348,227		\$16,352,419		\$3,422,148		\$8,507,834	
Revenue	11,966,928		21,048,422	est.	25,599,085	est.	25,599,085	est.
Restricted Funds (S.B. 16-218)	0		(10,000,000)		0		0	
TOTAL Available for Expenditure	\$22,315,155	100.0%	\$27,400,841	100.0%	\$29,021,232	100.0%	\$34,106,919	100.0%
Roll-forwards and Off-the-Top Expenditures	\$1,163,559		\$1,163,559		\$375,000		\$375,000	
Tier I Funding	\$17,729,448	79.5%	\$17,729,448	64.7%	\$14,733,386	50.8%	\$14,733,386	43.2%
Tier II Funding	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$4,265,147	12.5%
TOTAL Expenditures	\$18,893,007		\$18,893,007		\$15,108,386		\$19,373,533	
Ending Balance	\$3,422,148		\$8,507,834		\$13,912,846		\$14,733,386	

SUMMARY COMPARISON OF IMPACT TO SEVERANCE OPERATIONAL FUND WITH AND WITHOUT S.B. 16-218

	Without S.B 16-218 FY 16-17		With S.B. 218 FY 16-17		Without S.B. 218 FY 17-18		With S.B. 218 FY 17-18	
TOTAL Reserve Requirement	\$20,281,159	90.9%	\$20,281,159	74.0%	\$19,815,097	68.3%	\$19,815,097	58.1%
UNDERFUNDED RESERVE	(\$16,859,011)	(75.5%)	(\$11,773,325)	(43.0%)	(\$5,902,251)	(20.3%)	(\$5,081,711)	(14.9%)

SEVERANCE TAX EXPENDITURE RESTRICTION

The restricted severance tax expenditures impact several different funds and many programs; it totaled \$77.4 million. The restriction was initially comprised of \$19.1 million from the Severance Tax Perpetual Base (Perpetual Base) Fund, \$10.0 million from the Severance Tax Operational (Operational) Fund, and \$48.3 million from the Local Government Severance Tax (Local Government) Fund. After releasing funds in August, the total restriction is now \$57.5 million and consists of \$19.1 million from the Perpetual Base Fund, \$10.0 million from the Operational Fund, and \$28.4 million from the Local Government Fund.

S.B. 16-218 EXPENDITURE RESTRICTION SUMMARY		
	Original Restriction	Remaining Restriction after JBC Action in August
DOLA Local Government Severance Tax Fund	\$48.3	\$28.4
DNR Operational Fund	10.0	10.0
DNR Perpetual Base Fund	19.1	19.1
Total	\$77.4	\$57.5
Amount of Severance Tax Governor Requested be transferred to General Fund in FY 2016-17		
		31.7
Amount still reserved if full transfer is approved		\$25.8

The Perpetual Base Fund primarily funds activities of the Colorado Water Conservation Board, which was discussed during the first Department of Natural Resources briefing earlier today. The Operational Fund primarily funds Natural Resources programs, specifically those known as Tier I and Tier II Severance Tax Programs. Finally, the Local Government Fund provides funding for the Local Government Mineral and Energy Impact Program.

The restriction and reduced future revenue effectively guarantee no revenue will be available to fund Tier II programs in at least FY 2016-17. It also places a burden on Tier I programs, evidenced by the Department of Natural Resources technical adjustments included in its FY 2017-18 request. The requested adjustment to the Oil and Gas Conservation Commission’s (OGCC) program line substitutes \$2.8 million cash funds from the Operational Fund with a like amount from the Oil and Gas Conservation and Emergency Response Fund (Emergency Response Fund). The Emergency Response Fund is the recipient of revenue from the OGCC mill levy.

HISTORICAL BUDGET BALANCING “SWEEPS” OF SEVERANCE TO THE GENERAL FUND

While this year the obvious concern is General Fund subsidizing programs that have recently been funded with severance tax revenues, however, this opportunity only tells one side of the story. Between FY 2001-02 and FY 2014-15, the General Assembly has transferred over \$42.7 million from the Severance Tax Operational Fund and over \$386.9 million from all Severance Tax

collections. These figures include reductions for General Fund transfers back to the various severance tax funds. A summary of transfer by fund and fiscal year is included below:

SEVERANCE TAX REVENUE TRANSFERS TO THE GENERAL FUND				
Fiscal Year	Severance Tax Trust Fund		Local Government Severance Tax Fund	Total Severance Tax Transferred to GF
	Operational Fund	Perpetual Base Fund		
2001-02	\$20,200,000	\$0	\$0	\$20,200,000
2002-03	6,877,398	0	0	6,877,398
2003-04	4,600,000	0	0	4,600,000
2004-05	0	0	0	0
2005-06 ^a	(7,900,000)	0	0	(7,900,000)
2006-07	0	0	0	0
2007-08	0	0	0	0
2008-09 ^b	0	35,000,000	7,500,000	42,500,000
2009-10	11,000,000	64,000,000	50,327,769	125,327,769
2010-11 ^c	0	16,000,000	70,000,000	86,000,000
2011-12	3,950,000	48,100,000	41,000,000	93,050,000
2012-13	0	0	0	0
2013-14	0	0	0	0
2014-15 ^d	4,056,683	4,056,683	8,113,366	16,226,732
Total	\$42,784,081	\$167,156,683	\$176,941,135	\$386,881,899

^a Partial repayment of the FY 2001-02 transfer from the Operational Fund under H.B. 02-1394.

^b In FY 2008-09, there was an additional transfer of \$14,248,358 to the General Fund from the Local Government Mineral Impact Fund; however, this amount was repaid on July 1, 2009.

^c A transfer of \$4,800,000 from the Local Government Permanent Fund was authorized by statute, but the Controller reports that only \$4,136,764 was transferred based on funds available.

^d S.B. 15-255 transferred up to \$20.0 million in severance tax revenues to the General Fund. Current estimates indicate that the total transfer will be \$16.2 million in FY 2014-15. This table shows this funding as if it had actually been deposited to the funds where severance tax is normally allocated; however, the actual reduction was taken "off the top" before the funds received the money.

PATH FORWARD FOR SEVERANCE TAX

Throughout the discussions this summer it has become clear to JBC staff that the Department of Revenue has little to no interest in proposing a solution to changes to the severance tax administration, especially as it relates to reducing or insulating against volatility. The Department of Revenue is an order-taker and does not seem proactive, especially in tax administration. It continues to convene its stakeholder group, but it is important for the Committee to note, that conversation is focused solely on severance tax revenue. The goal of the stakeholder group is to get consensus on how to administer collection of the severance tax and not how the state can ease or remove the volatility of the fund.

The manner in which current law is operating suggests that programs supported with severance tax revenue are critical enough to the General Assembly to be backfilled with General Fund. Was that the intended purpose of S.B. 16-218? Considering the Department of Revenue has not been able to specifically identify any refunds that have been made since passage of S.B. 16-218, is S.B. 16-218 operating at all as the General Assembly intended? When severance tax revenues vary so significantly based on factors completely outside the control of the state, is it the appropriate funding source for any continuing program?

REQUESTED LEGISLATION

The letter accompanying the Governor's FY 2017-18 budget request includes a request that the Joint Budget Committee sponsor legislation to transfer \$31.7 million of the amount currently restricted by S.B. 16-218 (Concerning Severance Tax Refunds) to the General Fund for budget balancing purposes. JBC staff recommends the Committee request a draft for this bill, however, JBC staff does not have a recommendation on introducing the bill at this time. This is the same bill that was discussed in the Department of Local Affairs briefing.

As the JBC analyst for the Department of Local Affairs stated, the Committee may choose to transfer all of the reserve in the Local Government Severance Tax Fund (\$28.4 million after August release). The justification being that the Department of Local Affairs already received some of its restricted funding and is currently receiving more severance tax revenue, subsidized by the General Fund, than it would have in a typical year like this one. This is true even without the *BP America* decision. It would then only need to split the remaining funding requested to be transferred (\$3.3 million) between the Perpetual Base Fund and the Operational Fund.

INFORMATIONAL ISSUE: TIER II SEVERANCE TAX PROGRAMS

Under current law, the Tier II Severance Tax Programs receives funding as part of the 25 percent of state severance tax revenues transferred to the Severance Tax Operational Fund. If funding is not sufficient to fund all Tier II programs, funding is proportionally reduced across programs. If funding is not sufficient to fully fund Tier I programs, Tier II programs receive zero funding. This scenario is forecast to occur in FY 2016-17. What type of program can manage unpredictable revenue, especially when that revenue can be zero?

SUMMARY

- Tier II Severance Tax Programs continue to expand the use of the yearly severance tax revenue despite the revenue source being wildly unpredictable, volatile, and in a year like FY 2016-17 results in the programs receiving zero funding.
- This issue provides brief description of each of the Tier II programs, their purposes, and any additional information prepared by JBC staff.

RECOMMENDATION

JBC staff recommends the Committee discuss Severance Tier II programs to determine whether the programs are ones that should receive funding from a volatile funding source or whether they are more appropriately funded with General Fund.

DISCUSSION

In a difficult year for severance tax generation like the current one, Tier II programs bear the burden by reducing funding proportionally based on anticipated and actual revenues. Tier II program funding is disbursed to the agencies at three points during the year: July 1, January 4, and a final one made April 1.

The number of Tier II programs has experienced a significant growth in the past several years and the question that the Joint Budget Committee needs to answer is what types of programs belong in Severance Tax Tier II when it is clear the revenue source is unpredictable and very volatile. For example, during the 2015 legislative session, four bills took one-time funding from the severance tax Tier II programs and actual transfers resulting from them totaled \$4.8 million.

Initially these Tier II programs were almost exclusively programs that could manage volatile cash funds because it did not fund operational activities; it often provided a source of grant or loan funding. As more programs receive Tier II funding, this preference is not continuing and more programs are supporting FTE with Tier II funding. Oddly enough, even some of the grant funding in Tier II programs supports employment in some form and lost funding translates into lost jobs or wages.

JBC staff position is such that it is logical to fund the Tier I programs with severance tax because, generally, the programs funded help regulate mining and production. What is not clear to JBC staff is why the Tier II programs receive preference for funding over General Funded programs. JBC staff is not taking a position on the value of each Tier II program but feels the spending may be better managed if any of the funding that would flow to Tier II in a year was transferred into the General Fund.

The remainder of this issue will provide a brief explanation of each of the Tier II programs and, when possible, anticipated effects of the reduced funding each is forecast to receive in FY 2016-17 and FY 2017-18.

The programs discussed will include:

- Water Infrastructure Development;
- Soil Conservation District Matching Grants;
- Water Efficiency Grants;
- Species Conservation Trust Fund;
- Low Income Energy Assistance;
- Agricultural Renewably Energy;
- Interbasin Water Compacts;
- Forest Restoration and Bark Beetle;
- Aquatic Nuisance Species Fund; and
- Forfeited Mine Site Reclamation.

WATER INFRASTRUCTURE DEVELOPMENT

Administered by the Department of Natural Resources and funded by the Water Supply Reserve Fund, the program provides grants and loan for water projects approved by the Colorado Water Conservation Board (CWCB). The fund is continuously appropriated for this purpose.

The CWCB is seeking a \$10.0 million transfer from the CWCB Construction Fund to the Water Supply Reserve Fund to all the program to continue operating. Additionally, the statewide account for the fund has approximately \$2.3 million in unobligated balance that it could utilize.

CONSERVATION DISTRICT MATCHING GRANTS

The Matching Grants to Districts line item in the Department of Agriculture is funded by a combination of Tier II Severance Tax and General Fund. The program is authorized to receive up to \$450,000 each year from severance tax and since FY 2013-14, also received \$250,000 in General Fund appropriations. Funding supports grants up to \$25,000 to conservation districts to provide technical assistance on conservation activities.

It also supports the State's 25 percent match for the District Conservation Technicians Program. Matching funds for this program also come from the federal government at 50 percent and the district match of the final 25 percent. If the state match is not met, non-state employees will likely lose employment.

Conservation districts serve a unique role throughout the state, offering education and funding assistance to help landowners with land conservation activities such as: water quality improvements, forest health, water conservation, soil health, youth conservation education, and wildlife habitat.

In the face of the current funding situation, the program intends to reduce the maximum grant awards from \$25,000 to \$7,000 to expend the current fund balance of \$433,149 until transfers begin to replenish the funding.

WATER EFFICIENCY GRANTS

The Water Efficiency Grant Program is administered by the CWCB Office of Water Conservation and Drought Planning in the Department of Natural Resources (DNR). The program provides financial assistance to communities, water providers, and eligible agencies for water conservation-related activities and projects.

This program is authorized for up to a \$550,000 transfer from severance tax revenue each year when sufficient revenue is available. For the past two fiscal years, the program has provided total grant awards ranging between \$440,000 and \$500,000 each year. The Water Efficiency Grant Fund is continuously appropriated for this purpose and has a current fund balance of a little over \$2.0 million.

SPECIES CONSERVATION TRUST FUND

The Species Conservation Trust Fund provides funding for the Division of Parks and Wildlife to engaged in projects aimed to help protect or recover threatened or endangered species. Currently, the fund is forecast to have a beginning fund balance in FY 2016-17 of \$33.3 million. Of this amount, only \$11.8 million is cash and the rest represent loan advances. Recent yearly expenditures from the fund range between \$5.0 and \$6.0 million.

If this program does not receive additional funding, it appears it can operate fully funded for FY 2016-17 and FY 2017-18, after which revenue is forecast to recover.

LOW INCOME ENERGY ASSISTANCE PROGRAM (LEAP)

Low Income Energy Assistance Program (LEAP) provides energy subsidies to low-income households. Funding is used to help cover heating bills for low income individuals for the cold-weather months of the year and to avoid heating shut-offs. The Office uses the funds to retrofit households with low-cost and cost-effective energy efficiency measures through the state weatherization assistance program, to provide heating system and other appliance replacement, to supplement available funding for energy efficiency measures or services offered to low-income households through electric or gas utility energy efficiency or renewable energy programs, and to pay a portion of the cost for energy efficiency upgrades to new housing built for low-income families.

In the Office of the Governor's Budget Briefing, JBC staff recommended a direct \$2.0 million General Fund appropriation for LEAP in FY 2017-18 to continue efforts of the program.

AGRICULTURAL RENEWABLE ENERGY

This program provides grants, loans, loan guarantees, and equity investments for agricultural renewable energy projects, project concepts, or research. The transfer is currently scheduled to terminate in FY 2017-18 and due to the current severance tax forecast, the Department of Agriculture has chosen not to seek legislation to reauthorize the transfer at this time.

The Department did express a desire to seek reauthorization once severance tax revenue rebounds.

INTERBASIN COMPACTS

Provides operating and personnel costs for the CWCB to convene permanent water basin roundtables for each of the eight water districts and one for the metro region. The fund is continuously appropriated to the Department and has a beginning FY 2016-17 fund balance of \$1,486,438. This fund typically anticipates between \$400,000 and \$600,000 in expenditures each year.

FORESTRY AND BARK BEETLE GRANTS

This program provides grants and loans for projects including experimental forest restoration, wildfire risk mitigation, and watershed restoration. The transfer is currently scheduled to terminate in FY 2017-18. The Department of Higher Education did not provide a cash fund report for the Forest Restoration Program Cash Fund with the November 1 request and therefore staff is unable to provide additional detail.

AQUATIC INVASIVE SPECIES

The Division of Parks and Wildlife is directed to use this funding source to detect, prevent, contain control, and eradicate aquatic nuisance species. This transfer is authorized up to a bit more than \$4.0 million.

Not funding this activity in some way has the potential to cost the state an extraordinary amount of money to combat invasive species after an infestation has occurred.

FORFEITED MINE SITE RECLAMATION

The transfer for forfeited mine site reclamation provides funding when operators abandon a site and the bond is insufficient to cover the full expense of reclamation. Appropriations for forfeited mine site reclamation remain open for three years. The purpose is to ensure that the Department has funding throughout the life of the reclamation, which can take multiple years. The cash flow summary of this fund indicates yearly expenditures totaling \$500,000.

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Appendix A: Number Pages

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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DEPARTMENT OF NATURAL RESOURCES
Bob Randall, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

(A) Administration

Personal Services	<u>3,669,792</u>	<u>3,635,359</u>	<u>3,830,479</u>	<u>3,835,086</u>	
FTE	37.8	36.4	41.3	41.3	
Reappropriated Funds	3,669,792	3,635,359	3,830,479	3,835,086	
Health, Life, and Dental	<u>11,376,595</u>	<u>12,872,236</u>	<u>13,095,267</u>	<u>14,230,659</u>	*a
General Fund	1,185,293	1,305,891	1,978,358	2,663,887	
Cash Funds	7,654,767	8,583,619	9,952,512	10,819,587	
Reappropriated Funds	1,208,214	1,452,359	822,186	409,281	
Federal Funds	1,328,321	1,530,367	342,211	337,904	
Short-term Disability	<u>205,739</u>	<u>208,790</u>	<u>179,003</u>	<u>182,814</u>	*a
General Fund	32,444	33,069	28,046	29,795	
Cash Funds	141,966	143,848	141,187	142,948	
Reappropriated Funds	5,896	6,326	5,014	4,988	
Federal Funds	25,433	25,547	4,756	5,083	
S.B. 04-257 Amortization Equalization Disbursement	<u>4,276,535</u>	<u>4,674,630</u>	<u>5,156,204</u>	<u>5,423,146</u>	*a
General Fund	674,702	742,138	807,711	882,938	
Cash Funds	2,950,793	3,226,274	4,067,023	4,241,460	
Reappropriated Funds	122,583	141,848	144,575	147,966	
Federal Funds	528,457	564,370	136,895	150,782	

*This line item includes a decision item

^a Figures represent final appropriation for this line item, not actual expenditures.

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>4,009,253</u>	<u>4,515,192</u>	<u>5,102,493</u>	<u>5,423,146</u>	*a
General Fund	632,533	716,838	799,297	882,938	
Cash Funds	2,766,369	3,116,232	4,024,658	4,241,460	
Reappropriated Funds	114,923	136,992	143,069	147,966	
Federal Funds	495,428	545,130	135,469	150,782	
Salary Survey	<u>2,818,625</u>	<u>1,097,724</u>	<u>50,669</u>	<u>2,948,424</u>	
General Fund	432,104	175,964	10,716	479,129	
Cash Funds	1,948,185	853,046	33,877	2,306,648	
Reappropriated Funds	82,176	33,529	6,076	80,562	
Federal Funds	356,160	35,185	0	82,085	
Shift Differential	<u>29,155</u>	<u>42,291</u>	<u>41,899</u>	<u>42,863</u>	a
General Fund	0	0	0	0	
Cash Funds	29,155	42,291	41,899	42,863	
Workers' Compensation	<u>1,879,077</u>	<u>1,482,367</u>	<u>1,383,287</u>	<u>1,302,021</u>	
General Fund	53,330	43,452	40,547	42,144	
Cash Funds	1,814,534	1,430,876	1,335,239	1,251,870	
Reappropriated Funds	8,980	7,843	7,319	7,812	
Federal Funds	2,233	196	182	195	
Operating Expenses	<u>852,565</u>	<u>392,418</u>	<u>1,246,674</u>	<u>1,246,674</u>	
Cash Funds	673,752	228,164	1,057,006	1,057,006	
Reappropriated Funds	174,010	159,441	184,331	184,331	
Federal Funds	4,803	4,813	5,337	5,337	

*This line item includes a decision item

^a Figures represent final appropriation for this line item, not actual expenditures.

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Legal Services	<u>4,945,944</u>	<u>4,767,223</u>	<u>4,844,889</u>	<u>5,059,340</u>	
General Fund	1,294,457	1,233,141	1,242,684	1,297,689	
Cash Funds	3,556,235	3,432,476	3,489,036	3,643,473	
Reappropriated Funds	51,683	31,208	49,616	51,812	
Federal Funds	43,569	70,398	63,553	66,366	
Payment to Risk Management and Property Funds	<u>767,271</u>	<u>711,637</u>	<u>778,683</u>	<u>875,712</u>	
General Fund	80,713	76,085	76,975	86,758	
Cash Funds	662,823	614,081	680,562	765,334	
Reappropriated Funds	13,431	12,124	11,927	13,458	
Federal Funds	10,304	9,347	9,219	10,162	
Vehicle Lease Payments	<u>3,276,868</u>	<u>3,421,447</u>	<u>4,074,948</u>	<u>4,279,629</u> *	
General Fund	241,433	233,846	261,243	286,119	
Cash Funds	2,970,835	3,090,937	3,701,399	3,874,703	
Reappropriated Funds	3,441	40,502	46,926	46,901	
Federal Funds	61,159	56,162	65,380	71,906	
Information Technology Asset Maintenance	<u>260,400</u>	<u>229,402</u>	<u>263,159</u>	<u>263,159</u>	
General Fund	28,869	31,628	31,628	31,628	
Cash Funds	140,993	122,604	140,993	140,993	
Reappropriated Funds	90,538	75,170	90,538	90,538	
Leased Space	<u>1,223,250</u>	<u>1,292,448</u>	<u>1,396,694</u>	<u>1,452,960</u>	
General Fund	568,930	573,546	587,245	625,463	
Cash Funds	619,108	689,281	764,884	786,947	
Reappropriated Funds	0	0	18,000	18,000	
Federal Funds	35,212	29,621	26,565	22,550	

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Capitol Complex Leased Space	<u>972,920</u>	<u>1,381,111</u>	<u>1,357,180</u>	<u>1,584,640</u>	*
General Fund	205,939	292,340	291,684	303,864	
Cash Funds	496,633	704,996	690,464	806,195	
Reappropriated Funds	166,393	236,205	227,014	301,753	
Federal Funds	103,955	147,570	148,018	172,828	
CORE Operations	<u>877,953</u>	<u>1,723,832</u>	<u>2,611,690</u>	<u>2,812,835</u>	
General Fund	235,429	253,791	392,824	413,499	
Cash Funds	585,344	1,318,940	2,020,857	2,230,516	
Reappropriated Funds	23,453	73,908	114,395	92,339	
Federal Funds	33,727	77,193	83,614	76,481	
Species Conservation Trust Fund	<u>1,281,383</u>	<u>5,160,475</u>	<u>3,000,000</u>	<u>0</u>	
Cash Funds	1,281,383	5,160,475	3,000,000	0	
Payments to OIT	<u>8,341,099</u>	<u>8,099,685</u>	<u>8,472,679</u>	<u>11,079,528</u>	*
General Fund	830,877	1,209,903	1,321,611	1,768,594	
Cash Funds	6,393,110	5,792,325	5,821,676	8,501,002	
Reappropriated Funds	992,423	1,009,531	1,187,270	698,954	
Federal Funds	124,689	87,926	142,122	110,978	
Merit Pay	<u>1,030,883</u>	<u>945,138</u>	<u>0</u>	<u>0</u>	
General Fund	175,507	180,081	0	0	
Cash Funds	699,752	712,925	0	0	
Reappropriated Funds	30,328	32,228	0	0	
Federal Funds	125,296	19,904	0	0	

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Integrated Resource Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Reappropriated Funds	0	0	0	0	
SUBTOTAL - (A) Administration	52,095,307	56,653,405	56,885,897	62,042,636	9.1%
<i>FTE</i>	<u>37.8</u>	<u>36.4</u>	<u>41.3</u>	<u>41.3</u>	0.0%
General Fund	6,672,560	7,101,713	7,870,569	9,794,445	24.4%
Cash Funds	35,385,737	39,263,390	40,963,272	44,853,005	9.5%
Reappropriated Funds	6,758,264	7,084,573	6,888,735	6,131,747	(11.0%)
Federal Funds	3,278,746	3,203,729	1,163,321	1,263,439	8.6%
(B) Special Programs					
Colorado Avalanche Information Center	<u>884,500</u>	<u>830,954</u>	<u>1,063,018</u>	<u>1,065,956</u>	
<i>FTE</i>	8.3	9.5	10.9	10.9	
Cash Funds	347,904	232,786	454,557	456,026	
Reappropriated Funds	440,062	579,197	589,490	590,959	
Federal Funds	96,534	18,971	18,971	18,971	
Indirect Cost Assessment	<u>14,800</u>	<u>27,170</u>	<u>32,918</u>	<u>48,554</u>	
Cash Funds	11,334	25,620	27,746	46,266	
Federal Funds	3,466	1,550	5,172	2,288	
SUBTOTAL - (B) Special Programs	899,300	858,124	1,095,936	1,114,510	1.7%
<i>FTE</i>	<u>8.3</u>	<u>9.5</u>	<u>10.9</u>	<u>10.9</u>	0.0%
Cash Funds	359,238	258,406	482,303	502,292	4.1%
Reappropriated Funds	440,062	579,197	589,490	590,959	0.2%
Federal Funds	100,000	20,521	24,143	21,259	(11.9%)

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
TOTAL - (1) Executive Director's Office	52,994,607	57,511,529	57,981,833	63,157,146	8.9%
<i>FTE</i>	<u>46.1</u>	<u>45.9</u>	<u>52.2</u>	<u>52.2</u>	<u>(0.0%)</u>
General Fund	6,672,560	7,101,713	7,870,569	9,794,445	24.4%
Cash Funds	35,744,975	39,521,796	41,445,575	45,355,297	9.4%
Reappropriated Funds	7,198,326	7,663,770	7,478,225	6,722,706	(10.1%)
Federal Funds	3,378,746	3,224,250	1,187,464	1,284,698	8.2%

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(2) DIVISION OF RECLAMATION, MINING, AND SAFETY

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

(A) Coal Land Reclamation

Program Costs	<u>2,181,654</u>	<u>2,159,334</u>	<u>2,243,667</u>	<u>2,243,667</u>	
FTE	18.7	17.9	21.0	21.0	
Cash Funds	467,606	451,161	480,496	480,496	
Federal Funds	1,714,048	1,708,173	1,763,171	1,763,171	
Indirect Cost Assessment	<u>169,518</u>	<u>132,650</u>	<u>124,048</u>	<u>102,623</u>	
Cash Funds	27,931	28,581	26,050	21,551	
Federal Funds	141,587	104,069	97,998	81,072	

SUBTOTAL - (A) Coal Land Reclamation	2,351,172	2,291,984	2,367,715	2,346,290	(0.9%)
FTE	<u>18.7</u>	<u>17.9</u>	<u>21.0</u>	<u>21.0</u>	0.0%
Cash Funds	495,537	479,742	506,546	502,047	(0.9%)
Federal Funds	1,855,635	1,812,242	1,861,169	1,844,243	(0.9%)

(B) Inactive Mines

Program Costs	<u>1,243,620</u>	<u>1,625,389</u>	<u>1,861,137</u>	<u>1,861,137</u>	
FTE	9.0	8.0	16.3	16.3	
Cash Funds	477,401	560,439	623,942	623,942	
Federal Funds	766,219	1,064,950	1,237,195	1,237,195	

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Legacy Mine Hydrology Projects	<u>349,412</u>	<u>319,335</u>	<u>382,783</u>	<u>382,783</u>	
FTE	0.5	0.6	1.2	1.2	
Cash Funds	349,412	319,335	382,783	382,783	
Reappropriated Funds	0	0	0	0	
Reclamation of Forfeited Mine Sites	<u>111,350</u>	<u>113,354</u>	<u>121,162</u>	<u>121,162</u>	
FTE	0.1	0.1	0.3	0.3	
Cash Funds	111,350	113,354	121,162	121,162	
Indirect Cost Assessment	<u>184,861</u>	<u>141,871</u>	<u>140,072</u>	<u>125,776</u>	
Cash Funds	16,733	23,343	15,991	7,525	
Federal Funds	168,128	118,528	124,081	118,251	
Abandoned Mine Safety	<u>99,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	99,850	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (B) Inactive Mines	1,989,093	2,199,949	2,505,154	2,490,858	(0.6%)
FTE	<u>9.6</u>	<u>8.7</u>	<u>17.8</u>	<u>17.8</u>	0.0%
Cash Funds	1,054,746	1,016,471	1,143,878	1,135,412	(0.7%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	934,347	1,183,478	1,361,276	1,355,446	(0.4%)

(C) Minerals

Program Costs	<u>2,203,379</u>	<u>2,212,185</u>	<u>2,243,243</u>	<u>2,243,243</u>	
FTE	20.8	20.3	24.1	24.1	
Cash Funds	2,203,379	2,212,185	2,243,243	2,243,243	

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>124,971</u>	<u>132,003</u>	<u>110,704</u>	<u>100,333</u>	
Cash Funds	124,971	132,003	110,704	100,333	
SUBTOTAL - (C) Minerals	2,328,350	2,344,188	2,353,947	2,343,576	(0.4%)
<i>FTE</i>	<u>20.8</u>	<u>20.3</u>	<u>24.1</u>	<u>24.1</u>	0.0%
Cash Funds	2,328,350	2,344,188	2,353,947	2,343,576	(0.4%)

(D) Mines Program

Colorado and Federal Mine Safety Program	<u>616,703</u>	<u>459,865</u>	<u>539,837</u>	<u>539,837</u>	
FTE	3.3	1.0	4.0	4.0	
Cash Funds	335,116	346,205	350,192	350,192	
Federal Funds	281,587	113,660	189,645	189,645	
Blaster Certification Program	<u>109,462</u>	<u>112,008</u>	<u>112,878</u>	<u>112,878</u>	
FTE	1.1	1.0	1.0	1.0	
Cash Funds	22,839	23,381	23,552	23,552	
Federal Funds	86,623	88,627	89,326	89,326	
Indirect Cost Assessment	<u>33,765</u>	<u>5,541</u>	<u>18,980</u>	<u>15,778</u>	
Cash Funds	16,265	18,200	7,518	5,646	
Federal Funds	17,500	(12,659)	11,462	10,132	
SUBTOTAL - (D) Mines Program	759,930	577,414	671,695	668,493	(0.5%)
<i>FTE</i>	<u>4.4</u>	<u>2.0</u>	<u>5.0</u>	<u>5.0</u>	0.0%
Cash Funds	374,220	387,786	381,262	379,390	(0.5%)
Federal Funds	385,710	189,628	290,433	289,103	(0.5%)

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(E) Emergency Response Costs					
Emergency Response Costs	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	
Cash Funds	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	
SUBTOTAL - (E) Emergency Response Costs	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0.0%</u>
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0.0%</u>
TOTAL - (2) Division of Reclamation, Mining, and Safety					
Safety	7,428,545	7,413,535	7,998,511	7,949,217	(0.6%)
<i>FTE</i>	<u>53.5</u>	<u>48.9</u>	<u>67.9</u>	<u>67.9</u>	<u>0.0%</u>
Cash Funds	4,252,853	4,228,187	4,485,633	4,460,425	(0.6%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	3,175,692	3,185,348	3,512,878	3,488,792	(0.7%)

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(3) OIL AND GAS CONSERVATION COMMISSION

Primary functions: Promoting and regulating responsible development of oil and gas natural resources. Cash funds are from the Oil and Gas Conservation and Environmental Response Fund and the severance tax.

Program Costs	<u>8,065,818</u>	<u>9,586,863</u>	<u>10,073,017</u>	<u>10,073,566</u>	
FTE	92.6	102.0	108.3	108.3	
Cash Funds	8,065,818	9,586,863	10,073,017	10,073,566	
Underground Injection Program	<u>115,117</u>	<u>96,559</u>	<u>96,559</u>	<u>96,559</u>	
FTE	2.0	2.0	2.0	2.0	
Federal Funds	115,117	96,559	96,559	96,559	
Plugging and Reclaiming Abandoned Wells	<u>425,058</u>	<u>439,682</u>	<u>445,000</u>	<u>445,000</u>	
Cash Funds	425,058	439,682	445,000	445,000	
Environmental Assistance and Complaint Resolution	<u>295,219</u>	<u>262,703</u>	<u>312,033</u>	<u>312,033</u>	
Cash Funds	295,219	262,703	312,033	312,033	
Emergency Response	<u>0</u>	<u>14,338</u>	<u>750,000</u>	<u>750,000</u>	
Cash Funds	0	14,338	750,000	750,000	
Special Environmental Protection and Mitigation Studies	<u>320,406</u>	<u>106,531</u>	<u>325,000</u>	<u>325,000</u>	
Cash Funds	320,406	106,531	325,000	325,000	
Indirect Cost Assessment	<u>419,406</u>	<u>519,853</u>	<u>500,010</u>	<u>468,996</u>	
Cash Funds	405,234	508,896	492,010	464,426	
Federal Funds	14,172	10,957	8,000	4,570	

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
TOTAL - (3) Oil and Gas Conservation Commission	9,641,024	11,026,529	12,501,619	12,471,154	(0.2%)
<i>FTE</i>	<u>94.6</u>	<u>104.0</u>	<u>110.3</u>	<u>110.3</u>	<u>0.0%</u>
Cash Funds	9,511,735	10,919,013	12,397,060	12,370,025	(0.2%)
Federal Funds	129,289	107,516	104,559	101,129	(3.3%)

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(4) STATE BOARD OF LAND COMMISSIONERS

Primary Functions: Manages around 2.8 million surface acres and 4.0 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). Cash funds are from the Trust Administration Fund. Reappropriated funds are from the Division of Parks and Wildlife.

Program Costs	<u>4,222,246</u>	<u>4,328,286</u>	<u>4,542,384</u>	<u>4,538,235</u>	
FTE	38.6	39.8	41.0	41.0	
Cash Funds	4,222,246	4,328,286	4,542,384	4,538,235	
Public Access Program Damage and Enhancement Costs	<u>96,480</u>	<u>201,398</u>	<u>225,000</u>	<u>225,000</u>	
Reappropriated Funds	96,480	201,398	225,000	225,000	
Indirect Cost Assessment	<u>216,768</u>	<u>248,149</u>	<u>223,835</u>	<u>325,861</u>	
Cash Funds	216,768	248,149	223,835	325,861	

TOTAL - (4) State Board of Land Commissioners	4,535,494	4,777,833	4,991,219	5,089,096	2.0%
FTE	<u>38.6</u>	<u>39.8</u>	<u>41.0</u>	<u>41.0</u>	0.0%
Cash Funds	4,439,014	4,576,435	4,766,219	4,864,096	2.1%
Reappropriated Funds	96,480	201,398	225,000	225,000	0.0%

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(5) DIVISION OF PARKS AND WILDLIFE

(A) Parks and Outdoor Recreation

(II) Great Outdoors Colorado Board Grants

Land and Water Protection	<u>0</u>	<u>0</u>	<u>0</u>		
FTE	0.0	0.0	0.0		
Cash Funds	0	0	0		
 Operations and Maintenance	 <u>0</u>	 <u>0</u>	 <u>0</u>		
FTE	0.0	0.0	0.0		
Cash Funds	0	0	0		
 Statewide Programs	 <u>0</u>	 <u>0</u>	 <u>0</u>		
FTE	0.0	0.0	0.0		
Cash Funds	0	0	0		

SUBTOTAL -	0	0	0	0.0%	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>	
Cash Funds	0	0	0	0.0%	

SUBTOTAL - (A) Parks and Outdoor Recreation	0	0	0	0.0%	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>	
Cash Funds	0	0	0	0.0%	

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
(A) Colorado Parks and Wildlife Operations					
State Park Operations	<u>28,049,365</u>	<u>32,879,630</u>	<u>29,531,592</u>	<u>29,536,442</u>	
FTE	243.9	251.8	255.1	255.1	
General Fund	0	150,000	150,000	150,000	
Cash Funds	27,295,654	32,377,773	28,936,786	28,941,636	
Federal Funds	753,711	351,857	444,806	444,806	
Wildlife Operations	<u>74,916,214</u>	<u>79,049,181</u>	<u>82,324,795</u>	<u>82,346,796</u>	
FTE	629.3	624.3	619.6	619.6	
Cash Funds	59,399,086	60,021,237	63,150,112	63,172,113	
Federal Funds	15,517,128	19,027,944	19,174,683	19,174,683	
SUBTOTAL - (A) Colorado Parks and Wildlife Operations	102,965,579	111,928,811	111,856,387	111,883,238	0.0%
FTE	<u>873.2</u>	<u>876.1</u>	<u>874.7</u>	<u>874.7</u>	0.0%
General Fund	0	150,000	150,000	150,000	0.0%
Cash Funds	86,694,740	92,399,010	92,086,898	92,113,749	0.0%
Federal Funds	16,270,839	19,379,801	19,619,489	19,619,489	0.0%

(B) Wildlife

(1) Division Operations

Director's Office	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.0	0.0	0.0
Cash Funds	0	0	0
Wildlife Management	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.0	0.0	0.0
Cash Funds	0	0	0

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Technical Services	<u>0</u>	<u>0</u>	<u>0</u>		
FTE	0.0	0.0	0.0		
Cash Funds	0	0	0		
SUBTOTAL -	0	0	0	0.0%	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>	
Cash Funds	0	0	0	0.0%	
SUBTOTAL - (B) Wildlife	0	0	0	0.0%	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>	
Cash Funds	0	0	0	0.0%	

(B) Special Purpose

Snowmobile Program	<u>738,850</u>	<u>766,000</u>	<u>1,007,952</u>	<u>1,007,952</u>
FTE	1.6	1.6	1.3	1.3
Cash Funds	738,850	766,000	1,007,952	1,007,952
River Outfitters Regulation	<u>97,244</u>	<u>110,028</u>	<u>146,975</u>	<u>146,975</u>
FTE	0.4	0.4	0.5	0.5
Cash Funds	97,244	110,028	146,975	146,975
Off-highway Vehicle Program	<u>409,413</u>	<u>371,954</u>	<u>550,006</u>	<u>550,006</u>
FTE	3.8	2.8	3.0	3.0
Cash Funds	409,413	371,954	550,006	550,006
Off-highway Vehicle Grants	<u>3,448,174</u>	<u>3,989,540</u>	<u>4,000,000</u>	<u>4,000,000</u>
Cash Funds	3,448,174	3,989,540	4,000,000	4,000,000

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Federal Grants	<u>570,904</u> 1.3	<u>785,320</u>	<u>750,000</u>	<u>750,000</u>	
Federal Funds	570,904	785,320	750,000	750,000	
S.B. 03-290 Enterprise Fund	<u>263,978</u>	<u>332,521</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	263,978	332,521	200,000	200,000	
Information Technology	<u>2,244,910</u>	<u>2,080,367</u>	<u>2,659,223</u>	<u>2,659,223</u>	
Cash Funds	2,244,910	2,080,367	2,659,223	2,659,223	
Trails Grants	<u>1,216,492</u>	<u>1,854,744</u>	<u>2,200,000</u>	<u>2,200,000</u>	
Cash Funds	196,372	238,499	1,800,000	1,800,000	
Federal Funds	1,020,120	1,616,245	400,000	400,000	
S.B. 08-226 Aquatic Nuisance Species	<u>4,109,099</u>	<u>4,932,460</u>	<u>3,886,424</u>	<u>3,887,561</u>	
FTE	5.3	5.6	4.0	4.0	
Cash Funds	4,109,099	4,932,460	3,886,424	3,887,561	
Game Damage Claims and Prevention	<u>1,268,017</u>	<u>1,124,281</u>	<u>1,282,500</u>	<u>1,282,500</u>	
Cash Funds	1,268,017	1,124,281	1,282,500	1,282,500	
Habitat Partnership Program	<u>1,577,592</u>	<u>2,610,072</u>	<u>2,500,000</u>	<u>2,500,000</u>	
FTE	0.0	0.0	3.0	3.0	
Cash Funds	1,577,592	2,610,072	2,500,000	2,500,000	
Grants and Habitat Partnerships	<u>289,765</u>	<u>547,525</u>	<u>1,625,000</u>	<u>1,625,000</u>	
Cash Funds	289,765	547,525	1,625,000	1,625,000	
Asset Maintenance and Repairs	<u>2,903,190</u>	<u>3,915,298</u>	<u>2,606,880</u>	<u>2,606,880</u>	
Cash Funds	2,903,190	3,915,298	2,606,880	2,606,880	

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Beaver Park Dam Repayment	<u>0</u>	<u>0</u>	<u>333,333</u>	<u>333,333</u>	
Cash Funds	0	0	333,333	333,333	
Chatfield Reallocation Project Loan Repayment	<u>0</u>	<u>0</u>	<u>0</u>	<u>216,829</u> *	
Cash Funds	0	0	0	216,829	
Indirect Cost Assessment	<u>5,099,745</u>	<u>8,300,469</u>	<u>5,117,776</u>	<u>4,183,181</u>	
Cash Funds	4,329,373	4,422,249	4,441,293	3,561,667	
Federal Funds	770,372	3,878,220	676,483	621,514	
Natural Resource Protection	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Instream Flow Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
SUBTOTAL - (B) Special Purpose	24,237,373	31,720,579	28,866,069	28,149,440	(2.5%)
FTE	12.4	10.4	11.8	11.8	0.0%
Cash Funds	21,875,977	25,440,794	27,039,586	26,377,926	(2.4%)
Federal Funds	2,361,396	6,279,785	1,826,483	1,771,514	(3.0%)
TOTAL - (5) Division of Parks and Wildlife	127,202,952	143,649,390	140,722,456	140,032,678	(0.5%)
FTE	<u>885.6</u>	<u>886.5</u>	<u>886.5</u>	<u>886.5</u>	0.0%
General Fund	0	150,000	150,000	150,000	0.0%
Cash Funds	108,570,717	117,839,804	119,126,484	118,491,675	(0.5%)
Federal Funds	18,632,235	25,659,586	21,445,972	21,391,003	(0.3%)

*This line item includes a decision item

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(6) COLORADO WATER CONSERVATION BOARD

This division is responsible for water conservation, development, protection, planning, and management. The primary cash fund source is the Colorado Water Conservation Board Construction Fund.

(A) Administration

Personal Services	<u>2,934,737</u>	<u>3,004,542</u>	<u>3,127,556</u>	<u>3,183,589</u> *	
FTE	29.8	29.4	30.0	31.0	
Cash Funds	2,643,150	2,712,955	3,127,556	3,183,589	
Reappropriated Funds	291,587	291,587	0	0	
Operating Expenses	<u>472,514</u>	<u>472,744</u>	<u>472,894</u>	<u>478,547</u> *	
Cash Funds	472,514	472,744	472,894	478,547	
River Decision Support Systems	<u>340,708</u>	<u>484,721</u>	<u>479,379</u>	<u>479,379</u>	
FTE	2.9	4.0	4.0	4.0	
Cash Funds	340,708	484,721	479,379	479,379	

SUBTOTAL - (A) Administration	3,747,959	3,962,007	4,079,829	4,141,515	1.5%
<i>FTE</i>	<u>32.7</u>	<u>33.4</u>	<u>34.0</u>	<u>35.0</u>	<u>2.9%</u>
Cash Funds	3,456,372	3,670,420	4,079,829	4,141,515	1.5%
Reappropriated Funds	291,587	291,587	0	0	0.0%

(B) Special Purpose

Intrastate Water Management and Development	<u>433,896</u>	<u>413,273</u>	<u>470,464</u>	<u>470,464</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	433,896	413,273	470,464	470,464	

*This line item includes a decision item

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Federal Emergency Management Assistance	<u>137,298</u>	<u>1,450,168</u>	<u>156,089</u>	<u>156,089</u>	
FTE	2.0	2.3	2.0	2.0	
Cash Funds	0	0	13,732	13,732	
Federal Funds	137,298	1,450,168	142,357	142,357	
Weather Modification	<u>19,400</u>	<u>15,308</u>	<u>25,000</u>	<u>25,000</u>	
Cash Funds	19,400	15,308	25,000	25,000	
Water Conservation Program	<u>294,314</u>	<u>377,574</u>	<u>355,771</u>	<u>362,571</u>	
FTE	3.9	3.8	4.0	4.0	
Cash Funds	294,314	377,574	355,771	362,571	
Water Efficiency Grant Program	<u>389,126</u>	<u>594,287</u>	<u>600,804</u>	<u>600,804</u>	
FTE	1.0	1.0	1.0	1.0	
Cash Funds	389,126	594,287	600,804	600,804	
Severance Tax Fund	<u>1,267,050</u>	<u>1,242,926</u>	<u>1,275,500</u>	<u>1,275,500</u>	
Cash Funds	1,267,050	1,242,926	1,275,500	1,275,500	
Interbasin Compacts	<u>735,905</u>	<u>641,940</u>	<u>1,153,131</u>	<u>1,153,131</u>	
FTE	3.8	3.7	3.7	3.7	
Cash Funds	735,905	641,940	1,153,131	1,153,131	
Platte River Basin Cooperative Agreement	<u>188,729</u>	<u>223,674</u>	<u>242,438</u>	<u>242,438</u>	
FTE	1.0	0.8	1.0	1.0	
Cash Funds	188,729	223,674	242,438	242,438	
S.B. 02-87 Colorado Watershed Protection Fund	<u>66,451</u>	<u>81,527</u>	<u>30,000</u>	<u>30,000</u>	
Cash Funds	66,451	81,527	30,000	30,000	

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
CWCB Projects Bill	<u>4,870,254</u>	<u>4,026,311</u>	<u>7,525,000</u>	<u>0</u>	
Cash Funds	4,870,254	4,026,311	7,525,000	0	
H.B. 15-1006 Invasive Phreatopyhte Grants	<u>0</u>	<u>63,445</u>	<u>2,000,000</u>	<u>0</u>	
Cash Funds	0	63,445	2,000,000	0	
H.B. 15-1178 Emergency Pumping of High Groundwater	<u>0</u>	<u>84,497</u>	<u>290,000</u>	<u>80,503</u>	
Cash Funds	0	84,497	290,000	80,503	
H.B. 16-1256 South Platte Water Storage Study	<u>0</u>	<u>0</u>	<u>211,168</u>	<u>0</u>	
Cash Funds	0	0	211,168	0	
Indirect Cost Assessment	<u>436,480</u>	<u>476,312</u>	<u>386,929</u>	<u>507,958</u>	
Cash Funds	408,801	448,704	338,836	447,507	
Federal Funds	27,679	27,608	48,093	60,451	
SUBTOTAL - (B) Special Purpose	8,838,903	9,691,242	14,722,294	4,904,458	(66.7%)
FTE	<u>11.7</u>	<u>11.6</u>	<u>11.7</u>	<u>11.7</u>	<u>(0.0%)</u>
Cash Funds	8,673,926	8,213,466	14,531,844	4,701,650	(67.6%)
Federal Funds	164,977	1,477,776	190,450	202,808	6.5%
TOTAL - (6) Colorado Water Conservation Board	12,586,862	13,653,249	18,802,123	9,045,973	(51.9%)
FTE	<u>44.4</u>	<u>45.0</u>	<u>45.7</u>	<u>46.7</u>	<u>2.2%</u>
Cash Funds	12,130,298	11,883,886	18,611,673	8,843,165	(52.5%)
Reappropriated Funds	291,587	291,587	0	0	0.0%
Federal Funds	164,977	1,477,776	190,450	202,808	6.5%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(7) WATER RESOURCES DIVISION

(A) Division Operations

Water Administration	<u>20,294,851</u>	<u>20,525,610</u>	<u>21,203,600</u>	<u>21,283,259</u> *
FTE	235.3	238.1	252.1	253.0
General Fund	19,399,824	19,892,751	20,527,404	20,607,063
Cash Funds	77,290	632,859	676,196	676,196
Reappropriated Funds	817,737	0	0	0
Well Inspection	<u>131,348</u>	<u>265,773</u>	<u>379,038</u>	<u>379,038</u>
FTE	2.0	3.0	3.0	3.0
Cash Funds	131,348	265,773	379,038	379,038
Satellite Monitoring System	<u>398,063</u>	<u>504,646</u>	<u>505,028</u>	<u>575,204</u> *
FTE	1.0	1.3	2.0	2.0
General Fund	168,116	194,968	194,968	194,968
Cash Funds	229,947	309,678	310,060	380,236
Federal Grants	<u>337,214</u>	<u>267,644</u>	<u>194,260</u>	<u>230,000</u>
FTE	0.0	0.0	0.0	0.0
Federal Funds	337,214	267,644	194,260	230,000
River Decision Support Systems	<u>206,232</u>	<u>210,406</u>	<u>211,208</u>	<u>212,467</u>
FTE	2.2	2.0	2.0	2.0
Cash Funds	206,232	210,406	211,208	212,467

*This line item includes a decision item

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
SUBTOTAL - (A) Division Operations	21,367,708	21,774,079	22,493,134	22,679,968	0.8%
<i>FTE</i>	<u>240.5</u>	<u>244.4</u>	<u>259.1</u>	<u>260.0</u>	<u>0.3%</u>
General Fund	19,567,940	20,087,719	20,722,372	20,802,031	0.4%
Cash Funds	644,817	1,418,716	1,576,502	1,647,937	4.5%
Reappropriated Funds	817,737	0	0	0	0.0%
Federal Funds	337,214	267,644	194,260	230,000	18.4%
(B) Special Purpose					
Dam Emergency Repair	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	
Cash Funds	0	0	50,000	50,000	
H.B. 03-1334 Temporary Water Supply Agreements	<u>0</u>	<u>0</u>	<u>61,589</u>	<u>61,589</u>	
Cash Funds	0	0	61,589	61,589	
Indirect Cost Assessment	<u>47,780</u>	<u>67,647</u>	<u>72,490</u>	<u>60,262</u>	
Cash Funds	45,966	66,494	66,851	55,212	
Federal Funds	1,814	1,153	5,639	5,050	
CWCB Projects Bill	<u>325,506</u>	<u>329,999</u>	<u>380,000</u>	<u>0</u>	
Cash Funds	325,506	329,999	380,000	0	
SUBTOTAL - (B) Special Purpose	373,286	397,646	564,079	171,851	(69.5%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	371,472	396,493	558,440	166,801	(70.1%)
Federal Funds	1,814	1,153	5,639	5,050	(10.4%)

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
TOTAL - (7) Water Resources Division	21,740,994	22,171,725	23,057,213	22,851,819	(0.9%)
<i>FTE</i>	<u>240.5</u>	<u>244.4</u>	<u>259.1</u>	<u>260.0</u>	<u>0.3%</u>
General Fund	19,567,940	20,087,719	20,722,372	20,802,031	0.4%
Cash Funds	1,016,289	1,815,209	2,134,942	1,814,738	(15.0%)
Reappropriated Funds	817,737	0	0	0	0.0%
Federal Funds	339,028	268,797	199,899	235,050	17.6%
TOTAL - Department of Natural Resources	236,130,478	260,203,790	266,054,974	260,597,083	(2.1%)
<i>FTE</i>	<u>1,403.3</u>	<u>1,414.5</u>	<u>1,462.7</u>	<u>1,464.6</u>	<u>0.1%</u>
General Fund	26,240,500	27,339,432	28,742,941	30,746,476	7.0%
Cash Funds	175,665,881	190,784,330	202,967,586	196,199,421	(3.3%)
Reappropriated Funds	8,404,130	8,156,755	7,703,225	6,947,706	(9.8%)
Federal Funds	25,819,967	33,923,273	26,641,222	26,703,480	0.2%

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2015 SESSION BILLS

S.B. 15-008 (PROMOTE WATER CONSERVATION IN LAND USE PLANNING): Directs the CWCB to develop training programs for local government water and land use planners on best management practices for water demand management and conservation. Appropriates \$50,000 cash funds from the CWCB Construction Fund to the Department of Natural Resources in FY 2015-16.

S.B. 15-022 (WILDFIRE RISK REDUCTION GRANT PROGRAM): Transfers \$1,000,000 cash funds from Tier II of the Severance Tax Operational Fund to the continuously-appropriated Wildfire Risk Reduction Cash Fund in FY 2015-16 to support the Wildfire Risk Reduction Grant Program administered by the Department of Natural Resources. Grants made by the program fund site-based hazardous fuel reduction treatments but funding is subject to proportional reductions if there is insufficient severance tax revenue to support authorized transfers.

S.B. 15-234 (LONG BILL): General appropriations act for FY 2015-16.

S.B. 15-245 (PROVIDE STATE FUNDING TO MAP NATURAL HAZARD AREAS): Creates a three-year program, administered by the Colorado Water Conservation Board, to fund natural hazard mapping projects in the state, including: floodplain mapping, erosion zone mapping, debris flow mapping, and associated data collection. Establishes the Natural Hazard Mapping Fund, which is continuously appropriated to the CWCB to fund the program, and transfers \$6.8 million General Fund to the Natural Hazard Mapping Fund in three annual installments: \$3.8 million in FY 2015-16, \$2.4 million in FY 2016-17, and \$670,000 in FY 2017-18.

S.B. 15-253 (CWCB CONSTRUCTION FUND PROJECTS): Appropriates \$5,580,000 cash funds from the CWCB Construction Fund to the Department of Natural Resources in FY 2015-16 for various water-related projects and authorizes \$3.4 million in transfers including:

- \$2,200,000 from the Severance Tax Operational Fund to the CWCB Construction Fund;
- \$500,000 from Severance Tax Perpetual Base Fund to the CWCB Construction Fund;
- \$500,000 from the CWCB Construction Fund to the Flood and Drought Response Fund; and
- \$200,000 from the CWCB Construction Fund to the Litigation Fund.

S.B. 15-255 (DEPOSIT SEVERANCE TAX REVENUES IN GENERAL FUND): Diverts up to the first \$20.0 million in gross severance tax revenues collected after the effective date to the General Fund in FY 2014-15. Pursuant to Section 39-29-108 (2) (a) (I), C.R.S., the Department of Natural Resources and the Department of Local Affairs each receive 50.0 percent of total severance tax revenues. The diversion of up to \$20.0 million will reduce available severance tax revenue to each department by up to \$10.0 million in FY 2014-15. In the Department of Natural Resources, severance tax revenue is divided equally between the Severance Tax Operational Fund and the Severance Tax Perpetual Base Fund (i.e. each fund receives 25.0 percent of total severance tax

revenues). As such, revenues distributed to these funds will be reduced by up to \$5.0 million each in FY 2014-15. Please note that \$16.2 million in severance tax revenue was ultimately available for diversion to the General Fund by the end of FY 2014-15, reducing the total impact of the bill. For additional information, see the "Recent Legislation" section at the end of Part III of the Department of Local Affairs.

H.B. 15-1006 (INVASIVE PHREATOPHYTE GRANT PROGRAM): Creates the two-year Invasive Phreatophyte Grant Program, administered by the CWCB, for projects that manage invasive phreatophytes (e.g. Tamarisk and Russian Olive) within riparian areas of the state. Transfers \$2.0 million cash funds from the Severance Tax Operational Fund to the CWCB Construction Fund in FY 2015-16 and appropriates the same amount in cash funds from the CWCB Construction Fund to the Department of Natural Resources.

H.B. 15-1013 (SOUTH PLATTE AQUIFER STUDY RECOMMENDATIONS): Implements two recommendations from the study required by H.B. 12-1278, including: (1) the selection of two pilot projects to test alternative methods of lowering the water table in areas along the South Platte with damaging high groundwater; and (2) requiring the State Engineer to evaluate the impact of proposed recharge structures on groundwater levels and approve augmentation plans that include the construction of a recharge structure. Appropriates \$41,959 General Fund to the Water Resources Division in the Department of Natural Resources for FY 2015-16.

H.B. 15-1016 (PROMOTE PRECIPITATION HARVESTING PILOT PROJECTS): Directs the CWCB to update the criteria and guidelines for selecting pilot projects under the Precipitation Harvesting Pilot Program and specifies requirements for augmentation of precipitation captured out of priority by pilot projects. Appropriates \$12,240 cash funds from the CWCB Construction Fund to CWCB in the Department of Natural Resources for FY 2015-16.

H.B. 15-1045 (VETERANS ENTRANCE FEE STATE PARKS): Provides free admission to any state park or recreation area to military veterans and active duty personnel for the month of August each year. Appropriates \$150,000 General Fund to the Division of Parks and Wildlife in the Department of Natural Resources for FY 2015-16.

H.B. 15-1150 (SEV TAX OP FUND TRANSFERS FOR MINE RECLAMATION): Transfers \$127,000 cash funds for reclamation projects at mine sites with insufficient or failed bonds from Tier I of the Severance Tax Operational Fund to Tier II. Funding for forfeited mine site reclamation projects is now subject to proportional reductions if there is insufficient severance tax revenue to support authorized transfers.

H.B. 15-1166 (SOUTH PLATTE ALLUVIAL AQUIFER MONITORING NETWORK): Requires the Water Resources Division to design and operate a tributary groundwater monitoring network in the South Platte alluvial aquifer with the objective of providing accurate groundwater level data to aid in public education and water planning. Appropriates \$60,000 cash funds from the CWCB Construction Fund to the Water Resources Division in the Department of Natural Resources for FY 2015-16.

H.B. 15-1178 (EMERGENCY WELL PUMPING DAMAGING HIGH GROUNDWATER): Establishes a grant program to facilitate the emergency pumping of dewatering wells in the areas of Gilcrest and Sterling, Colorado, and the collection of real-time data during the operation of dewatering wells.

Transfers \$165,000 from the General Fund to the Emergency Dewatering Grant Account in the CWCB Construction Fund, and appropriates the same amount from the CWCB Construction Fund to the Colorado Water Conservation Board in the Department of Natural Resources for FY 2015-16.

H.B. 15-1277 (SPECIES CONSERVATION TRUST FUND PROJECTS): Authorizes the Department of Natural Resources to obligate and expend \$5.0 million from the Species Conservation Trust Fund (SCTF) in FY 2015-16 for programs to conserve native species listed as threatened or endangered under state or federal law, or are likely to become candidate species as determined by the United States Fish and Wildlife Services. The SCTF is supported by annual transfers from Tier II of the Severance Tax Operational Fund pursuant to Section 39-29-109.3 (2) (e), C.R.S.

2016 SESSION BILLS

S.B. 16-167 (SEVERANCE TAX OPERATIONAL FUND RESERVE REDUCTION): Excludes \$2.98 million from the Severance Tax Operational Fund Tier I reserve requirement in FY 2016-17. The bill reduces the impact of the Oil and Gas Conservation Commission fund source adjustment, which refinanced \$2.98 million cash funds from the Oil and Gas Conservation and Environmental Response Fund with the same amount from Tier I of the Severance Tax Operational Fund in FY 2016-17. The Tier I reserve requirement is normally 100.0 percent of Tier I appropriations pursuant to Section 39-29-109.3 (3) (a), C.R.S.

S.B. 16-174 (CWCB CONSTRUCTION FUND PROJECTS): Appropriates \$7,905,000 funds from the CWCB Construction Fund to the Department of Natural Resources in FY 2016-17 for various water-related projects. Authorizes the following transfers:

- \$5,200,000 from Severance Tax Perpetual Base Fund to the CWCB Construction Fund to support appropriations made in other sections of the bill;
- \$5,000,000 from the Perpetual Base Fund to the CWCB Construction Fund to secure funding in advance of anticipated expenditures in FY 2017-18 for the implementation of the Colorado State Water Plan; and
- \$1,100,000 from the CWCB Construction Fund to replenish the Litigation Fund and the Flood and Drought Response Fund, both of which are continuously appropriated.

S.B. 16-218 (STATE SEVERANCE TAX REFUNDS): Specifies the funding mechanism for potential severance tax refunds associated with the Colorado Supreme Court decision in *BP America v. Colorado Department of Revenue*. In FY 2015-16, any required refunds will first be made from severance tax revenue collected during June 2016. If the amount of required refunds exceeds severance tax collections, the remainder will be made from the General Fund reserve and the statutory reserve requirement will be adjusted by the same amount. In FY 2016-17, refunds will be made from severance tax collections up to a cap of 15.0 percent of gross monthly severance tax revenues. If the amount required for refunds exceeds 15.0 percent of gross severance tax revenues in a month, the additional amount will be refunded from income tax revenue diverted from the General Fund. Includes provisions restricting a total of \$72.9 million within the three cash funds that receive severance tax revenue:

- Severance Tax Operational Fund (Department of Natural Resources): \$10.0 million

- Severance Tax Perpetual Base Fund (Department of Natural Resources): \$19.1 million
- Local Government Severance Tax Fund (Department of Local Affairs): \$43.8 million from the portion of revenue allocated grants.

These funds are restricted from being expended for any use unless released in whole or in part by a majority vote of the Joint Budget Committee.

H.B. 16-1256 (SOUTH PLATTE WATER STORAGE STUDY): Directs the CWCB to conduct or commission a storage study of the South Platte River basin in collaboration with the Division of Water Resources in the Department of Natural Resources and the South Platte Basin and Metro Roundtables. Appropriates \$211,168 cash funds transferred into the CWCB Construction Fund from the Water Supply Reserve Account, contingent upon the approval of the study by the South Platte Basin and Metro Roundtables.

H.B. 16-1405 (LONG BILL): General appropriations act for FY 2016-17.

H.B. 16-1458 (SPECIES CONSERVATION TRUST FUND PROJECTS): Authorizes the Department of Natural Resources to obligate and expend \$3.0 million from the Species Conservation Trust Fund in FY 2016-17 for programs to conserve native species listed as threatened or endangered under state or federal law, or are likely to become candidate species as determined by the United States Fish and Wildlife Services. The SCTF is supported by annual transfers from Tier II of the Severance Tax Operational Fund pursuant to Section 39-29-109.3 (2) (e), C.R.S.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

- 69 Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Legacy Mine Hydrology Projects -- This appropriation shall remain available until the completion of the project or the close of FY 2018-19, whichever comes first. At project completion or the end of the three-year period, any unexpended balance reverts to the Severance Tax Operational Fund, from which this appropriation was made.

COMMENT: This footnote provides roll-forward authority at the end of the fiscal year.

- 70 Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Reclamation of Forfeited Mine Sites -- This appropriation shall remain available until the completion of the project or the close of FY 2018-19, whichever comes first. At project completion or the end of the three-year period, any unexpended balance reverts to the Severance Tax Operational Fund, from which the transfer to the special account in the General Fund created in Section 34-32-122 (1) (a), C.R.S., was made.

COMMENT: This footnote provides roll-forward authority at the end of the fiscal year.

- 71 Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response -- It is the intent of the General Assembly that this appropriation be expended if there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this appropriation is to fund investigation, prevention, monitoring, and mitigation of circumstances caused by or that are alleged to be associated with oil and gas activities and that call for immediate action by the Oil and Gas Conservation Commission.

COMMENT: This footnote sets forth the purpose, conditions, and limitations of the line item. The line item was created because of concern that emergency funding would be necessary during a time when the JBC may not be meeting during the interim, delaying the Department's ability to respond adequately.

- 72 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 studies.

COMMENT: This footnote sets forth the purpose, conditions, and limitations of the line item.

UPDATE ON REQUESTS FOR INFORMATION

1. Department of Natural Resources, Oil and Gas Conservation Commission, Program Costs -
- The Department of Natural Resources is requested to include in its annual budget request a report on the performance of the risk-based inspection program. The report should provide information on the development of the Facilities Integrity group, the inspection of process piping and flowlines, and the metrics used to measure the performance and effectiveness of the Facilities Integrity program.

COMMENT: The Department included a response to this request, which has been provided in Appendix F.

2. Department of Natural Resources, Division of Parks and Wildlife -- The Division of Parks and Wildlife is requested to provide the Joint Budget Committee with a report on Parks and Outdoor Recreation and Wildlife sources of revenue, as well as the expenditures of revenues by revenue type. The report should provide an analysis of lottery funds Great Outdoors Colorado Board Grants used for operations and capital projects. The report is requested to be submitted by November 1, 2016.

COMMENT: This division is not discussed in this packet.

3. Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response -- 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: The Department included a response to this request, which has been provided in Appendix G.

4. Department of Natural Resources, Division of Reclamation, Mining and Safety, Emergency Response Costs -- The Division of Reclamation, Mining, and Safety is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

COMMENT: The Department included a response to this request, which has been provided in Appendix H.

5. Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation 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: The Department included a response to this request, which has been provided in Appendix I.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of Natural Resources by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2015-16 report dated November 2016 can be found at the following link:

<https://drive.google.com/file/d/0B69gxe7dbcwHNWw1SHpaOWIWbUE/view>

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of Natural Resources is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 plan dated June 2016 can be found at the following link:

<https://drive.google.com/file/d/0B-yDiMcBmTmhSXRWYzhvRHRMSWM/view>

APPENDIX E: LOCAL GOVERNMENT PROJECTS INCLUDED IN FALL GRANT FUNDING

These projects were funded because the Joint Budget Committee authorized the Department of Local Affairs to unrestrict \$19.9 million from severance tax revenues in FY 2016-17 by the majority vote of the Committee. The grant program also receives proceeds from certain federal mineral leasing revenues, which explains how the Department funded projects that totaled approximately \$28.0 million.

#	Project Name	Tier I Requests (up to \$200,000)	Request	Final Award
08151	Weld County Road 390 Paving Phase I-	Road improvements and paving.	\$200,000	\$200,000
08154	Mead Comprehensive Plan Update-	Includes Land Use Code, 3 mile plan, and hazard mitigation.	\$80,000	\$80,000
08155	Windsor Water Transmission Line Rehabilitation-	Drinking water distribution line replacement.	\$200,000	\$200,000
08156	Georgetown Water Line Replacement-	Drinking water line distribution replacement.	\$63,415	\$63,415
08158	Paint Brush Hills Metro. Dist. Water Meters Replacement-	Drinking water meter replacements.	\$35,777	\$0
08161	Alma Maintenance Building-	Construction of shop, storage and gathering space for the town.	\$200,000	\$200,000
08162	Hot Sulphur Springs Sewer Rehab & Culvert Construction-	Wastewater treatment system-wide improvements.	\$100,000	\$100,000
08163	Redstone W&S District East Creek Water Plant Expansion-	Drinking water plant expansion to accommodate two additional filter units.	\$75,000	\$75,000
08164	Fowler Drinking Water Treatment Installation-	Installation of a drinking water treatment system.	\$92,645	\$92,645
08166	San Juan County Silverton Miner's Hospital Rehab Phase II-	Interior & exterior building structure restoration.	\$195,208	\$195,208
08167	Los Pinos FPD Type I Tactical Water Tender-	Fire suppression tanker trunk & equipment purchase for wildland fires.	\$36,262	\$36,262
08168	Bayfield Parks & Recreation Plan-	Master plan for recreation facility, parks, trails and open space in the town.	\$60,000	\$60,000
08169	Mancos US 160/Beech St Pedestrian Crossing-	Pedestrian crossing safety improvements in the town.	\$118,561	\$118,561
08170	Telluride Town Hall & Rebekah Hall Use Study/Plan-	Functionality and use study and design for both Halls.	\$75,000	\$75,000
08171	Western State Colorado University ICEhouse Innovation Center-	Interior & exterior building improvements.	\$115,623	\$115,623
08172	Parachute Colorado River Recreation Ramp Access-	Installation of an access ramp to the Colorado River.	\$100,000	\$0
08173	Rio Blanco County Columbine Park Building Design-	Project architect and engineering services for the park.	\$152,500	\$152,500
08232	Clear Creek County/Gilpin County Broadband Development Plan-	Regional plan.	\$73,695	\$73,695

**Energy Mineral Impact Assistance
Cycle 16-07: Tier I and II Grant Awards**

#	Project Name	Request	Final Award
08174	De Beque Fiscal Health Asset Inventory CIP/GIS - Capital asset inventory for the town.	\$43,985	\$43,985
08178	Del Norte Water System Improvements - Drinking water system improvements.	\$100,000	\$100,000
08179	Buena Vista Community Broadband Infrastructure - Middle-mile infrastructure improvements.	\$25,000	\$25,000
08180	Salida Hospital Dist. Heart of the Rockies Cardiac Center - Equipment and software for the cardiac center.	\$200,000	\$200,000
08181	Westcliffe Sidewalk & Drainage - Pedestrian safety and stormdrainage improvements.	\$200,000	\$200,000
Tier I Total		\$2,542,671	\$2,406,894

**Energy Mineral Impact Assistance
Cycle 16-07: Tier I and II Grant Awards**

Tier II Requests (Over \$200,000 and up to \$2,000,000)

#	Project Name	Request	Final Award
08182	Crook Wastewater Facility Rehabilitation- Wastewater treatment system mechanical improvements.	\$750,000	\$750,000
08183	Frederick Tripple Parkway Roadway and Drainage Improvements- Road and drainage improvements including installation of a box culvert.	\$1,433,079	\$1,433,079
08185	Fort Lupton South Denver Ave. Rehabilitation- Road improvements and paving.	\$750,000	\$750,000
08186	Greeley City Center Phase I- City administration facility construction.	\$2,000,000	\$2,000,000
08187	Mountain View FPD Dacono Maintenance Facility- Facility replacement, road and drainage improvements.	\$1,043,243	\$1,043,243
08188	Clear Creek County Courts Wing Remodel- Final phase of upgrades to County courts and probation offices.	\$249,770	\$249,770
08189	Eads Water System Improvements- Drinking water system improvements.	\$483,000	\$404,500
08190	Las Animas City Sanitary Sewer System Improvements- Wastewater collection system improvements.	\$719,500	\$669,500
08193	Las Animas County Roads 53.5, 51.1, 43.5 Improvements- Road improvements.	\$633,000	\$633,000
08194	La Plata County Road 302 Improvements- Road improvements.	\$700,000	\$700,000
08195	Durango Wastewater Treatment Plant- Construction and commissioning of new wastewater treatment infrastructure.	\$2,000,000	\$2,000,000
08196	Cortez FPD Station One- Fire rescue station and administration office replacement.	\$2,000,000	\$2,000,000
08197	Ignacio Natural Gas Pipeline Replacement Phase IV- Safety improvements.	\$370,000	\$370,000
08198	Lone Cone Library Dist. New Library- Engineering, build documents and construction.	\$1,500,000	\$1,500,000
08199	San Juan County Anvil Mountain Workforce Housing- Site preparation and development activities on County-owned property.	\$315,270	\$315,270
08200	Grand Mesa Metro. Dist. WW Treatment Plant Improvements- Wastewater collection and treatment system improvements	\$284,232	\$100,000
08201	Fruita Kokopelli Riverfront Trail Construction- Completion of Colorado Riverfront Trail in Fruita to Loma's Kokopelli trail system.	\$1,200,000	\$1,000,000

**Energy Mineral Impact Assistance
Cycle 16-07: Tier I and II Grant Awards**

#	Project Name	Request	Final Award
08202	Delta County Radio Console Update- Emergency radio console replacement and upgrade.	\$300,000	\$300,000
08203	Mesa County West Divide Road Improvements- Road improvements.	\$1,080,000	\$750,000
08204	Rifle Enterprise Court Road Reconstruction- Road, stormsewer and pedestrian improvements.	\$384,375	\$250,000
08205	Moffat County Browns Park Swinging Bridge Rehab- Structural bridge safety repairs.	\$760,000	\$760,000
08206	Hinsdale County Emergency Communications Site Power Supply- Power supply replacement for County emergency and non-emergency communications.	\$375,000	\$375,000
08207	Oak Creek Water Distribution System Replacement Phase I- Drinking water distribution system improvements.	\$2,000,000	\$2,000,000
08208	Walden Wastewater System Upgrade & Repairs- Wastewater treatment plan improvements.	\$693,750	\$693,750
08209	Park County Broadband Phase III Fairplay/Alma Middle Mile- Middle-mile infrastructure for County schools, fire/ ambulance and Recreational District Facilities as well as Town of Fairplay.	\$371,857	\$371,857
08210	Leadville Tabor Opera House Purchase & Feasibility Study- Property acquisition and use feasibility study.	\$315,000	\$315,000
08211	Salida Water Treatment UV Disinfection Compliance- Drinking water treatment plant improvements.	\$775,000	\$775,000
08214	Steamboat Springs Yampa Street Curb/Sidewalk Improvements- Stormsewer and sidewalk safety improvements.	\$600,000	\$600,000
08215	Merino Water System Improvements Phase II- Drinking water plant improvements.	\$497,500	\$497,500
08234	Trinidad Space to Create Construction Phase- City-owned creative community gathering space improvements.	\$2,000,000	\$2,000,000
Tier II Total		\$26,583,576	\$25,606,469

APPENDIX F: DEPARTMENT RESPONSE TO RFI #1



COLORADO
Department of Natural Resources

Executive Director's Office
1313 Sherman Street, Room 718
Denver, CO 80203

November 1, 2016

The Honorable Millie Hamner
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

RE: Department of Natural Resources FY 2016-17 RFI #1

Dear Representative Hamner:

The Joint Budget Committee requested the Department of Natural Resources to include in its annual budget request a report on the performance of the risk-based inspection program, including information on the development of the facilities integrity group, the inspection of process piping and flowlines, and the metrics used to measure the performance and effectiveness of the facilities integrity program. This Request for Information was made in conjunction with the approval of the Oil and Gas Conservation Commission's FY 2015-16 request for the 12.0 FTE recommended by the Governor's Task Force on Oil and Gas. The following is the Department's two-part response to your request.

Risk Based Inspection Program

Senate Bill 13-202 mandated that the Oil and Gas Conservation Commission (OGCC) use a "risk based strategy for inspecting oil and gas locations that targets the operational phases that are most likely to experience spills, excess emissions, and other types of violations and that prioritizes more in-depth inspections." To achieve this goal, the OGCC first conducted a study to determine the operational phases of oil and gas activity that posed the greatest risks to public health, safety and welfare, and the environment, including wildlife, and then developed a pilot version of a geographic information system (GIS) model that could be used alongside existing agency systems to prioritize field inspections based on risk. This new GIS risk based model, which was initially limited to a small area, has been expanded for use throughout Colorado.

The GIS model is a systematic, automated, statistical tool that relies on statewide environmental and demographic data from the Colorado Division of Water Resources, Colorado Parks and



Wildlife, Colorado Department of Local Affairs, and U.S. Census Bureau. The model uses the data to calculate a relative risk level (RRL), between one and 75, for each well in the state. The risk level is automatically updated as the risk factors affecting it change over time. Therefore, OGCC's database provides nearly real-time data for analysis, tracking, and spatial display on the OGCC's interactive map. Wells with a RRL of 45-75 are considered to be high priority; and the OGCC's goal is to inspect 100% of them on an annual basis. On April 1, 2016 there were 6,184 wells with a "high" RRL. As of October 25, 2016, 61% of them had been inspected.

Field staff, including inspectors, environmental specialists and engineers, statewide use the calculated risk levels as an additional factor to consider when prioritizing inspections. This GIS model has allowed the agency to implement an improved response to operations that pose risks to public health, welfare, the environment, or wildlife.

Facilities Integrity Program

The OGCC's new integrity group, formed in FY 2015-16, has designed and implemented a risk-based program focused on the installation and maintenance of flowlines. Flowlines are the network of pipelines connecting oil and gas wells to tanks, separators, and other vessels, and include the pipelines connecting these facilities to the point of sale. The integrity group's first-year accomplishments are summarized as follows:

Operator Guidance and Outreach:

- Developed flowline guidance to help operators comply with the OGCC's 1100 series rules, which regulates installation, reclamation, operations, maintenance, repair, and abandonment of flowlines.
- Conducted outreach at events across Colorado, including Colorado Oil and Gas Association meetings in Denver, the Northwest Forum in Rifle, the Gas and Oil Regulatory Team (GORT) meeting in Durango, DJ Operator Consortium in Firestone, small operator outreach in Lyman and Ft. Lupton, and a US Department of Energy-sponsored Pipeline Leak Detection seminar in Loveland.

Integrity Inspections:

- Performed field inspections of flowlines at over 200 sites, as of October 2016. Inspections are conducted during flowline construction, repair, and abandonment, and include the observation of pressure testing methods. Non-compliance issues are immediately addressed with the operator. The most serious have resulted in formal enforcement actions.

Flowline Audits:

- Conducted audits of 16 operators – reviewed integrity programs and pressure testing records for flowlines associated with over 2,200 wells. Audits are prioritized based on a data-driven flowline ranking model and are designed to help ensure operators have systems in place to prevent damage to flowlines, prevent failures that cause spills and releases, identify systemic flowline issues, and identify and address instances of non-compliance.



Flowline-Related Spill Monitoring:

- Reviewed 105 flowline-related spills from March 1 through August of 2016 to determine root causes, when possible, and the mitigations needed to prevent future releases. Thus far, most spills have been caused by corrosion. Improper installations have also caused a significant portion of the flowline spills.
- Worked with the Utility Notification Center of Colorado (CO 811) to ensure operators with pipelines are members of One Call. Over 40 operators have registered with One Call in 2016 as a result of OGCC outreach.

Please contact me if you require additional information on the OGCC's risk based inspection program or the development and progress of its new facilities integrity group.

Sincerely,



William H. Levine
Budget Director, Department of Natural Resources



APPENDIX G: DEPARTMENT RESPONSE TO RFI #3

**Department of Natural Resources - Colorado Oil and Gas Conservation Commission (OGCC)
Emergency Response Line Item
RFI #3 - Annual Report of Expenditures**

Special Study/ Project Name	Description of FY 2015-16 Activity	FY 2015-16 Expenditures
Church Ranch #1W	The OGCC claimed financial assurance for the Church Ranch #1W well in 2011 as part of an enforcement action against the well’s operator. The well, which had been drilled in 2007, but never completed, had been temporarily abandoned by the operator and had no known mechanical issues. However, during a subsequent inspection in June 2016, OGCC staff discovered gas bubbles at the wellhead and immediately retained a contractor to plug the well, thereby isolating groundwater from hydrocarbon bearing rock formations. The project was completed in July 2016. FY 2015-16 expenditures totaled \$19,339, of which \$5,000 was covered by financial assurance and \$14,338 was covered by the Emergency Response line item.	\$14,338
Total Expenditures		\$14,338

APPENDIX H: DEPARTMENT RESPONSE TO RFI #4

Department of Natural Resources – Division of Reclamation, Mining, and Safety (DRMS)
Emergency Response Costs Line Item
RFI #4 - Annual Report of Expenditures

Special Study/ Project Name	Description of FY 2015-16 Activity	FY 2015-16 Expenditures
	There were no expenditures from this line item in FY 2015-16.	\$0
Total Expenditures		\$0

APPENDIX I: DEPARTMENT RESPONSE TO RFI #5

Department of Natural Resources - Colorado Oil and Gas Conservation Commission (OGCC) Special Environmental Protection and Mitigation Studies Line Item THK077 Annual Report of Expenditures

Special Study/ Project Name	Description of FY 2015-16 Activity	FY 2015-16 Expenditures
3M-4M <i>(ongoing project)</i>	<p>Between 2001 and 2010, the OGCC installed 17 monitoring wells at 11 locations along the Fruitland Outcrop in La Plata and Archuleta Counties to monitor gas pressure changes in the Fruitland Coal Formation. All wells are equipped with downhole pressure transducers that report data via a satellite telemetry system to a central data center. In 2008 and 2009, the OGCC and its contractor designed and installed methane seep mitigation systems at two locations in La Plata County. The system at South Fork Texas Creek collects methane from a shallow “French drain” type network of piping and converts the methane to electricity. A passive collection system is installed at Pine River.</p> <p>The OGCC retained third-party contractors knowledgeable in the monitoring and mitigation systems to provide ongoing operations and maintenance (O&M) support to ensure the systems stay in working order and continue to relay data as designed. In FY 2015-16, with the exception of a South Fork Texas Creek methane study whose details are provided in a separate line in this report, OGCC contractors provided the following services:</p> <ul style="list-style-type: none"> • Conducted routine operations and maintenance activities of all system locations; • Reviewed gas quality measurements stored in all data loggers; • Collected weather station data; • Conducted a system-wide field inspection tour; • Collected well pressure measurements from a central data center; and • Analyzed data and prepared the annual report. 	\$43,494

<p>3M-4M, cont. <i>(ongoing project)</i></p>	<p>To retrieve the FY 2015-16 Annual Report from the OGCC website (http://cogcc.state.co.us), navigate online to Library / Area Reports / San Juan Basin / 4M Project / 2015 4M Monitoring Report (June 2016).</p>	
<p>Rulison and Rio Blanco Environmental Monitoring <i>(ongoing project)</i></p>	<p>Project Rulison was a 1969 underground nuclear blast conducted by the Atomic Energy Commission to investigate the use of nuclear explosives to stimulate gas production. Project Rio Blanco is the site of three, nearly simultaneous, subsurface nuclear detonations at depths between 5,000 and 7,000 feet in 1973. In both project areas, oil and gas operators with active and planned operations are required to conduct extensive monitoring, sampling, and analysis.</p> <p>For Project Rulison in FY 2015-16, the OGCC's contract health physicist performed a desk audit of a monitoring report due from one operator with facilities inside the buffer zone. Of the three wells sampled for gas and water, no analytical results were reported exceeding the screening levels specified in the 2010 Rulison Sampling and Analysis Plan (RSAP). The OGCC's review concurred with the report's conclusion that no Project Rulison-related radionuclides were detected in the three sampled wells.</p> <p>In addition, meetings and conference calls were held between the OGCC, the health physicist, and the U.S. Department of Energy (DOE). Revisions to the RSAP are underway and are expected to be completed in FY 2016-17.</p> <p>For Project Rio Blanco in FY 2015-16, the OGCC did not require the contractor to perform any tasks.</p>	<p>\$20,100</p>
<p>Petrophysical Well Log Review, Parachute Field <i>(ongoing project)</i></p>	<p>Consistent with its mission to promote the responsible development of oil and gas resources, the OGCC has been evaluating the quality and quantity of potential groundwater resources in the Piceance Basin in Western Colorado. In 2016, for Phase III of the project, the OGCC retained a consultant specializing</p>	<p>\$10,516</p>

<p>Petrophysical Well Log Review, Parachute Field, cont. <i>(ongoing project)</i></p>	<p>in petrophysical log analysis to continue the Division’s effort to evaluate the vertical distribution and migration potential of fresh water in the Wasatch Formation and Upper Mesaverde Group. This phase of the study focused on validating surface casing depth requirements near the Town of Parachute. Future phases of the project will continue to target different parts of the basin to help validate data reviewed during the earlier phases of the project and evaluate possible geospatial relationships.</p> <p>In the course of this study, the consultant, Digital Formation, Inc., digitized logs from nine wells and performed several types of analyses to identify possible fresh water depths using a 10,000 parts per million total dissolved solids threshold. Water quantity (or potential for supply) was evaluated using log data indicative of water mobility. Upon completion of this phase in June 2016, the consultant issued a report summarizing key findings.</p> <p>While existing surface casing setting depth requirements did not change, the study is assisting OGCC staff with permit condition of approvals for production casing cement isolation requirements for new wells in the Parachute Field.</p> <p>To retrieve the report from the OGCC website (http://cogcc.state.co.us), navigate online to Library / Area Reports / Piceance Basin / Casing and Cement Standards / Digital Formation Salinity Analysis, Parachute (June 2016).</p>	
<p>San Juan Basin Coal Bed Methane Water Quality Study <i>(ongoing project)</i></p>	<p>Since 2000, the OGCC has required routine water well sampling by operators for all new Coal Bed Methane (CBM) wells drilled in the San Juan Basin. As a result, the OGCC database currently contains water sampling results for approximately 2,100 water wells in the basin.</p> <p>In coordination with the larger San Juan Basin Water Quality Analysis Project, the OGCC contracted with a water quality expert beginning in 2010 to periodically review the CBM-related water quality data. The objective is to</p>	<p>\$2,499</p>

<p>San Juan Basin Coal Bed Methane Water Quality Study, cont. <i>(ongoing project)</i></p>	<p>assess short or long term trends that might indicate oil and gas drilling and production activities are impacting domestic water wells in the San Juan Basin. To view the most recent project update, go to the OGCC's home page (the URL is http://cogcc.state.co.us), select Library / Area Reports / San Juan Basin / Trend and Data Analysis San Juan Basin Water Quality Analysis Project San Juan Basin, Colorado (June 2015). The findings were presented in November 2015 to the Gas Oil and Regulatory Team (GORT) in Durango, Colorado.</p>	
<p>Upper Pierre Aquifer Water Quality Study <i>(new for FY 2015-16)</i></p>	<p>Several water court applications have been submitted to Colorado's Division of Water Resources requesting designation of the Upper Cretaceous Pierre Shale in eastern Weld County, Morgan, and Logan Counties as nontributary ground water. The Upper Pierre Shale consists of shale with intervals of sandstone and silty sandstone that contain economic quantities of ground water. The water bearing sandstone intervals have collectively become known as the Upper Pierre Aquifer; and water well permit applications continue to be submitted in eastern Weld County for agricultural, commercial, and industrial uses, including applications for stock water and for oil and gas drilling and completion.</p> <p>In response to this higher level of interest in the Upper Pierre Aquifer, the OGCC undertook a water quality study of the Upper Aquifer. The study objective is to document current water quality conditions and the presence and origin of methane in the aquifer. OGCC sampled ten water wells in FY 2015-16 and plans to target an additional ten to twelve wells for sampling and analysis in FY 2016-17. OGCC staff will evaluate the results and prepare a publicly available report.</p>	<p>\$16,944</p>
<p>Weld County Methane Study <i>(new for FY 2015-16)</i></p>	<p>The OGCC is evaluating possible fugitive methane gas emissions in a portion of the Greater Wattenberg Area (GWA) in Weld County and retained a contractor to collect and analyze data. In FY 2015-16, the contractor surveyed an area measuring approximately 36 square miles in Township 3 North Range</p>	<p>\$12,978</p>

<p>Weld County Methane Study, cont. <i>(new for FY 2015-16)</i></p>	<p>66 West, a portion of the GWA where the OGCC is investigating some water wells with thermogenic (production) gas impacts.</p> <p>The contractor conducted the driving survey, using an infrared spectroscopy (IRS) instrument to identify methane gas emissions, between April and June 2016. The IRS instrument accurately records the location of the seeps, and the contractor documents meteorological conditions such as wind speed, direction, etc. The study results will be used by the OGCC to document existing gas seeps, identify existing and/or old oil and gas wells with gas leakage issues, and to document areas where gas seepage is not occurring.</p> <p>The OGCC completed the project and received a summary report in June 2016. Division staff will determine whether any additional studies are appropriate.</p> <p>To retrieve the report from the OGCC website (http://cogcc.state.co.us), navigate online to Library / Area Reports / Denver Basin / Ground Survey in Weld County for Methane Anomalies (June 2016).</p>	
<p>Total Expenditures</p>		<p>\$106,531</p>

APPENDIX J DETAILED S.B. 16-218 IMPACT COMPARISON

DETAILED COMPARISON BETWEEN SEVERANCE TAX IMPACT WITH AND WITHOUT S.B. 16-218

	Without S.B 16-218 FY 2016-17		With S.B. 218 FY 2016-17		Without S.B. 218 FY 2017-18		With S.B. 218 FY 2017-18	
Beginning balance	\$10,348,227		\$16,352,419		\$3,422,148		\$8,507,834	
Revenue	11,966,928		21,048,422 est.		25,599,085 est.		25,599,085 est.	
Restricted Funds (S.B. 16-218)	0		(10,000,000)		0		0	
TOTAL Available for Expenditure	\$22,315,155	100.0%	\$27,400,841	100.0%	\$29,021,232	100.0%	\$34,106,919	100.0%
Roll-forwards (TOTAL)	788,559		788,559					
Off-the-Top (OTT) Expenditures								
Colorado Energy Office (HB 16-1315)	\$375,000		\$375,000		\$375,000		\$375,000	
Public School Energy Fund	TBD		TBD		TBD		TBD	
SUBTOTAL OTT	\$375,000		\$375,000		\$375,000		\$375,000	
Tier I								
Oil and Gas Conservation Commission	\$7,376,784	33.1%	\$7,376,784	26.9%	\$4,398,067	15.2%	\$4,398,067	12.9%
Colorado Geological Survey	1,379,672	6.2%	1,379,672	5.0%	1,379,672	4.8%	1,379,672	4.0%
Avalanche Information Center	550,899	2.5%	550,899	2.0%	582,044	2.0%	582,044	1.7%
Div of Reclamation, Mining, and Safety	4,540,625	20.3%	4,540,625	16.6%	4,627,877	15.9%	4,627,877	13.6%
Colorado Water Conservation Board	1,319,250	5.9%	1,319,250	4.8%	1,319,250	4.5%	1,319,250	3.9%
Division of Parks and Wildlife	2,562,218	11.5%	2,562,218	9.4%	2,426,476	8.4%	2,426,476	7.1%
SUBTOTAL Tier I	\$17,729,448	79.5%	\$17,729,448	64.7%	\$14,733,386	50.8%	\$14,733,386	43.2%
Tier II								
Water Infrastructure Development	\$0		\$0		\$0		\$1,258,970	
Soil Conservation Districts Matching Grants	0		0		0		56,654	
Water Efficiency Grants	0		0		0		69,243	
Species Conservation Trust Fund	0		0		0		629,485	
Low Income Energy Assistance	0		0		0		1,636,661	
Renewable energy – Agriculture ^a	0		0		0		0	
Interbasin Water Compacts	0		0		0		93,802	
Forest restoration grants/ bark beetle ^a	0		0		0		0	
Aquatic Nuisance Species Fund	0		0		0		504,344	
Forfeited Mine Site Reclamation	0		0		0		15,989	
SUBTOTAL Tier II	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$4,265,147	12.5%
TOTAL Expenditures	\$18,893,007		\$18,893,007		\$15,108,386		\$19,373,533	
Ending Balance								
Ending Balance	\$3,422,148		\$8,507,834		\$13,912,846		\$14,733,386	
Tier I Reserve ^b	\$14,749,448		\$14,749,448		\$14,733,386		\$14,733,386	
Tier II/LEAP Reserve	5,531,711		5,531,711		5,081,711		5,081,711	
TOTAL Reserve Requirement	\$20,281,159	90.9%	\$20,281,159	74.0%	\$19,815,097	68.3%	\$19,815,097	58.1%
UNDERFUNDED RESERVE	(\$16,859,011)	(75.5%)	(\$11,773,325)	(43.0%)	(\$5,902,251)	(20.3%)	(\$5,081,711)	(14.9%)

est. = estimate.

TBD = To be determined

^a Transfers to these programs are to terminate pursuant current law in FY 2017-18.

^b For FY 2016-17 only, JBC-sponsored S.B. 16-167 lowered the required reserve for Tier I programs by \$2.98 million.