Department of Natural Resources

FY 2025-26 Joint Budget Committee Hearing aGENDA

Wednesday, December 11, 2024

1:30 pm – 3:00 pm

1:30-1:40 Introductions, Opening Comments, and Common Question

Presenter: Presenter: Dan Gibbs, DNR Executive Director

1:40-2:10 Refinance Severance Tax Operational Fund

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Nate Pearson, DNR Assistant Director for Water Policy
- Carly Jacobs, DNR Chief Financial Officer

Topics:

- Impact on water projects: Pages 1-2, Question 2 in the packet.
- Severance Tax Operational Fund reserve requirement: Pages 2-3, Question 3 in the packet.
- Cash Funds: Pages 3-7, Questions 4-5 in the packet.
- DNR GF programs and Severance Tax: Page 7, Question 6 in the packet.

2:10-2:35 Budget Reduction Issue

Main Presenters:

- Dan Gibbs, DNR Executive Director
- Carly Jacobs, DNR Chief Financial Officer

Supporting Presenters:

- Julie Murphy, Director Energy and Carbon Management Commission
- Jeff Davis, Director, Colorado Parks and Wildlife

Topics:

- Statewide Requests: Pages 7-8 Questions 7-9 in the packet.
- ECMC cash funds and program: Pages 8-14, Questions 10-12 in the packet.
- CPW cash funds and Wolf Reintroduction: Pages 14-17, Questions 13-16 in the packet.

2:35-3:00 Department Budget Requests

Main Presenters:

- Dan Gibbs, DNR Executive Director

Supporting Presenters:

- Jeff Davis, Director, Colorado Parks and Wildlife
- Tracy Kosloff, Deputy Director, Division of Water Resources
- Matt McCombs, Colorado State Forester
- Carly Jacobs, DNR Chief Financial Officer

Topics:

- R1 KCW Pass Staff and Operating: Page 17, Question 17 in the packet.
- R2 Outdoor Equity Grant Program: Pages 17-18, Questions 18-19 in the packet.
- R3 Adjust Water Commissioner Job Classifications: Page 18, Question 20 in the packet.
- Colorado State Forest Requests: Pages 19-22, Questions 21-27 in the packet.
- R4 Scale Department Administrative Support: Page 22, Question 28 in the packet.
- R5 Implement IT Product Owners: Pages 22-23, Questions 29-30 in the packet.
- Indirect Cost Assessment: Pages 23-24, Question 31.

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Common Questions For Discussion at Department Hearings

1 Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:
   a. Original fund source (General Fund, ARPA, other), amount, and FTE;
   b. Original program time frame;
   c. Original authorization (budget decision, legislation, other);
   d. Requested ongoing fund source, amount, and FTE; and
   e. Requested time frame (one-time extension or ongoing).

Response: The Department of Natural Resources (DNR) FY2025-26 budget request does not include any requests that replace one-time General Fund or ARPA funding with ongoing appropriations.

Refinance Severance Tax Operational Fund

2. [Sen. Bridges] What would be the impact on water projects if this request were approved?

Response: The R-10 request estimates that the impact to CWCB water funding resulting from the proposal to restructure the Severance Tax Operational Fund would be a reduction of $11M during FY 2025-26, $16M during FY 2026-27, and $12.6M during FY 2027-28. This is in addition to the impact of Statewide Request R-01 (*Transfer Certain Interest Income Revenue Subject to TABOR*) which may be $21M over two fiscal years. If implemented, neither R-10 nor R-01 would implicate CWCB's ability to fulfill loan or grant obligations already made. However, the requests would reduce CWCB's capacity to issue future Water Project Loans and Projects Bill Grants by an estimated $65M over three years.

- The Water Project Loan Program funds the construction of new and rehabilitated water infrastructure projects, for example, Chimney Hollow Reservoir.
- The Projects Bill Grants Program funds water projects and programs of regional or statewide importance, for example, the Arkansas Valley Conduit.

Cuts to these programs reduce upside revenue potential to meet projected water supply needs identified in the Colorado Water Plan. They also reduce the funds' buying power over time.

In addition to the current proposals, $90.5M has been transferred out of the Severance Tax Perpetual Base Fund since FY 2020-21. Since the severance tax spillover mechanism was implemented in 2019, $69.2M of the $86.2M forecasted to spill, or 80%, has been diverted for budget balancing purposes. These actions have coincided with historically high severance tax earnings since 2021-22. In the last 15 years, over $250M has been swept from funds dedicated to developing and conserving the State's water resources. Including the current proposals, total budget balancing actions over the last two decades have diverted nearly one-third of a billion dollars from water projects grants and loans.

However, DNR and CWCB understand and appreciate that the FY 2025-26 budget environment is highly challenging. Increases in mandatory caseload related expenditures, as well as higher than average cash fund revenue earnings, has contributed to additional pressures on the state's General Fund balance within the TABOR fiscal year spending limit. The proposed changes to the Operational Fund are intended to assist with the broader budget balancing considerations while mitigating, but not fully avoiding, negative impacts to water projects.

3. [Sen. Amabile] Why is the 200.0 percent reserve requirement necessary? If it is not necessary, what would be a better reserve amount?

Response: The 200% reserve requirement was implemented by S.B. 21-281 (State Severance Tax Trust Fund Allocation), recommended by JBC staff and sponsored by the Joint Budget Committee, to ensure the long-term sustainability of the Severance Tax Operational Fund (Operational Fund) following a severe two-year severance tax revenue downturn. Prior to the passage of the bill, the Operational Fund had a 100% reserve requirement, which had been entirely exhausted over the course of FY 2020-21 when the total annual statewide severance tax collections were negative (-$15.3 million). At that time, revenue forecasts for FY 2021-22 were similarly dire, but the Operational Fund had no remaining reserve to support expenditures into a second year. Without the support of the General Assembly, the Operational Fund would have been insolvent almost immediately and unable to support permanent staff and ongoing operations despite aggressive fiscal conservation measures by the Department. Increasing the reserve requirement to 200% was a response to these circumstances and intended to provide multi-year stability for Operational Fund Programs in the event of extended revenue uncertainty.

Severance tax is the most volatile and difficult-to-forecast revenue stream in the state, with a relative standard deviation of 70%.[1] Collections are primarily driven by the price of oil and gas and the offsetting impacts of the ad valorem tax credit. Unlike other fee-based funds, DNR does not have ability to control severance tax revenue, which makes internal fund management tools, like the reserve requirement, especially important. It is essential to maintain a reserve to ensure continuity of operations for any programs that continue to be supported by the Operational Fund given the overall volatility of the revenue stream.

[1] By comparison, Federal Mineral Lease revenue has an RSD of 35% and the ECMC mill levy has an RSD of 25%.

As demonstrated during the FY 2020-21 downturn, cash flow is an important consideration when determining the appropriate reserve amount since severance tax revenue collections are not evenly distributed across the fiscal year. On average, approximately 25% of total annual severance tax revenue is collected in the month of April because of tax filing deadlines. In contrast, July and August collections average 5% of total annual revenue each. In the event of a severe revenue downturn, it can take many months for incoming revenue to restore the fund balance and support necessary ongoing expenditures.

The Governor's request to restructure the Severance Tax Operational Fund reduces the reserve requirement to 150% of current year appropriations in FY 2025-26, and again to 100% of current year appropriations in FY 2026-27 and ongoing. The proposed reduction in the reserve requirement is driven by budget balancing considerations and it is the only component of the request intended to be permanent, beyond FY 2027-28.

4. [Sen. Bridges] What is the *correct* cash fund to support all of the different programs that the Operational Fund supports?

Response: Pursuant to Section 39-29-109, C.R.S., severance tax revenue allocated to the Department of Natural Resources is to be used to fund programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water. In accordance with this statutory directive, the Severance Tax Operational Fund (Operational Fund) currently supports permanent staff and ongoing operations for natural resources-related activities in a number of DNR divisions and programs, as well as the Colorado Geological Survey at the Colorado School of Mines. The Operational Fund has traditionally funded these efforts, in some cases, for approaching three decades. Current funding includes:

State Agency	Program	FY 2024-25 Operational Fund Appropriations
DNR	Energy and Carbon Management Commission (ECMC)	$6,148,067
School of Mines	CO Geological Survey	$1,744,907
DNR	Avalanche Information Center	$1,440,857
DNR	Reclamation Mining and Safety	$5,698,297
DNR	CO Water Conservation Board	$1,319,250
DNR	CPW-Wildlife	$25,225
DNR	CPW-Parks	$2,525,909
	SB21-281 Programs	

DNR	DNR Species Conservation Trust Fund	$5,000,000
DNR	CPW Aquatic Nuisance Species Fund	$4,006,005
Agriculture	CDA Soil Conservation Grant Fund	$700,000
DNR	Colorado Strategic Wildfire Action Program (COSWAP)	$5,000,000

The DNR assumes that Operational Fund support for each of these activities is a correct and appropriate source of funding based on the General Assembly's intent and previous actions.

DNR ECMC:

Greater than 95% of total severance tax revenue is attributable to oil and gas production in the state, which has a direct nexus to the mission of the Energy and Carbon Management Commission: to regulate the development and production of the natural resources of oil and gas in the state of Colorado in a manner that protects public health, safety, welfare, the environment and wildlife resources. As such, severance tax is an appropriate source of funding for ECMC operations, and Section 39-29-109.3 (1)(a), C.R.S., directs the Operational Fund to support recommended programs or projects within the Energy and Carbon Management Commission with up to thirty-five percent of the money in the Operational Fund.

With the exception of the ECMC Orphaned Well Mitigation Enterprise, the ECMC's programmatic efforts are primarily supported by the ECMC Cash Fund, the $6.1M annual appropriation from the Operational Fund, and federal awards. The ECMC Cash Fund's current revenue collections will not be enough to support the loss of the Operational Fund appropriation. Please see a more detailed response on the ECMC Cash fund in the responses to Questions #5 and #12.

Colorado Avalanche Information Center (CAIC):

The CAIC is funded by a variety of sources including: severance tax, the Snow Mobile Recreation Fund, a transfer of funds from the Colorado Department of Transportation (CDOT) and Colorado Parks and Wildlife, and $50,000 received from the USDA Forest Service annually. The DNR is unaware of other appropriate cash funds for this effort. Additionally, the current funding mix of funds is appropriate based on the purpose and efforts of this program. CDOT contract funds CAIC's highway forecasting rather than backcountry forecasting, which is funded by appropriations from the Operational Fund and the transfer from Keep Colorado Wild (KCW) revenue that began in FY 2024-25. It would not be appropriate or possible to charge backcountry forecasting activities to the CDOT funding for highway forecasting, nor to charge the highway forecasting to appropriations funded by the KCW and severance tax appropriations.

Division of Reclamation, Mining and Safety:

The Operational Fund is specifically established to collect a tax on the severance of non-renewable resources, including oil and gas, coal, molybdenum, and metallic minerals. The DNR's Division of Reclamation, Mining, and Safety (DRMS) mission has a direct nexus to the purposes of this tax levy. The DRMS is primarily funded by the Severance Tax, federal grants, and Mined Land Reclamation Cash Fund. This division has 4 specific Long Bill groups. With the exception of the Minerals Program, each line item is funded by federal grants and severance tax match to those grants. The Minerals program has appropriations from Operational Fund and the Mined Land Reclamation Fund. Severance tax accounts for about 67% or $2.1M of this program's expenses, and the Mined Land Reclamation Fund accounts for 33% or $1M of program expenses. The Mined Land Reclamation fund receives revenue from fees collected from mine operators. The fees support the costs of processing permits, conducting reviews, and inspections of permitted mine sites. Fees are paid for permit applications, annual fees, and revisions to permits. Currently, the fund receives roughly $950,000 annually from these fees. The fund does not receive enough revenue to fully cover program operations and fees are set in statute. Fully funding program expenses from the Mined Land Reclamation fund would require roughly a tripling of the current fee structure. The Mined Land Reclamation Fund is subject to TABOR. Any additional revenue associated with a fee increase will be subject to TABOR revenue calculations and would require legislation.

Colorado Water Conservation Board (CWCB):

Currently, the Operational Fund supports $1.3M of CWCB efforts across three line items. The FY 2025-26 request R-10 proposes that this appropriation be refinanced to the CWCB Construction Fund. The CWCB Construction Fund is authorized by statute to issue grants and already supports CWCB operations through appropriations in the Long Bill.

Colorado Parks and Wildlife (CPW):

CPW receives approximately $2.5M in annual severance tax funding for state park operating costs in its State Parks Operations long bill line. Although these programs could be funded via CPW's TABOR-exempt tax funds, the loss of the dedicated revenue stream for these high priority programs would have downstream impacts on other CPW programs.

DNR Species Conservation Trust Fund, Aquatic Nuisance Species Fund, and Colorado Strategic Wildfire Action Program:

Please see the written response to Question 13.

Colorado Geological Survey:

The DNR cannot comment with specificity on programs that are administered by other departments or institutions of higher education, and recommends that any potential modification of funding for the Colorado Geological Survey be discussed with the Colorado School of Mines.

CDA Soil Conservation Grant Fund:

The DNR cannot comment with specificity on programs that are administered by other departments or institutions of higher education, and recommends that any potential modification of funding for the Soil Conservation Grant Program be discussed with the Colorado Department of Agriculture.

COSWAP: The Joint Budget Committee sponsored legislation (S.B. 23-139) designating COSWAP as an authorized beneficiary of the Operational Fund, and severance tax is the only currently identified source of revenue for COSWAP aside from General Fund. There are no established fees or alternative sources of revenue that are appropriate or available to support the program.

5. [Sen. Kirkmeyer] Why aren't core and discretionary programs funded out of their respective cash funds? For example, why isn't the Energy and Carbon Management Commission funded fully from the Energy and Carbon Management Cash Fund. Please elaborate on all such programs.

Response:

ECMC: The ECMC Cash Fund's annual revenue is not sufficient to cover all of ECMC annual expenses. The primary source of revenue for the ECMC Cash Fund is a conservation levy, which is subject to TABOR. The current levy is set at 1.5 mils. To accommodate the loss of severance tax revenue, the ECMC would need to increase the current levy assessment to the statutory maximum of 1.7 mils, and would likely need legislation to increase the cap beyond the current maximum. Current estimates are an increase from 1.5 mils to 1.7 mils would generate roughly $3M annually. Currently, ECMC receives roughly $6.1M of Severance Tax revenue annually. ECMC would also likely need to consider other revenue sources, e.g., permitting and regulatory fees. Any increase in revenue is subject to TABOR revenue calculations. Section 39-29-109.3 (1)(a), C.R.S., directs the Severance Tax Operational Fund to support recommended programs or projects within the Energy and Carbon Management Commission with up to thirty-five percent of the money in the Operational Fund.

COSWAP: The Joint Budget Committee sponsored legislation (S.B. 23-139) designating COSWAP as an authorized beneficiary of the Operational Fund, and severance tax is the only currently identified source of revenue for COSWAP aside from the General Fund. There are no established fees or alternative sources of revenue that are appropriate or available to support the program.

CPW: Select CPW programs are funded through the Severance Tax Operational Fund for unique reasons. These programs have long been funded with Severance Tax in accordance with General Assembly priorities. For additional details on how that funding fits in with CPW's overall funding, please see the response to Question 13 for additional information on ANS and SCTF.

6. [Sen. Kirkmeyer] Can you please provide information on from where in the Department ongoing General Fund might be moved into the Operational Fund?

Response: The majority of the General Fund in DNR supports the Division of Water Resources (DWR) at roughly $42M in FY 2024-25. This amount includes salaries, all state paid benefits, operating expenses, and all centrally appropriated operating common policies, including Vehicle Lease, Payments to OIT, and Legal Services. DWR is not currently an authorized recipient of severance tax and any refinance of DWR General Fund appropriations to the Operational Fund will require an equal corresponding amount of severance tax revenue to be available on an annual basis, plus enough to meet any Operational Fund reserve requirements, currently at 200% of appropriations. The DNR does not see this option as a viable budget balancing strategy or as a short term or long term funding solution for the critical water administration tasks performed by the Division of Water Resources.

Additionally, CPW is provided $2.1M GF annually to support wolf reintroduction and management efforts and $125,000 to support free State Park access for Veterans during August.

Severance tax is collected on non-renewable resources including oil and gas, coal, molybdenum, and metallic minerals. The DNR has not determined an appropriate nexus to refinance Wolf Reintroduction Costs and Veteran free park access to the Severance Tax.

Budget Reduction Issue

Statewide Requests

7. [Sen. Bridges] Please discuss the impact of the cash fund transfers in the statewide R1 request on the Department's planning for the programs that those funds support. Are the programs supported by these cash funds dependent on the interest revenue?

Response: The executive request strived to find the balance between supporting statewide budget balancing in the short and mid term, while also ensuring stability for the programs supported. The DNR and Administration analyzed the impact of the proposed interest sweeps and the 1.5% out-year interest cap. None of the identified DNR cash funds in this proposal are dependent on interest revenue to ensure efficient and effective program delivery.

8. [Sen. Kirkmeyer] Were the transfers in the statewide R1 request discussed with the legislature's Water Committees? Who has the Department or OSPB talked to and how did they inform this request?

Response: Statewide Request R-01, Transfer Certain Interest Income Revenue Subject to TABOR, affects multiple departments and is not specific to the Department of Natural Resources. DNR did not discuss the R1 proposal prior to the release of the Governor's budget on November 1, 2024, and cannot speak to outreach by the Governor's Office of State Planning and Budgeting (OSPB) that may have informed the request. DNR would refer the Committee to OSPB for information on the development of the request.

9. [Sen. Kirkmeyer] If sports betting revenue in the Water Plan Implementation Cash Fund was voted on and largely exempt from TABOR, why are we sweeping the interest?

Response: The Water Plan Implementation Cash Fund currently has revenue from both TABOR exempt and non-exempt sources included in its balance. The main source of revenue to the fund is from sports betting, which is considered a voter-approved tax revenue change with the passage of Propositions DD and JJ. Sports betting revenue and interest earned on that revenue is exempt from TABOR and is exempt from proposed interest-related budget balancing actions. However, the fund received transfers of TABOR non-exempt revenue totalling $30.6 million ($15M General Fund through H.B. 21-1260, $12.6 million from the Severance Tax Operational Fund in S.B. 23-237, and $3 million from the CWCB Construction Fund in H.B. 22-1316 and S.B. 23-177) to jumpstart grant funding efforts. The interest earned on the transferred revenue is subject to TABOR. The intent of the statewide R1 is to capture the TABOR interest revenue and sweep that to the General Fund. The actual available TABOR interest revenue in the Water Plan Implementation Cash Fund is less than the amount initially identified in R1.

Energy and Carbon Management Commission Program Questions and Refinancing

10. [Rep. Taggart] Can you provide some background on the 20.0 FTE that need to be filled in the ECMC? What positions are these, what duties would they fulfill, and what would be the impacts of not filling those positions?

Response: Below is the list of the current vacant positions within ECMC. Several of these positions were intentionally held vacant until after the respective rulemaking processes which provided the required job duties that allowed us to then post these positions. There are currently 12 positions in recruitment.

FTE Classification	FTE Name	FTE Unit and Duties	FTE Impacts of not funding
PHA 158, Program Manager III	Deputy Director Policy	• Develop and implement legislative and administrative strategies to advance environmentally protective energy development. • Work with the Colorado legislature, DNR Executive Director's Office, the Governor's Office, and key administrative agencies, commissions and external stakeholders. • Track and analyze legislation relating to assigned issues. • Lead ECMC internal rulemaking processes. • Lead stakeholder processes convened by administrative agencies.	ECMC's will be without this crucial leadership role; finance, hearings, and community relations units will be without leadership; important legislative work will not get done timely
PHA 224, Community Liaison IV	Community Liaison West Slope	SB 24-229: Ozone Mitigation Measures directs ECMC to appoint at least two Community Liaisons to: • Serve as dedicated resources for disproportionately impacted (DI) communities regarding Commission regulation • Serve as an advocate for DI communities in a non legal capacity • Act as a liaison between DI community members, the Commission, and Director with respect to the permitting process • Provide community members with relevant information regarding public engagement resources such as: • Assistance to community members in presenting their views to the Commission	ECMC would not meet its legal obligation to appoint at least two community liaisons to stand up a new state-wide DI community engagement program; Members of the DI community would not have equal access to the permitting process or commission.
PHA 225, Community Liaison IV	Community Liaison Front Range		
GT/CCUS Supervisor PSRS IV 228	ECMC Geothermal/CCUS Supervisor	• Deep Geothermal and Carbon Capture & Sequestration Program and unit Supervision • Lead development of geothermal and CCS regulatory program materials, processes, forms, and other related material to assist in establishing and implementing regulatory programs. Communicate program information to the stakeholders, the public, and industry to ensure efficient	ECMC's new Geothermal and Carbon Capture and Sequestration program would not be developed in accordance with the rules.

		process in line with established rules and the agency's mission. ● Survey industry, other state agencies, federal agencies, and other states' agencies for rulemaking currency. ● Develop currency as needed with developing technologies that may affect ECMC regulatory needs. ● Determine what developments may be pertinent to assuring regulatory programs are appropriately including the developments and potential evolution of these industries.	
GT/CCUS Specialist; Completions Specialist; Engineering Tech PSRS II 23-016	Geothermal/CCUS Specialist; Completions Specialist; Engineering Research Tech	● Program Development and Implementation including determining and informing regulatory and policy strategies to assist development and implementation of rules and regulatory processes including guidance and form development and related content development. ● Provide scientific support for development of deep geothermal and carbon capture utilization and storage regulations, programs, and related contracts. Review scientific literature, conference proceedings, technical work proposals, regulatory development documents, and develop technical work products including white papers and studies.	ECMC's new Geothermal and Carbon Capture and Sequestration program would not be implemented in accordance with the rules.
Renewable Energy EPS III PHA 221	Renewable Energy Program Coordinator EPS III	This role will take the lead in coordinating collaboration between the local or tribal government and appropriate stakeholders including CPW, CEO, DOLA, PUC, DNR, and others in the development of renewable energy project codes at the local level, and for collaboration between stakeholders on the planning, project design, siting, and permitting efforts of renewable energy projects. It will liaise and interface with the EDO Assistant Director for Tribal Affairs when developing strategies for Tribal engagement.	Legislative requirements to provide technical assistance to local governments and tribes would not be met.
CI Specialist EPS III 200	Cumulative Impacts Assessment	This position will be the agency's SME for reviewing cumulative impacts data and analyses, and making recommendations to	Proposed energy operations in the state might not be processed

	Specialist	the Commission or Director about whether proposed operations should be approved or denied based on their potential impacts. The Specialist will attend pre-application meetings with the Operator to determine appropriate Areas of Evaluation for each proposed Location.	timely; cumulative impact data might not be collected or processed timely as required by regulation
Scientific Technical Writer PSRS III 23-016(3)	Scientific Technical Writer -Staff Authority	This position will be the Staff Authority and lead the coordination of report generation for legislative and other commission-mandated reports related to Cumulative Impacts, Energy Transition, and other emerging scientific and policy efforts:	Required cumulative impact reports may not be produced timely or at all.
Integrity Engineer EIT III 131	Engineer-in-Training II	• Review Flowlines and energy Facilities to ensure their integrity such that exploration and production fluids are produced, injected, stored, or transported in accordance with ECMC's Rules and Regulations. • Respond to inquiries and investigate complaints that may be related to Flowlines, Oil and Gas, and other energy producing Facilities. • Recommend enforcement actions and provide support for enforcement actions presented before the Commission	Oil, gas, and other energy facilities may not be inspected for integrity.
Engineering Tech and Reclamation Specialists EPST II 95, 160, 163, 30	Reclamation and Engineering Specialists; Compliance Inspector	Positions in this level decide the particular operations of their assigned area. Some positions also serve as a member of a multi-disciplinary team evaluating, planning, and implementing a natural resource protection, recovery,remediation, reclamation, or removal project. This involves such things as planning and developing remedial action plans; estimating fiscal and manpower requirements for projects; evaluating applications for permits and licenses; analyzing the public health or environmental impacts of industrial and manufacturing operations, and formulating plans to mitigate their impacts on human health and the environment	These specialists are often doing important work in the field and are ECMC's boots on the ground. ECMC operations rely on the information and data generated by these positions for daily operations.
Area Engineer EIT I	ECMC Area Engineer	The Area Engineer reviews and approves casing and cement designs on drilling permits, plugging procedures, drilling	Oil and gas wells may not be tested for compliance and could

26		completion reports, and other downhole-related oil and gas operations (e.g., certain workover operations, well repairs, remedial cement operations, well control procedures, Bradenhead pressure monitoring procedures and plans, hydrogen sulfide gas drilling operation plans, and mechanical integrity tests) performed by oil and gas operators to ensure compliance with ECMC's Rules and Regulations.	be leaking or causing environmental damage.
Environmental Protection Specialist EPS IV 71	Location Assessment Supervisor	This position, along with the other Location Assessment Supervisors, oversees the LAS group's environmental review and approval, if appropriate, of oil and gas development plans, comprehensive area plans, and numerous surface activities at new or existing oil and gas locations as well as emerging energy technologies, primarily in the areas of Carbon Capture and Sequestration (CCS) Class VI wells, deep geothermal, and underground natural gas storage per SB 23-285 and SB 23-16.	These positions oversee energy development planning and permitting of existing and emerging technologies. Without these positions backlogs could occur.
Environmental Protection Specialist EPS I (2) 201 & 203	Assistant Location Assessment Specialist	This position will play a key role in the processing of Forms 2, 4, 6, and 45 to relieve the EPS II Location Assessment Specialists of the bulk of those duties. It will also assist EPS II staff by reviewing public comments received for CAP and other applications; this review will include "sorting" comments into like-topics and flagging those topics for EPS II or Senior Staff's further review and response as part of the Director's Recommendation.	ECMC is a forms-based organization and without staff processing these key forms, backlogs, reporting delays and a myriad of other issues can occur.
Compliance Spclst V 101	ECMC Northeast Compliance Supervisor	This position independently assesses the compliance status of various types of oil and gas facilities by comparing the status and condition of the facility against relevant permits, court and commission orders, and commission rules. It requires a comprehensive understanding of ECMC Rules as well as an expert knowledge and understanding of oil and gas and other energy operations.	This position oversees the compliance of one of the largest energy producing sectors of the state and plays a key role in ensuring compliance.
Data Management IV 213	ECMC Application Development Coordinator -	This position is responsible for the development and project management of COGIS application development projects. These positions liaise with Office of	This position ensures timely and accurate application development including

	Lead	Information Technology (OIT) application development resources that are dedicated to support the agency as well as contract developers to accomplish the continuously evolving realm of applications required to interface with COGIS data.	new form creation and regular form updates.

11. [Sen. Bridges] Can you provide an update on the false lab data reports? What do we know now, what is being done, and what is the plan to remediate both this issue and the physical sites where testing data were falsified?

Response: ECMC determined that environmental consultants hired by oil and gas operators submitted falsified laboratory data to ECMC. ECMC has preliminarily determined that the data manipulation affected soil, groundwater, and inorganic and organic contaminant data for approximately 350 oil and gas locations in Weld County. The identified data falsification occurred between 2021 and summer 2024.

ECMC continues to investigate and will oversee and confirm operators' investigation and remediation at the affected sites. Based on its preliminary investigation ECMC is confident that the falsified data created no new risks to public health. ECMC has also put in place additional safeguards to prevent falsified data from being submitted in the future, including requiring additional documentation and examining metadata.

ECMC's investigation is on-going and the outcome of the investigation could include enforcement action and fines. ECMC is also coordinating with local jurisdictions and impacted land owners. Additionally, given the scope, ECMC will cooperate with law enforcement, if necessary. ECMC will provide additional information to the public as the investigation unfolds.

12. [Sen. Kirkmeyer] Instead of transferring funding from the Energy and Carbon Management Cash Fund to the General Fund, can you please discuss options to shift funding for the Energy and Carbon Management Commission from the Operational Fund to the ECMC Fund?

Response: There is not currently any request to transfer ECMC obligations from either the Severance Tax Operational Fund or the ECMC Cash Fund to the General Fund. The Energy and Carbon Management Commission (ECMC) has seen a decline in new drilling permits and well starts from calendar year 2022 to 2023. With fewer permitted new wells, there is an expectation future revenue will drop, necessitating a fund balance in order to avoid a financial fiscal cliff. The ECMC is projecting a declining cash fund balance for the next several years. ECMC has also received additional responsibilities over the past two legislative sessions: SB 23-285 - Energy and Carbon Management Regulation in Colorado; HB 23-1242 - Water Conservation in Oil & Gas Operations; HB 23-1294 - Pollution Protection Measures; SB 23-016 - Greenhouse Gas Emissions; SB 24-212 - Local Government Renewable Energy Projects; and SB 24-229 - Ozone Mitigation Measures, that increased current and projected expenditures from the Energy and Carbon Management Cash Fund.

The primary revenue source to the ECMC Cash Fund and the Operational Fund, is predominantly a factor of oil and natural gas commodity sales volumes and prices. This revenue source can be volatile depending on market prices. Section 39-29-109.3 (1)(a), C.R.S., directs the Severance Tax Operational Fund to support recommended programs or projects within the Energy and Carbon Management Commission with up to thirty-five percent of the money in the Operational Fund. Current ECMC fund balance models assume ECMC receives its full annual appropriations from the Severance Tax Operational Fund each year. If the severance tax funding is not received, the Commission would need to increase the levy to the statutory maximum. Any additional revenue is subject to TABOR. The Commission would also consider adding fees in other, potentially TABOR eligible, revenue sources. Even raising the levy to the maximum level per statute, the anticipated additional TABOR revenue would not be enough to replace the lost severance tax revenue to the program. In addition, the Commission is required by statute to ensure that there is an adequate cash fund balance to support its operations. The fund balance would be expected to fall below the 50% statutory reserve requirement in early FY29.

CPW Fund Refinancing and Wolf Reintroduction

13. [Sen. Kirkmeyer] Are there activities, like work for aquatic nuisance species or endangered species/species conservation, that may receive funds from severance tax but could be funded instead with the Wildlife Cash Fund (or another TABOR-exempt cash fund)?

Response: CPW receives severance tax funding for its Aquatic Nuisance Species (ANS) program and for projects designated in the annual Species Conservation Trust Fund (SCTF) Bill. The division also receives approximately $2.5M in annual severance tax funding for state park operating costs in its State Parks Operations Long Bill line item. Although these programs could be funded via CPW's TABOR-exempt tax funds, the loss of severance tax for these high priority programs would have downstream impacts on other CPW programs.

<u>ANS:</u> The ANS program protects the state's natural resources, outdoor recreation, and water supply infrastructure by preventing new introductions of costly invasive species. Ensuring the continuous operation of the ANS Program is essential since ANS infestations can cause billions of dollars worth of damage if they occur. The prevention of new introductions is necessary for protecting water infrastructure statewide, water providers, and private businesses. The federal and local governments also benefit from CPW's operation of the program—additionally, wildlife populations and outdoor recreation benefit from preventing new introductions of invasive species.   Further, given that these issues are of statewide interest to a range of water users, we believe it is appropriate to fund them accordingly, rather than through CPW cash funds, which are largely reliant upon user-fees. The threat of a zebra mussel infestation in the Colorado River could have widespread impacts on a range of Coloradans. Continued statewide investments in preventative measures are necessary to prevent the ongoing risk of invasive species

Refinancing the $4 million in annual severance tax funding with revenue from the Wildlife Cash Fund or the Parks and Outdoor Recreation Cash Fund could displace revenue that would otherwise be used for different purposes and may require reductions or delays in spending on capital projects, land and habitat protection transactions, or operating costs these funds support. Examples of potential reductions include reducing hours of operation, temporary staff hours, and operating budgets. Reductions would affect the maintenance and cleanliness of CPW facilities, such as restrooms and trash removal, and lead to the inability to cover lower-priority waters as CPW would continue to focus efforts on the highest-priority waters. The ANS program also receives over $3 million in federal funds annually. If federal grants from the Army Corps of Engineers were no longer available, there would be an increased need for cash fund support, furthering pressure on the Wildlife and Parks and Outdoor Recreation cash funds.

SCTF: The Species Conservation Trust Fund (SCTF) is used to fund high priority projects undertaken by both CWCB and CPW 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 Service. The majority of revenue in the Wildlife Cash Fund is generated through hunting and fishing license sales. CPW relies on statewide funding programs like SCTF to advance non-game species conservation work. Similar to ANS, the use of Wildlife Cash for species conservation work may result in the reduction of funding to support the management and restoration of at-risk wildlife species . CPW may also need to reduce operating costs including temporary staff hours which can degrade the customer experience. Furthermore, SCTF has helped to maintain ESA compliance for over 1,500 water infrastructure projects in Colorado by funding key Upper Colorado River Endangered Fish Recovery Program projects.

State Park Operations: CPW's appropriation from the Operational Fund has supported base operations at state parks across the state for many years. CPW's state park operations historically included a component of General Fund, receiving as much as $6.3 million in FY 2000-01, but this funding slowly began tapering off due to increased pressures on the General Fund. When faced with a tight budget in FY 2009-10, the General Assembly elected to replace the majority of the remaining General Fund used to support state parks with severance tax, through passage of H.B. 10-1326, and the JBC elected to continue that practice beginning in FY 2010-11 per staff recommendation (page 2 of the staff memo). State park operations have historically been highly resource constrained, even with the supplementary severance tax support. The Keep Colorado Wild Pass was primarily intended to provide CPW with additional resources to ensure sufficient staffing and resources to manage and expand amenities at existing state parks. Refinancing state parks severance tax would spend $2.5 million in Keep Colorado Wild revenue on an annual basis for no change in capacity or additional benefit to the state parks system, which is not consistent with the spirit and legislative intent of the pass.

14. [Sen. Amabile] What is the potential for the Department to refinance various programs that currently use General Fund or cash funds subject to TABOR instead with TABOR-exempt cash funds (e.g., many of the funds within the Division of Parks and Wildlife)?

Response: There is no nexus between the statutory purposes of CPW's TABOR-exempt cash funds and other programs within DNR. CPW's TABOR-exempt cash funds each have specific allowable statutory uses or federal limitations on how funding can be used. For example, state and federal statutes prohibit the use of wildlife cash funds for non-wildlife purposes as a condition of eligibility for more than $45 million in federal funds per year. If CPW were found to be diverting wildlife revenue to other unrelated programs, these federal funds would be revoked and General Fund repayment would be required.

15. [Sen. Amabile] Is there a sunset to the $2.1 million per year for wolf reintroduction and management? Shouldn't that cost decrease once we are done with reintroductions and shift to management? What would ongoing costs be?

Response: There is no sunset to the $2.1 million General Fund appropriation; it is expected to continue annually to support the Colorado Wolf Restoration and Management Plan and fulfill the statutory requirements of Section 33-2-105.8, C.R.S. As outlined in the Colorado Wolf Restoration and Management Plan, wolf reintroduction efforts are anticipated to require the transfer of about 30 to 50 wolves over a three- to five-year timeframe. The first release occurred in December 2023, and CPW expects captures and releases to continue through FY 2027-28 when reintroduction costs will shift entirely toward ongoing management. The capture and relocation of animals is a relatively minor portion of the program's total costs. As more wolves are on the landscape, CPW expects management and depredation costs to increase. Current and expected ongoing costs include:

- providing technical expertise on the biology and conservation of the species;
- managing the public process required by statute;
- responding to media and other inquiries directly related to the gray wolf reintroduction process in Colorado;
- coordinating with other relevant state and federal agencies on permitting, compensation, non-lethal conflict minimization and other management considerations;
- managing the CPW gray wolf observation reporting program;
- monitoring gray wolf status and presence in the state;
- following up on public reports of gray wolf observations;
- providing technical expertise on gray wolf-livestock compensation and non-lethal conflict minimization;
- responding to and investigating gray wolf-livestock depredations;
- processing gray wolf-livestock claim forms;
- providing gray wolf-livestock compensation and non-lethal conflict minimization materials to livestock owners.

Additionally, the Colorado Department of Agriculture and CPW are standing up a range riding program and a carcass disposal program to assist livestock producers in minimizing wolf-livestock conflict.

16. [Rep. Bird] Could the state pause the reintroduction program and save $2.1 million per year?

Response: Section 33-2-105.8 (4.5) (b), C.R.S., states that "the lack of an appropriation from the General Fund shall not halt reintroduction of gray wolves as required by statute." Section 33-2-105.8 (4), C.R.S., requires the General Assembly to make necessary appropriations to fund the programs authorized and obligations imposed by the plan. It also allows the General Assembly to adopt additional legislation to facilitate the implementation of gray wolf restoration in Colorado.

Department Budget Requests

R1 KCW Pass Staff and Operating

17. [Rep. Bird] Are there any incidental impacts to the General Fund from these large staffing requests?

Response: No, the requested staff, including all salaries, benefits, and operating costs will be funded with the Parks and Outdoor Recreation Cash Fund, and any future costs associated with the request will also be cash-funded. Colorado Parks and Wildlife is an enterprise–revenue to the Parks Cash Fund is not subject to TABOR and does not affect General Fund balancing considerations.

R2 Outdoor Equity Grant Program

18. [Rep. Sirota] In the request there is a statement about a Long Bill footnote making the appropriation available through FY 2027-28 or until the project is complete. What is the intent of this footnote – is the program intended to sunset in FY 2027-28 or is this a statement about how long the funds are available? Or something else?

Response: The Outdoor Equity Grant Program was established by H.B. 21-1318 as an ongoing program with no specified sunset date in statute. The Long Bill footnote on the annual appropriation for the program does not sunset the program. It specifies that the spending authority from the current year appropriation is available for a period of three fiscal years which is similar to footnotes for several other CPW grant programs. The authorized three-year spending authority is important for grants that take multiple years to complete, allowing sufficient time for grantees to receive grants and complete projects before the funding expires.

The requested footnote for FY 2025-26 is consistent with footnote #87 in the current FY 2024-25 Long Bill, which states, "Department of Natural Resources, Division of Parks and Wildlife, Special Purpose, Outdoor Equity Grant Program -- This appropriation remains available for expenditure until the completion of the project or the close of the 2026-27 state fiscal year, whichever comes first."

19. [Rep. Sirota and Rep. Taggart] It sounds like there is significant demand for this program. Is there a reason why this request is not larger? Rep. Taggart would like to see the request closer to $3.3 million. Is there a reason that the request is smaller, and is there a need or benefit to increasing the request amount?

Response: The request allows CPW to manage competing programmatic needs across the division and provides more time for staff to analyze program outcomes and trends in future funding requests of the Outdoor Equity Grant program. The Outdoor Equity Grant Fund grew annually by $750,000 from its inception (H.B. 21-1318) through FY 2023-24, bringing the total annual amount transferred from the lottery to $3 million. House Bill 21-1326 transferred an additional $1 million in one-time funding for the program in FY 2020-21. The requested ongoing increase of $1 million in R-02 continues the measured growth of the program and would bring the total annual grant funding provided through the program to $4 million starting in FY 2025-26. Because the Outdoor Equity Grant Program is only in its third year and has yet to run through a complete three-year funding cycle, CPW is requesting a balanced increase of $1 million in cash funds to begin to address the unmet demand while the program matures. CPW's request also includes a new staff member to support growth and management of the program.

R3 Adjust water commissioner job classifications

20. [Sen. Kirkmeyer] How much funding supports water commissioners – with a particular focus on the amount of General Fund. Please include a breakdown by line item and fund type (General Fund, cash funds, etc.). How many water commissioners are there?

Response: DWR pays 110 positions and 98.25 FTE, and $7,404,114 of salary costs and $10,679,145 including POTS costs for DWR surface water Water Commissioners. These positions are funded by General Fund from the Division's "Water Administration" appropriation. This appropriation consists of 261.3 FTE and $27,023,055 in FY 2024-25 Long Bill spending authority, funded predominantly (97%) from the General Fund. The remaining spending authority consists of 3% cash funds from the Water Resources Cash Fund. The majority of revenue in the Water Resources Cash Fund is statutorily set, limiting DWR's ability to increase revenue to fund increases to its operations.

CSFS R1 Move line items to DNR

21. [Sen. Bridges via questions in briefing document] Which line items within the Department of Higher Education's budget provide funding for the Colorado State Forest Service? If only a portion of a line item funds the CSFS, how much is going towards the CSFS and from what fund source(s)?

Response: The current Long Bill line items that fund the CSFS include the Healthy Forest and Vibrant Communities Cash Fund (HFVC), the Forest Restoration and Wildfire Risk Mitigation Grant Program Cash Fund (FRWRM) and funds allocated under S.B. 23-005 (Grants to Expand Forestry Programs). Base operating funds for the CSFS are apportioned through the DHE Specialty Education Program (SEP) account. In 2024 the SEP budget from CSU to CSFS was $6,720,876.

22. [Sen. Bridges via questions in briefing document] What is the Department's rationale for only moving a portion, and not all, of the funding from CSFS to the DNR?

Response: In 2021, the Colorado legislature directed the Department of Natural Resources (DNR), Colorado State Forest Services (CSFS), and the Division of Fire Prevention and Control (DFPC) through SB21-258, "to conduct an assessment of wildfire mitigation efforts undertaken or supported by the state to determine the most efficient and effective organizational structure for those efforts." The organizational assessment identified the alignment of the budget and policy processes as a key challenge within the state's current structure, specifically related to incorporating CSFS into state budget and policy processes either through DNR as the Division of Forestry and through the Department Higher Education. The report recommended clarifying the budget and programmatic functionality of the CSFS, serving as the DNR Division of Forestry, and contemplating how the CSFS could engage in the DNR's budget process.

The request represents a step in the recommended direction by formally moving all CSFS appropriations that are determined by the General Assembly into the DNR Division of Forestry. CSFS separately receives base operational funding via the Specialty Education Program (SEP) account administered by Colorado State University which is allocated under the higher education funding model (H.B. 20-1366). The SEP provides funding for CSU Extension, CSU Agriculture Experiment Stations, CSU Veterinary Research Hospital and the Colorado State Forest Service. These resources are disbursed at the discretion of CSU Board of Governors and would not be easily partitioned and moved under DNR since they are not appropriated and DNR is not an eligible recipient of SEP funding. Additionally, the CSFS is an agency within the Warner College of Natural Resources at Colorado State University. As such, CSFS federal funding awards are currently established within these entities and could not be managed by DNR.

While CSFS will retain direct statutory responsibility for the appropriations and program performance, and general oversight and statutory responsibilities of the agency will remain with CSU, the requested budgetary change supports the inclusion of the CSFS in DNR's budget and legislative processes and reflects the alignment and shared subject matter expertise between the two agencies on forest health and wildfire mitigation programming to provide greater clarity for the General Assembly and other stakeholders.

23. [Sen. Bridges via questions in briefing document] Are there statutory changes or clean-up needed to align this change? For example, the Healthy Forests and Vibrant Communities Fund resides within 23-31-313 (10)(a)(I), C.R.S., part of the Higher Education statute.

Response: DNR is not aware of any statutory changes or clean-up needed for this change. The identified CSFS line items are being moved into DNR's Long Bill and reflected in a new section for the Division of Forestry to increase visibility of the programs to the JBC and General Assembly as well as streamline the formal budget and legislative process for CSFS requests that affect these specific line items or create new ones. CSFS will retain direct statutory responsibility for the appropriations to cash funds and the management of programs supported by the affected appropriations. The Department of Higher Education retains statutory responsibilities for administering the funds in the HFVC and FRWRM cash accounts.

C.R.S. 23-31-310(8.5) FRWRM statute:

(a) There is hereby created in the state treasury the forest restoration and wildfire risk mitigation grant program cash fund. The department of higher education shall administer the fund, which consists of:

(I) All money transferred by the treasurer as specified in subsection (8.7) of this section;

(II) All money that was in the wildfire risk reduction fund created in section 36-7-405 prior to the repeal of that fund. As soon as possible after December 31, 2017, the state treasurer shall transfer the unencumbered fund balance of the wildfire risk reduction fund as of month-end close on December 31, 2017, to the forest restoration and wildfire risk mitigation grant program cash fund.

(III) Any other money appropriated or transferred to the fund by the general assembly.

(b) All money in the fund is continuously appropriated to the department of higher education for allocation to the board of governors of the Colorado state university system for the forest restoration and wildfire risk mitigation grant program specified in this section. All money in the fund at the end of each fiscal year remains in the fund and does not revert to the general fund or any other fund. The state treasurer shall credit all interest and income derived from the deposit and investment of money in the fund to the fund.

C.R.S. 23-31-313(8)(d)HFVC

There is hereby created in the state treasury the wildfire risk mitigation revolving fund, which shall be administered by the forest service. All moneys in the fund are continuously appropriated to the department of higher education for allocation to the board of governors of the Colorado state university system for loans specified in this subsection (8). All moneys in the fund at the end of each fiscal year shall be retained in the fund and shall not revert to the general fund or any other fund.

CSFS R2 Forestry Workforce Development Program

24. [Sen. Bridges via questions in briefing document] How was the growth in the initial pilot program funded?

Response: The CSFS Internships have historically been funded using a combination of CSFS base funding from the university, CSU WCNR private donor funding, and individual program funding (for example, CSFS Field Offices sometimes use USFS program funds to support part of an intern's salary). CSFS base funding has historically gone to staff salaries, yet in a commitment to our work as an agency of an institution of higher education, the CSFS committed to using base dollars to fund interns. At the same time, as the university saw our commitment to education, workforce development and student experiential learning, a private donor was able to match our funding. Both inflationary pressures in personal services and operating, as well as decreased funding have limited CSFS available program funding. Consequently, match dollars from the private donor are not expected to follow, as there is no available match. Additionally, due to budget issues that the U.S. Forest Service is experiencing, the CSFS did not receive the full amount of funding promised for work that involved interns. This funding supported the salaries of 4 interns to work on U.S. Forest Service projects, and starting in 2025 the CSFS will no longer receive that funding, resulting in the loss of 4 internship positions without an alternative funding source.

25. [Sen. Bridges via questions in briefing document] Is there a portion of the internship program that the CSFS could support within existing appropriations? If so, how much funding and internships could be supported?

Response: Appropriations to CSFS are being used to their fullest extent as each program is now fully staffed and operating at full capacity. Therefore, there is not available funding to be tapped for this initiative.

26. [Sen. Bridges via questions in briefing document] What is the overlap and/or distinction between the current internship program and the newly created workforce development program in S.B. 23-005?

Response: The workforce development program created via S.B. 23-005 allows the CSFS to reimburse external organizations up to 50% of the costs of hosting their own interns. The CSFS Internships are internal positions where students are hired to work for the CSFS and complete CSFS projects. Undergraduate students get direct work experience and training opportunities at the CSFS while being supervised by CSFS employees. The S.B. 23-005 internship funding cannot be used by the CSFS.

27. [Sen. Bridges via questions in briefing document] How will program operations change in order to ensure that students from schools outside of Colorado State University are able to access internship opportunities?

Response: These internships will be posted through the Talent Management System to be accessible for any undergraduate students in Colorado to apply. Recruitment efforts will be expanded to target community colleges and minority-serving institutions in the state. Advertising materials will be distributed to Colorado universities and the Experiential Learning Specialist will attend, or facilitate another CSFS employee to attend, career fairs and make course announcements at Colorado universities throughout the state

R4 Scale department administrative support

28. [Rep. Bird and Sen. Kirkmeyer] What is the source of funds that are being reappropriated? How much of the reappropriated funds originate as General Fund?

Response: None of the Department's reappropriated funds originates from the General Fund in order to comply with Section 24-75-1401(1)(a), C.R.S, which only permits agencies to collect indirect costs on cash-funded, reappropriated-funded, or federal-funded programs based upon an individual funding source's share of total Departmental personal service expenditures. The Department's FY 2025-26 request includes indirect costs collections totaling $8,247,284, with $7,060,054 from cash funds (85.6%) and $1,187,230 from federal funds (14.4%).

R5 Implement IT product owners

29. [Sen. Kirkmeyer] What is the source of funds that are being reappropriated? How much of the reappropriated funds originate as General Fund?

Response: The reappropriated dollars in this budget request are specific to the two product owner positions that will be housed in the DNR's Executive Director's Office (EDO), to support critical department-wide systems and websites, like the KRONOS upgrade, motor vehicle record check system, grants management system and maintaining active disaster recovery plans for these systems. The EDO is primarily funded by indirect recoveries on (i.e., collections from) the department's cash funds and federal awards. None of the Department's reappropriated funding revenue originates from the General Fund. Section 24-75-1401(1)(a), C.R.S, only permits agencies to collect indirect costs on cash-funded, reappropriated-funded, or federal-funded programs.

30. [Rep. Taggart] Why should these positions be housed within the Department instead of OIT? Where is the line between OIT and Department responsibilities?

Response: These positions should be housed within the Department because the current staffing model does not provide sufficient bandwidth for oversight of high priority systems and has the effect of prolonging legacy products without strategic business planning for system modernization and maintenance. The requested Product Owners will oversee system roadmaps and business integration for high priority systems including enterprise systems, public forms and applications, lease asset management, public safety, and data analytics. Specific examples include ECMC forms and applications, law enforcement records management and violation tracking systems, and wildlife species analytics.

The line between OIT and Department responsibilities is outlined in Colorado Revised Statutes 24-37.5-105.2(3), which specifically defines State agency responsibilities related to technology to include creating a business culture that prioritizes maximizing value from technology and information technology projects. State agencies shall:

(a) Understand and manage the business criticality of their systems;

(b) Improve awareness of how information technology can help them achieve the mission of the state agency;

(c) Articulate the outcomes of their information technology products and use processes that effectively prioritize investments and improvements aimed at achieving those outcomes; and

(d) Plan for and manage the impacts of changes resulting from information technology projects for staff and constituents to enhance adoption and maximize the value of information technology investments.

OIT has recommended that Departments have Business Product Owners for critical systems in order to effectively implement the Agile methodology and achieve these outcomes. Through a collaborative effort to define OIT-side roles and Department-side roles with OIT and Department HR representatives, OIT is finalizing draft guidance to provide detail to these roles. This guidance specifically identifies product ownership as a function of State agencies. OIT provides Technical Product Owners to some projects, and the DNR Product Owners, who understand the end users and overall product roadmap, will be operating on the business side to close gaps in strategic oversight of these systems.

Indirect Cost Assessment

31. [Rep. Sirota] Please explain why the indirect cost assessment adjustment is increasing pressure on the General Fund and reducing reappropriated funds.

Response: The Department collects revenue from cash and federal sources to offset the need for General Fund to support central administrative costs in the Executive Director's Office, including salaries, operating expenses, and EDO's share of common policies like total compensation, Payments to OIT, and Risk Management. DNR uses the annual technical adjustment for Statewide Indirect Cost Recoveries to reflect all required changes associated with revenue collections and General Fund offsets for its indirect costs in the budget schedules. The Department's internal indirect cost assessment methodology conforms to past direction from JBC. The amount of revenue available to offset General Fund is determined based on division "fair share" of total personal services costs for the Department from the most recently completed fiscal year and shown as reappropriated funds in the Department's budget. Any General Fund that is not projected to be offset by collections is reflected in adjustments to EDO reappropriated funds in the health, life, and dental or Payments to OIT line items. If actual collected revenue exceeds costs, the Department retains revenue in the Indirect Costs Excess Recovery Fund, created in Section 24-75-1401 (2), C.R.S., which the Department is authorized to access to offset additional General Fund if necessary. The initial FY 2025-26 request estimated that DNR would able to offset $8.2 million in General Fund with indirect cost recoveries (reappropriated funds) with $1.1 million General Fund remaining, but total EDO obligations and the balance between reappropriated funds and General Fund will ultimately be contingent on Committee decisions on common policies and DNR decision items.

Department of Natural Resources FY 2025-26 Budget Hearing

Joint Budget Committee
December 11, 2024

COLORADO
Department of
Natural Resources

Agenda

1. Introduction & Common Questions
2. Overview of DNR FY 26 Budget
3. Refinance Severance Tax Operational Fund
4. Budget Reduction Issue
5. Department Budget Requests

DNR Mission & Vision

The mission of the Department of Natural Resources is:

To manage and conserve Colorado's natural resources for the benefit and enjoyment of people today and tomorrow.

DNR's vision:

Colorado will be a national leader in promoting the responsible use and conservation of natural resources for this and future generations.

COLORADO
Department of Natural Resources

DNR Organizational Chart

Department of Natural Resources
Dan Gibbs, Executive Director

Executive Director's Office*
77.9 FTE

- **Reclamation, Mining, & Safety**
  Michael Cunningham, Director
  64.8 FTE
- **Energy and Carbon Management Commission**
  Julie Murphy, Director
  202.4 FTE
- **State Land Board**
  Bill Ryan, Director
  48.6 FTE
- **Colorado Parks and Wildlife**
  Jeff Davis, Director
  1016.8 FTE
- **CO Water Conservation Board**
  Lauren Ris, Director
  61.6 FTE
- **Division of Water Resources**
  Jason Ullmann, Director and State Engineer
  268.3 FTE

**Includes CO Avalanche Information Center, COSWAP, Colorado River Program, and Produced Water Consortium*

COLORADO
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COLORADO

FY 2024-25 Operating Appropriations by Division

Total Funds = $498.1M

General Fund = $45.2M

Cash Funds = $403.3M

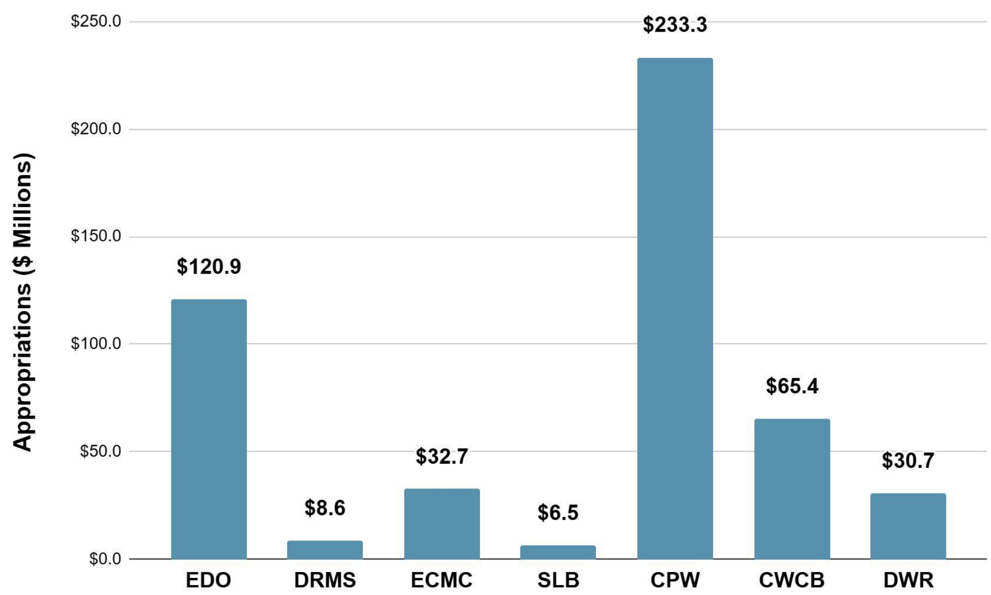
Reapprop Funds = $9.2M

Federal Funds = $40.4M

FTE = 1,740.4

Temps = ~900-1000

Volunteers = ~131.8 FTE



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Department of Natural Resources

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DNR FY 2025-26 Budget Request

FY 2025-26 Budget Snapshot

Total Funds: $470.3 M
General Fund: $60.3 M
FTE: 1,809.3

COLORADO Department of Natural Resources

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