# COLORADO GENERAL ASSEMBLY
# JOINT BUDGET COMMITTEE

# FY 2015-16 STAFF BUDGET BRIEFING

# DEPARTMENT OF NATURAL RESOURCES

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

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# DEPARTMENT OF NATURAL RESOURCES

## Department Overview

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

- The **Executive Director's Office** develops department-wide policies and provides administrative and technical support for Department divisions including: budgeting, accounting, financial management, human resources services, and the coordination of public information and environmental education.[1]

- 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) 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 **Division of Parks and Wildlife** (CPW) provides recreational opportunities at 42 state parks, manages 960 game and non-game wildlife species, issues hunting and fishing licenses, enforces wildlife regulations, and administers more than 300 state wildlife areas.

- The **Colorado Water Conservation Board** (CWCB) works to conserve, develop, and protect the state's water resources to ensure adequate water supply, maximize beneficial use, and reduce the impact of flooding and drought.

- The **Division of Water Resources** (State Engineer's Office) administers and enforces water rights, issues well permits, monitors streamflow and water use, regulates dam construction and safety, and represents Colorado in interstate water compact proceedings.

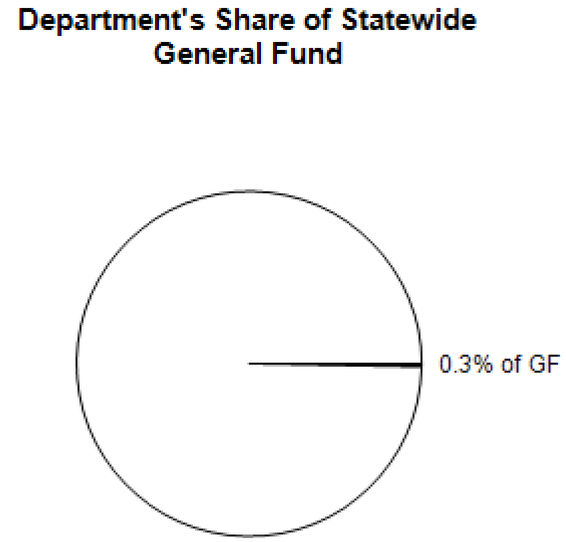
[1] Pursuant to H.B. 12-1355, the Colorado Geological Survey was transferred out of the Department of Natural Resources to the Colorado School of Mines, effective January 31, 2013. The Colorado Avalanche Information Center (CAIC) remains with the Department of Natural Resources in the Executive Director's Office (H.B.13-1057).

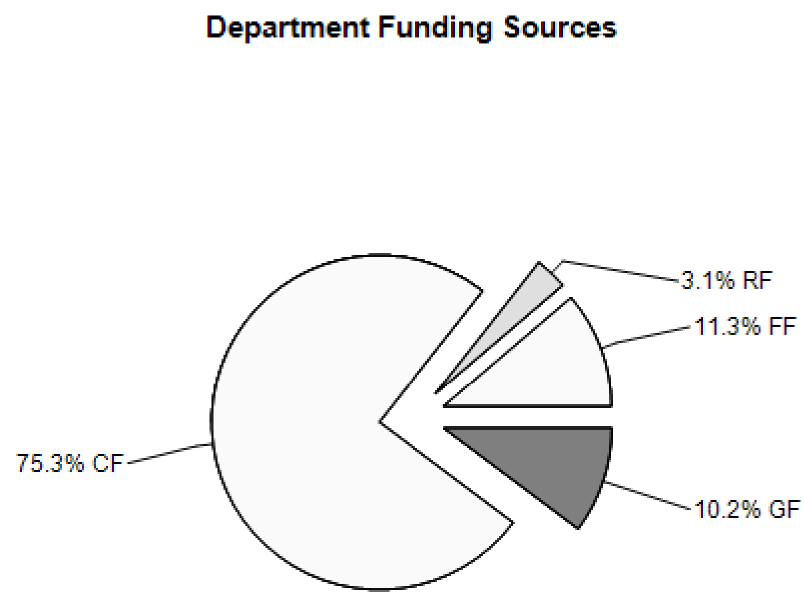
# Department Budget: Recent Appropriations

| Funding Source | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 * |
|---|---|---|---|---|
| General Fund | $23,768,283 | $25,126,713 | $26,226,310 | $26,425,027 |
| Cash Funds | 209,619,862 | 215,232,947 | 192,978,621 | 182,420,509 |
| Reappropriated Funds | 8,641,534 | 8,778,322 | 8,026,022 | 8,668,345 |
| Federal Funds | 20,748,282 | 28,538,422 | 28,891,314 | 28,962,919 |
| **Total Funds** | **$262,777,961** | **$277,676,404** | **$256,122,267** | **$246,476,800** |
| Full Time Equiv. Staff | 1,464.1 | 1,439.1 | 1,444.0 | 1,450.1 |

*Requested appropriation.

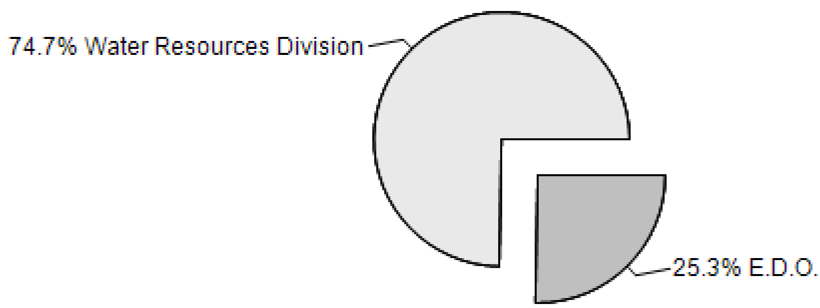
# Department Budget: Graphic Overview



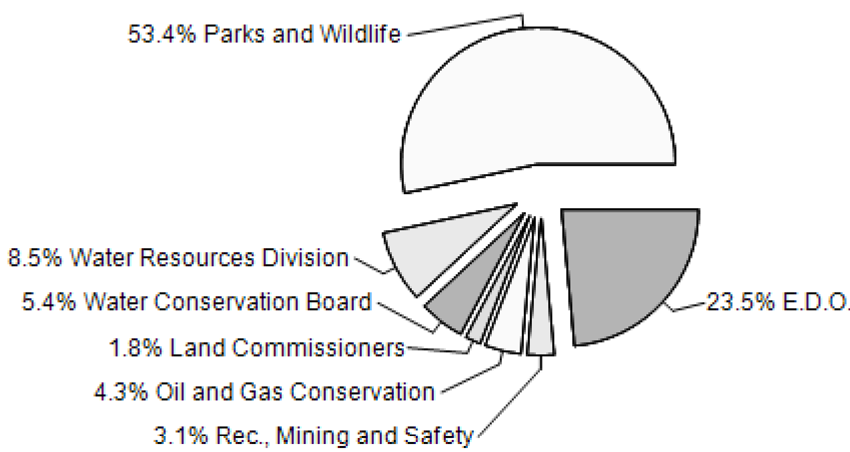




All charts are based on the FY 2014-15 appropriation.

**Distribution of General Fund by Division**




**Distribution of Total Funds by Division**




All charts are based on the FY 2014-15 appropriation.

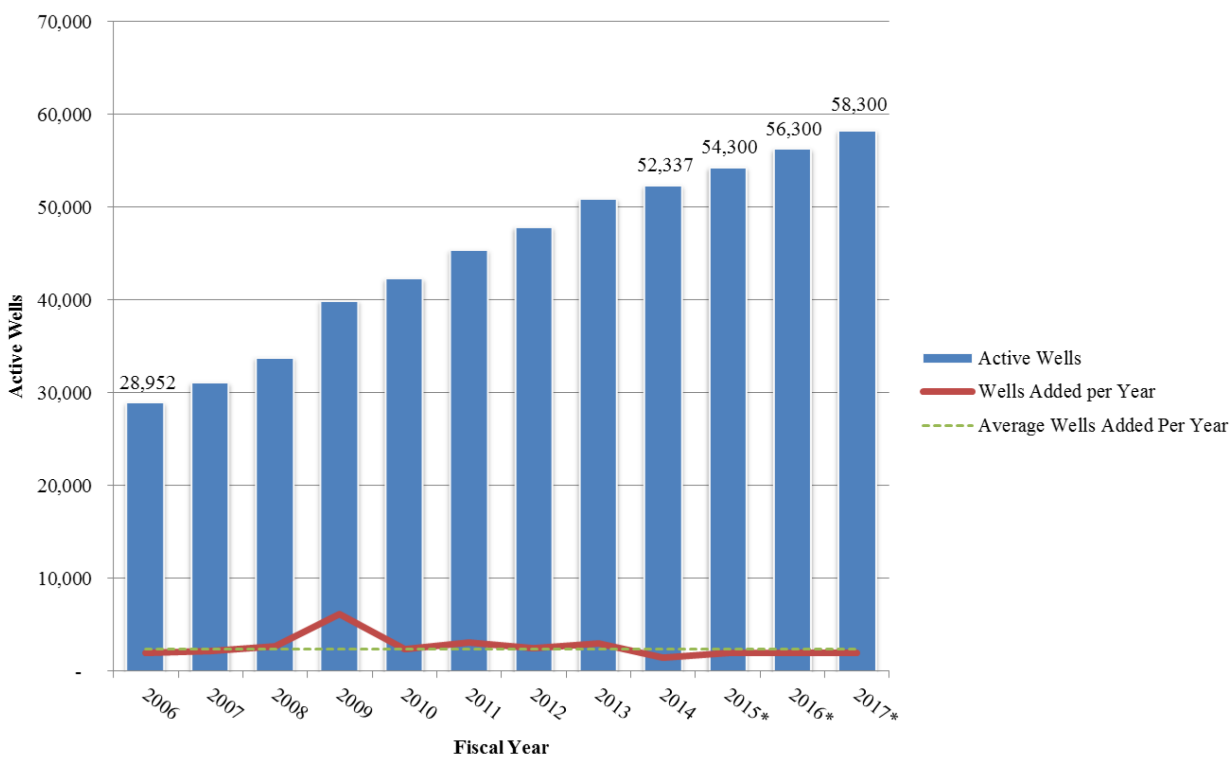
# General Factors Driving the Budget

In FY 2014-15, funding for the Department consists of 10.2 percent General Fund, 75.3 percent cash funds, 3.1 percent reappropriated funds, and 11.3 percent federal funds.

**OIL AND GAS ACTIVITY**

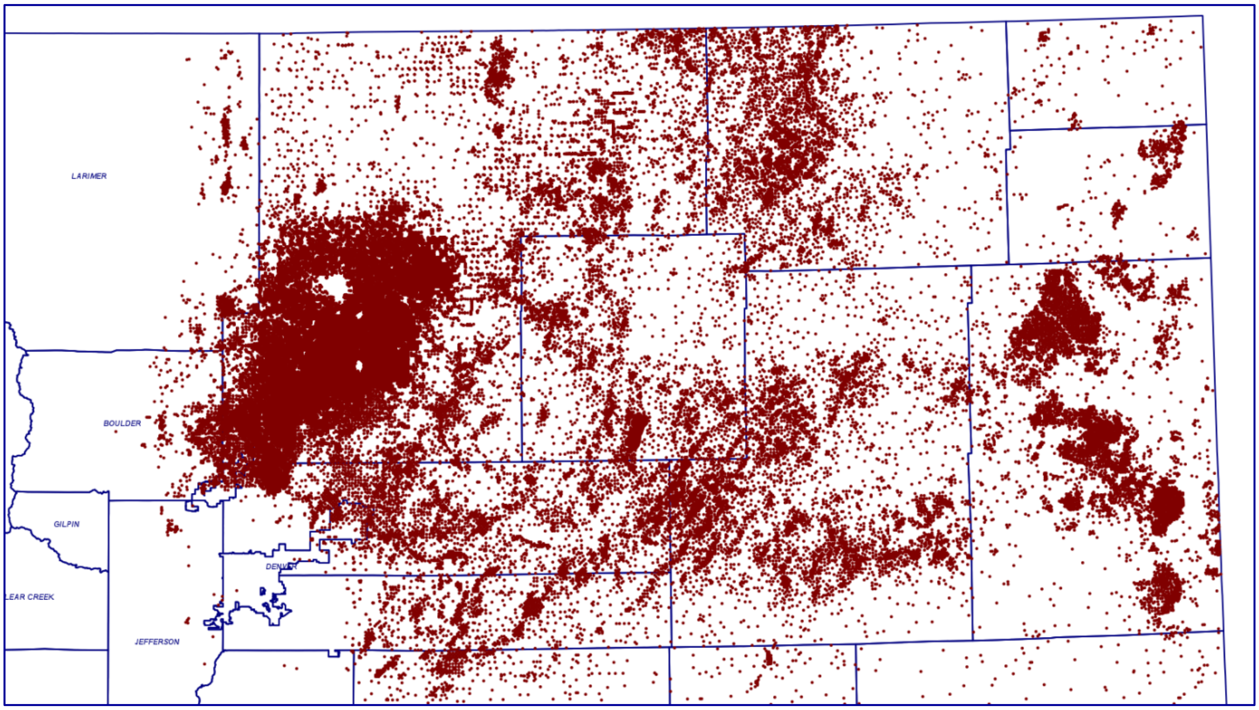
***Background***

Colorado has experienced significant growth in oil and gas development over the past decade. As shown in the figure below, the number of active wells in the state has doubled over the past 10 years, and is projected to reach 56,300 wells in FY 2015-16. The net increase in the number of active wells indicates more oil and gas wells are currently being drilled than plugged, which has added an average of just over 2,300 wells per year.




* Estimated active well count.

Oil and gas development is concentrated in six counties, which account for 86.8 percent of the active wells in the state. Over 41.2 percent of all active oil and gas wells are located in Weld County alone, as are 56.0 percent of drilling permits submitted in 2014. The following figure shows active oil and gas wells in Weld County (top center left) and the surrounding area in the northern part of the Denver-Julesberg Basin:




Colorado is currently the seventh largest oil-producing state in the country, with over 64.8 million barrels of crude oil produced in 2013. Oil production has increased substantially in the last five years, largely due to strong oil prices and the adoption of horizontal drilling and hydraulic fracturing technologies.

The production and the price of oil and gas impacts workload and major sources of revenue for almost all the divisions in the Department of Natural Resources:

- Approximately 70.0 percent of revenue for the OGCC comes from the *Oil and Gas Conservation and Environmental Response Fund*, which is supported by a mill levy of 0.7 mills on the market value of oil and gas at the well.
- All but two divisions in the Department receive some form of *severance tax revenue*, 96.0 percent of which comes from oil and gas production.
- Record royalty, bonus, and rental payments on oil and gas leases alone generated over $150.0 million in trust revenue for the State Land Board during FY 2013-14.

However, oil prices have fallen by more than 40.0 percent since June 2014 to five-year lows below $60 per barrel, and could drop further if global output of crude oil continues to exceed demand. The December 2014 short-term outlook for crude oil from the U.S. Energy Information Administration shows high market volatility and a 50.0 percent probability that the price of crude oil will exceed $66.75 by the expiration of March 2015 futures contracts. There is not a clear consensus on the floor at which the price per barrel becomes low enough to have a large impact on production. Some estimates show prices around $60 per barrel, others are much lower at $45 to $50 per barrel depending on basin, play, and operator size. Regardless, any substantial changes in the price or production of oil and gas are likely to impact the Department's budget.

***Oil and Gas Conservation Commission***

As the agency responsible for overseeing oil and gas development in the state, OGCC expenditures and workload are directly affected by increased drilling activity and the growing active well count. Revenue from the mill levy on oil and natural gas production (mentioned above), accounts for more than 90.0 percent of moneys in the Oil and Gas Conservation and Environmental Response Fund (Response Fund). The following table shows recent and projected revenue from the mill levy:

**OGCC Mill Levy Revenues**

| FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimated | FY 2015-16 Estimated |
|---|---|---|---|---|
| $6,737,865 | $6,562,155 | $9,149,344 | $8,853,095 | $8,916,197 |

Over the past three years, the OGCC has collected approximately $400,000 per year in penalties related to rule violations. This revenue is remitted to an account in the Response Fund, and is used to support the investigation, prevention, monitoring, or mitigation of conditions or alleged rule violations that have a significant adverse environmental impact. House Bill 14-1356 revised the OGCC penalty structure, increasing the maximum daily fine per violation from $1,000 to $15,000 and removing the cap on the maximum total penalty (formerly $10,000). As a result, OGCC revenue from penalties is likely to change in future years.

The OGCC has not seen any revenue impacts from low oil prices to date. However, decreases in mill levy revenue are anticipated, but the timing and the magnitude of that effect is difficult to predict. Revenue from the last quarter of FY 2013-14 was slightly higher than anticipated and is included as part of the FY 2014-15 revenue stream, which insulates against early declines. Production is also higher than expected and wells currently being drilled will contribute to future production at some level, even with low prices.

In response to increasing agency responsibilities for permitting, inspection, and enforcement, the General Assembly has approved the addition of 27.3 new FTE for the OGCC over the past three legislative sessions. For FY 2015-16, the Department is requesting 2.0 FTE for new permitting and hearings staff, which would bring the OGCCs total to 98.3 FTE. *Please see the issue brief beginning on page 29 for more information on this request.*

***Severance Tax Revenue***

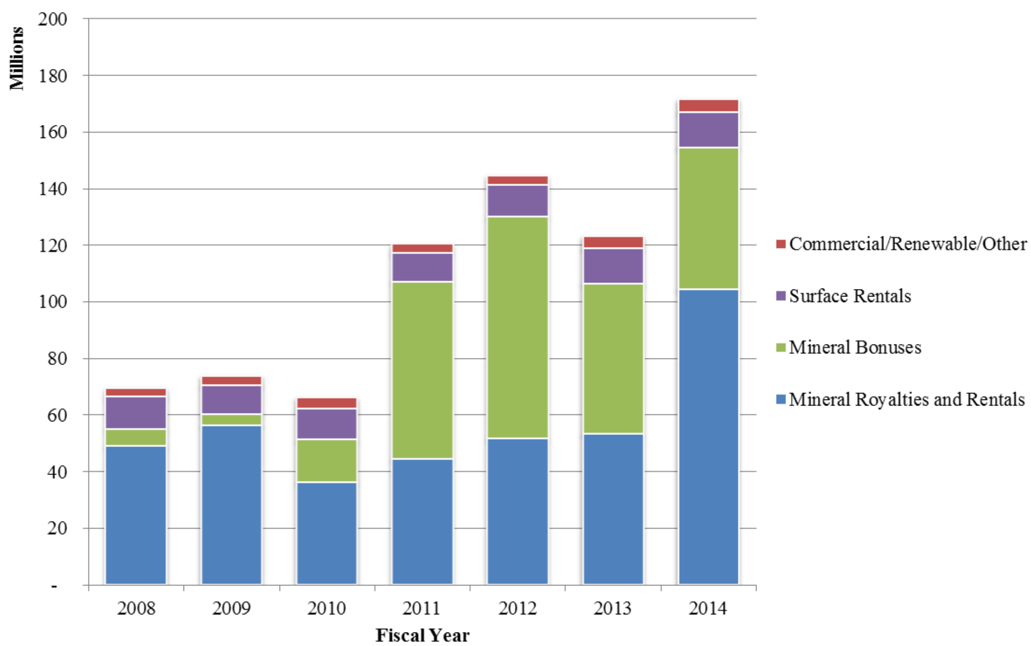
Colorado levies a tax on the severance of non-renewable resources including oil and gas, coal, molybdenum, and metallic minerals. The September 2014 Legislative Council Staff (LCS) forecast shows total severance tax revenues at $264.4 million for FY 2015-16, slightly lower than the projected total for the current fiscal year. Oil and gas production has accounted for approximately 96.0 percent of severance tax revenue since FY 2010-11 and the current decline in oil prices is likely to decrease future severance tax revenues, at least in the short term. The price of oil was still above $90 per barrel on average in September, but the upcoming December 2014 LCS forecast will reflect the near-$30 drop in price per barrel since then.

The DNR administers 50.0 percent of total severance tax revenue, which is credited to the Severance Tax Trust Fund for "programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water" (Section 39-29-109, C.R.S.). This revenue is split equally between the Operational Fund, used to support Department programs and personnel, and the Perpetual Base Fund, which provides loans or grants for water projects. *Please see page 13 of this packet for information on the Perpetual Base Fund, and the issue brief starting on page 17of this packet for more information on the status of the Operational Fund.*

***State Land Board Trust Revenue***

The State Board of Land Commissioners (State Land Board) had record-breaking trust revenues in FY 2013-14, totaling $173.6 million. This represents a 39.0 percent increase over the previous fiscal year and exceeds the prior record high by $27.3 million. Most of this increase was driven by oil and gas royalties, which increased by 125.0 percent (oil) and 70.0 percent (gas) respectively since FY 2012-13. Together, oil and gas bonuses, royalties, and rentals accounted for 86.4 percent of the State Land Board's total revenue last year.

The Public School Trust (School Trust) benefiting K-12 education is the largest of the eight trusts managed by the State Land Board, accounting for approximately 98.5 percent of total trust revenues over the past five years. In FY 2013-14, the School Trust earned $171.8 million in revenue, again driven by royalty and bonus payments for oil and gas production on state trust lands, including the Lowry Range and former National Hog Farm properties. The following figure shows actual revenues for the School Trust from FY 2008-09 to FY 2013-14:




The Lowry Range and 70 Ranch (former National Hog Farm) bonuses are the highest on record and generate almost $40.0 million in revenue for the School Trust each year. However, it is important to note that bonuses are one-time payments that essentially function as bids for mineral leases. Payments on the Lowry Range and 70 Ranch bonuses will be completed over the next two years and eliminate approximately 23.4 of School Trust revenue, creating what the State Land Board sometimes refers to as a "bonus cliff." Other bonus payments are expected also to taper off as the number of undeveloped trust land parcels conducive to oil and gas development decreases.

There are currently 489 existing and 260 permitted horizontal oil and gas wells on state trust land, which were expected to support strong royalty revenues over the next several years. However, the State Land Board estimates that the recent drop in oil prices will reduce revenues by $1.5 million per month.[2] Current revenue projections for FY 2014-15 are uncertain, but will likely be less than earlier projections anticipating $194.4 million in revenue for this year.

Pursuant to Section 22-43.7-104 (2) (I) (B), C.R.S., 50.0 percent of gross School Trust revenue is credited to the Public School Capital Construction Assistance (BEST) Fund to support capital construction projects improving facilities in public schools.[3] The other half of the revenue is distributed as follows:

- Approximately $5.0 million supports State Land Board operating and personal services expenditures authorized in the annual Long Bill.
- Up to $5.0 million is credited to the State Land Board Investment and Development Fund to be used to re-invest in and add value to state properties, and to enhance the State Land Board's portfolio and income.
- Any remaining revenue becomes part of the principal in the Public School Permanent Fund. Interest from the Permanent Fund is then used as part of the money allocated to Colorado public school districts under the School Finance Act.

The State Land Board also manages seven smaller trusts set up in either the Colorado Constitution or in statute. These trusts benefit a range of entities including institutions of higher education, state parks, and the Department of Corrections. Revenues for these trusts ranged from $14,400 to $1.1 million in FY 2013-14, and account for the remaining 1.5 percent of total revenues for the Land Board.

## DIVISION OF PARKS AND WILDLIFE

Colorado Parks and Wildlife (CPW) was formed in 2011 by Senate Bill 11-208, which merged the Division of Parks and Outdoor Recreation and the Division of Wildlife. The bill did not merge the appropriations of the two former divisions or provide any consolidation of line items. The following year, H.B. 12-1317 established the 11-member Parks and Wildlife Commission and required CPW to submit a 5-year strategic plan to the legislature by December 31, 2013,

[2] Please note the State Land Board receives royalty revenue two to three months after it is earned so the impact of lost revenue in December would appear in February.

[3] A minimum of $40.0 million is required to be diverted to the BEST Fund annually. If 50.0 percent of gross revenue is less than that amount, part of the transfer to the Public School Permanent Fund can be diverted to make up the difference.

detailing the former Divisions' individual plans and identifying cost savings of the merger. In 2014, the General Assembly approved a reorganization of the CPW Long Bill structure, consolidating 25 line items into 18 line items for FY 2014-15 to more accurately reflect the post-merger organizational structure.

***State Parks***

The State Parks section manages 42 state parks and several special purpose programs including: the snowmobile program, the off-highway vehicle program, river outfitters regulation, the distribution of federal grants, aquatic nuisance species control and prevention, and the distribution of trails grants. Workload for park operations and certain revenues are driven by visitation, which is detailed in the following table:

| State Parks Visitation | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate |
|---|---|---|---|---|
| State Parks Visitation | 12,233,271 | 11,501,520 | 11,948,406 | 12,250,000 |
| *Percent Change* | *(0.9%)* | *(6.0%)* | *3.9%* | *2.5%* |

The level of services at state parks as well as the acquisition and development of new park properties is determined by available funding sources. Revenues for State Parks include fees, lottery funds, and other state and federal funds. Over the past several years, General Fund support for State Parks declined, and then was eliminated in FY 2011-12. For FY 2013-14, State Parks received $68.3 million in revenue. These revenues are detailed in the table below:

| State Park Revenues | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate |
|---|---|---|---|---|
| Licenses, Passes, Fees, and Permits | $20,026,117 | $19,125,550 | $19,844,081 | $19,800,000 |
| Registrations | 8,557,113 | 8,295,423 | 8,526,903 | 8,500,000 |
| Federal and State Grants | 3,814,383 | 5,161,051 | 5,497,017 | 5,500,000 |
| Lottery and Great Outdoors Colorado | 22,354,087 | 25,116,776 | 26,311,827 | 26,300,000 |
| Sale of Goods, Services, and Assets | 1,965,734 | 1,627,749 | 1,730,769 | 1,700,000 |
| Donations | 39,497 | 59,252 | 50,436 | 100,000 |
| Interest Income | 613,893 | 472,324 | 451,737 | 500,000 |
| Other Revenues | 302,339 | 650,621 | 674,472 | 700,000 |
| General Fund and Severance Tax | 5,386,180 | 4,640,982 | 5,233,721 | 5,200,000 |
| **Revenues Before Transfers** | **$63,059,343** | **$65,149,728** | **$68,320,962** | **$68,300,000** |
| Intra-Agency, Inter-Fund Transfers | 10,458,243 | $11,188,486 | $14,903,503 | $14,900,000 |
| **Total Revenues** | **$73,517,586** | **$76,338,214** | **$83,224,465** | **$83,200,000** |

***Wildlife***

CPW also manages the state's 960 game and non-game wildlife species by issuing fishing and hunting licenses, enforcing wildlife regulations, protecting habitat and native wildlife populations, and managing approximately 1.43 million acres of land, including 300 state wildlife areas. Funding for Wildlife operations and programs is a mixture of cash funds from license fees, federal funds, Great Outdoors Colorado funds, and various other sources. Approximately 1.6 million hunting and fishing licenses were sold in FY 2013-14, which provided $67.9 million in revenue. Approximately 61.7 percent of total hunting license sales are from big game species (mainly elk and deer), and 60.0 percent of all revenues from hunting and fishing license sales come from the sale of non-resident big game hunting licenses. The following table shows Wildlife revenues by category:

**Wildlife Revenues**

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate |
|---|---|---|---|---|
| Licenses, Passes, Fees, and Permits | $76,862,552 | $80,203,643 | $80,248,078 | $80,200,000 |
| Federal and State Grants | 25,327,035 | 28,264,171 | 25,175,291 | 25,200,000 |
| Lottery and Great Outdoors Colorado | 13,651,460 | 18,847,618 | 5,285,059 | 5,300,000 |
| Sale of Goods, Services, and Assets | 795,850 | 613,360 | 1,023,806 | 1,000,000 |
| Donations | 1,432,276 | 963,325 | 827,985 | 800,000 |
| Interest Income | 452,420 | 619,755 | 576,093 | 600,000 |
| Other Revenues | 1,027,937 | 1,439,293 | 4,318,569 | 4,300,000 |
| General Fund and Severance Tax | 2,907,020 | 2,611,519 | 3,501,839 | 3,500,000 |
| **Revenues Before Transfers** | **$122,456,550** | **$133,562,684** | **$120,956,721** | **$120,900,000** |
| Intra-Agency, Inter-Fund Transfers | 4,888,582 | $5,255,059 | $5,372,993 | $5,400,000 |
| **Total Revenues** | **$127,345,132** | **$138,817,743** | **$126,329,714** | **$126,300,000** |

### *Great Outdoors Colorado (GOCO) Board Grants*

GOCO awards annual grants to the Division of Parks and Wildlife. Grants for State Parks are used for developing new parks (capital) as well as enhancing and maintaining existing parks (operating). Wildlife grants are used for species protection, habitat development, watchable wildlife, and wildlife education. Pursuant to Article XXVII of the Colorado Constitution, GOCO grants are not subject to legislative appropriation. The table below shows recent GOCO awards:

**Great Outdoors Colorado (GOCO) Board Grants**

| | FY 2011-12 Award | FY 2012-13 Award | FY 2013-14 Award | FY 2014-15 Award | FY 2015-16 Award |
|---|---|---|---|---|---|
| Parks Capital Budget | $2,047,548 | $17,480,503 | $8,553,551 | $12,686,153 | $13,954,544 |
| Parks Operating Budget | 4,459,207 | 4,710,000 | 4,460,000 | 5,124,000 | 5,056,500 |
| **Total GOCO Grants for State Parks** | **$6,506,755** | **$22,190,503** | **$13,013,551** | **$17,810,153** | **$19,011,044** |
| Wildlife Base Capital Budget | $2,528,173 | $2,327,000 | $5,527,000 | $4,527,000 | $4,527,000 |
| Wildlife Additional Capital Budget | 8,300,000 | 7,300,000 | 0 | 0 | 0 |
| Wildlife Operating Budget | 6,273,000 | 6,273,000 | 6,273,000 | 7,273,000 | 7,273,000 |
| **Total GOCO Grants for Wildlife** | **$17,101,173** | **$15,900,000** | **$11,800,000** | **$11,800,000** | **$11,800,000** |

## COLORADO WATER CONSERVATION BOARD

The Colorado Water Conservation Board (CWCB) is responsible for administering the CWCB Construction Fund and the Severance Tax Perpetual Base Fund for water project loans and grants, as well as programs funded with transfers from the Severance Tax Operational Fund.

### *Colorado Water Conservation Board Construction Fund*

The Colorado Water Conservation Board Construction Fund (Construction Fund), created in Section 37-60-121 (1) (a), C.R.S., provides loans and grants for projects that will increase the beneficial consumptive use of Colorado's waters. Section 37-60-121 (1) (b) (IV), C.R.S., limits participation to projects that can repay the CWCB's investment, unless specifically authorized by the legislature, and authorizes the CWCB to approve loans of less than $10.0 million without legislative approval. The Construction Fund also pays for the administrative expenses of the CWCB, approximately $3.6 million in FY 2014-15.

Revenues for the Construction Fund are from interest earnings, transfers from the Severance Tax Perpetual Base Fund, and the Federal Mineral Lease Fund. For FY 2014-15, H.B. 14-1333 (CWCB Construction Funds Projects) appropriated $5.4 million from the Construction Fund for various water-related projects, authorized $131.2 million in loans to special water districts, and transferred $1.6 million from the Severance Tax Perpetual Base Fund to the Construction Fund. An estimated $30.0 million will be available for new loans from the Construction Fund in FY 2015-16. The following table outlines fund activity from FY 2012-13 through estimates for FY 2015-16:

**Colorado Water Conservation Board Construction Fund**
**Cash Flow Summary Report Based on September 2014 Legislative Council Staff Revenue Estimate**

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate | FY 2015-16 Estimate |
|---|---|---|---|---|
| Interest (Loans, Treasury, Miscellaneous) | $7,602,670 | $1,109,901 | $10,249,200 | $10,951,930 |
| Federal Mineral Lease (FML) Revenues | 11,570,160 | 17,033,141 | 17,451,916 | 18,085,995 |
| Other Revenues (including pass-through) | 4,478,519 | 3,279,136 | 3,049,420 | 2,948,670 |
| Contingent Transfer of General Fund Surplus pursuant to S.B. 13-236 | 0 | 0 | 30,000,000 | 0 |
| Animas-La Plata Project | 12,000,000 | 0 | 0 | 0 |
| Rio Grande Cooperative Project | 15,000,000 | 15,000,000 | 0 | 0 |
| Chatfield Reservoir Reallocation Project | 5,000,000 | 28,000,000 | 0 | 29,000,000 |
| Windy Gap Reservoir Bypass Channel Project | 0 | 2,000,000 | 0 | 0 |
| Long Hollow Reservoir Project | 0 | 0 | 1,575,000 | 0 |
| Agriculture Emergency Drought Grants | 1,000,000 | 911,279 | 1,000,000 | 1,000,000 |
| State Gov't Grant – CDPHE (Terrace Irrigation) | 2,000,000 | 0 | 0 | 0 |
| Governor's Executive Order for Forest Fires | 1,582,000 | 605,225 | 1,894,775 | 0 |
| ***Total Revenues*** | ***$60,233,349*** | ***$67,938,682*** | ***$65,220,310*** | ***$61,986,596*** |
| Cash Expenditures/CWCB Operating Costs [/1] | $11,351,692 | $8,646,978 | $9,358,005 | $9,647,501 |
| Non-Reimbursable Expenditures | 3,569,871 | 5,844,873 | 3,805,000 | 3,805,000 |
| Transfer to Other CWCB Funds | 21,462,642 | 424,679 | 1,700,000 | 1,700,000 |

| Colorado Water Conservation Board Construction Fund<br>Cash Flow Summary Report Based on September 2014 Legislative Council Staff Revenue Estimate | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate | FY 2015-16 Estimate |
|---|---|---|---|---|
| Animas-La Plata Re-Classify as Investment | (12,000,000) | 0 | 0 | 0 |
| Rio Grande Cooperative Project Expense | 0 | 2,493,528 | 1,631,027 | 0 |
| Windy Gap Reservoir Bypass Channel | 0 | 0 | 2,000,00 | 0 |
| Long Hollow Reservoir Project | 0 | 0 | 1,575,000 | 0 |
| Agriculture Emergency Drought Grants | 1,000,000 | 911,279 | 1,000,000 | 1,000,000 |
| Governor's Executive Order for Forest Fires | 1,582,000 | 605,225 | 1,894,775 | 0 |
| Watershed Grants | 0 | 323,257 | 0 | 0 |
| ***Total Expenditures*** | ***$26,966,205*** | ***$19,249,820*** | ***$22,963,806*** | ***$16,152,501*** |
| **Net Cash Flow** | **$33,267,144** | **$48,688,862** | **$42,256,504** | **$45,834,095** |

/1 Includes cash expenditures for all Long Bill line items less non-reimbursable expenditures, transfers to other CWCB funds for "refreshes", and expenditures related to the Animas-La Plata Water purchase.

### *Severance Tax Perpetual Base Fund*

The *Severance Tax Perpetual Base Fund* receives 50.0 percent of moneys in the Severance Tax Trust Fund (25.0 percent of total severance tax revenues) and provides loans or grants for construction, rehabilitation, enlargement, or improvement of water projects. This fund is a revolving loan account, and as such no permanent programs depend on this fund. The Department estimates $30.0 million will be available in FY 2015-16 for new loans. The table below outlines recent fund activity:

| Severance Tax Perpetual Base Fund<br>Cash Flow Summary Report Based on September 2014 Legislative Council Staff Revenue Estimate | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Estimate | FY 2015-16 Estimate |
|---|---|---|---|---|
| Severance Tax Revenues | $32,437,544 | $62,926,524 | $67,288,700 | $66,111,012 |
| Interest (Loans and Treasury) | 7,621,466 | 14,239,004 | 6,323,238 | 6,446,018 |
| ***Total Revenues*** | ***$40,059,010*** | ***$77,165,528*** | ***$73,611,938*** | ***$72,557,030*** |
| Animas-La Plata Project Transfer | 12,000,000 | 0 | 0 | 0 |
| Agriculture Emergency Drought Grants | 1,000,000 | 911,279 | 1,000,000 | 1,000,000 |
| Rio Grande Cooperative Project | 15,000,000 | 15,000,000 | 0 | 0 |
| Chatfield Reservoir Reallocation Project (2012 Projects Bill) | 5,000,000 | 0 | 0 | 0 |
| Chatfield Reservoir Reallocation Project (2013 Projects Bill) | 0 | 28,000,000 | 0 | 29,000,000 |
| Windy Gap Reservoir Bypass Channel | 0 | 2,000,000 | 0 | 0 |
| Long Hollow Reservoir Project | 0 | 0 | $1,575,000 | 0 |
| Statutory Transfer to CDPHE | 0 | 10,000,000 | 10,000,000 | 10,000,000 |
| Governor's Executive Orders for Forest Fires | 1,582,000 | 2,500,000 | 0 | 0 |
| Governor's Energy Office | 28,594 | 53,638 | 0 | 0 |
| Misc. Fines and Fees | 0 | 28 | 0 | 0 |
| ***Total Expenditures*** | ***$34,610,594*** | ***$58,464,945*** | ***$12,575,000*** | ***$40,000,000*** |
| **Net Cash Flow** | **$5,448,416** | **$18,700,583** | **$61,036,938** | **$32,557,030** |

The CWCB also receives funding from the *Severance Tax Operational Fund*. Pursuant to Section 39-29-109.3 (1) (d), C.R.S., the CWCB is a Tier I program authorized to receive up to 5.0 percent of Operational Fund revenues for programs within the division. The CWCB's FY 2014-15 appropriation of $1.3 million from the Operational Fund equals 1.3 percent of total Operational Fund appropriations. Additionally, the following three programs are funded through the Operational Fund as Tier II expenditures:

- The Water Supply Reserve Account awards moneys by grant or loan for water activities approved by a roundtable, and receives $10.0 million annually.
- The Water Efficiency Grant Program, provides funding to aid development and implementation of water conservation plans, and receives an annual allocation of $550,000.
- The Interbasin Compacts line item receives $745,067 annually to fund operation expenses of the interbasin compact roundtable meetings.

**WATER RESOURCES DIVISION (STATE ENGINEER'S OFFICE)**

The Water Resources Division (DWR) received 91.2 percent of its appropriation from the General Fund in FY 2014-15, and is responsible for the supervision and control of water resources in the state of Colorado (Section 37-80-102 (1) (h), C.R.S.), including the administration and allocation of over 154,000 surface and ground water rights. The DWR has contractual water delivery obligations for each of its nine compacts, two United States Supreme Court decrees, and interstate water allocation agreements. Aside from General Fund appropriations, the Water Resources Cash Fund, the Well Inspection Cash Fund, and the Satellite Monitoring System Cash Fund account for 7.8 percent of the DWR’s total appropriation, with federal grants making up the remaining 1.0 percent.

# Summary: FY 2014-15 Appropriation & FY 2015-16 Request

| Department of Natural Resources | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
|---|---|---|---|---|---|---|
| **FY 2014-15 Appropriation** | | | | | | |
| HB 14-1336 (Long Bill) | $244,161,842 | $26,226,310 | $181,018,196 | $8,026,022 | $28,891,314 | 1,443.1 |
| Other legislation | 11,960,425 | 0 | 11,960,425 | 0 | 0 | 0.9 |
| **TOTAL** | **$256,122,267** | **$26,226,310** | **$192,978,621** | **$8,026,022** | **$28,891,314** | **1,444.0** |
| **FY 2015-16 Requested Appropriation** | | | | | | |
| FY 2014-15 Appropriation | $256,122,267 | $26,226,310 | $192,978,621 | $8,026,022 | $28,891,314 | 1,444.0 |
| R1 Additional staffing for field operations and hearings | 403,450 | 0 | 403,450 | 0 | 0 | 2.0 |
| R2 Enhanced water administration | 213,140 | 213,140 | 0 | 0 | 0 | 2.4 |
| R3 Colorado Avalanche Information Center administrative changes | 189,926 | (28,210) | 28,210 | 189,926 | 0 | 1.4 |
| R4 Reauthorize funding to reclaim forfeited mine sites | 127,000 | 0 | 127,000 | 0 | 0 | 0.0 |
| NP1 Annual Fleet vehicle request | (29,212) | (4,783) | (20,184) | 3,319 | (7,564) | 0.0 |
| Centrally appropriated line items | 1,096,384 | 1,790,447 | 472,542 | (1,316,909) | 150,304 | 0.0 |
| Indirect cost assessment | 415,438 | (1,765,987) | 486,573 | 1,765,987 | (71,135) | 0.0 |
| Annualize prior year funding | (12,061,593) | (5,890) | (12,055,703) | 0 | 0 | 0.3 |
| **TOTAL** | **$246,476,800** | **$26,425,027** | **$182,420,509** | **$8,668,345** | **$28,962,919** | **1,450.1** |
| **Increase/(Decrease)** | ($9,645,467) | $198,717 | ($10,558,112) | $642,323 | $71,605 | 6.1 |
| Percentage Change | (3.8%) | 0.8% | (5.5%) | 8.0% | 0.2% | 0.4% |

## Issue Descriptions

**R1 Additional staffing for field operations and hearings:** The request includes an increase of $403,450 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 2.0 FTE to expand the Oil and Gas Conservation Commission's permitting and hearings staff, purchase contract services, and fund additional leased space. *Please see the issue brief beginning on page 29 for more information on this request.*

**R2 Enhanced water administration:** The request includes an increase of $213,140 General Fund and 2.4 FTE to hire deputy well and water commissioners in response to increasing water administration responsibilities in the Arkansas and Yampa River basins, and fund a statewide coordinator to support the Water Rights Tabulation and Diversion Records teams. *Please see the issue brief beginning on page 35 for more information on this request.*

**R3 Colorado Avalanche Information Center administrative changes:** The request includes an increase of $189,926 total funds and 1.4 FTE to improve avalanche forecasting and hazard mitigation by hiring two avalanche forecasters, providing administrative assistance for the program, and purchasing equipment, vehicles, and leased space. *Please see the issue brief beginning on page 42 for more information on this request.*

**R4 Reauthorize funding to reclaim forfeited mine sites:** The request includes a reauthorization of $127,000 cash funds from the Severance Tax Operational Fund to continue reclamation work at forfeited mine sites with insufficient bonds. The request also transfers 0.3 FTE from the Inactive Mines-Program Costs line item to the Reclamation of Forfeited Mine Sites line item to more accurately reflect staff time required to manage reclamation projects. *Please see the issue brief beginning on page 23 for more information on this request.*

**NP1 Annual Fleet vehicle request:** The request includes the annual fleet vehicle change from the Department of Personnel.

**Centrally appropriated line items:** The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; salary survey; merit pay; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; legal services; payment to risk management and property funds; vehicle lease payments; leased space; Capitol Complex leased space; and payments to the Governor's Office of Information Technology.

**Indirect cost assessment:** The request includes a net increase in the Department's indirect cost assessment. For additional information on the Department's indirect cost assessment methodology, please see *Appendix D*.

**Annualize prior year funding:** The request includes adjustments related to prior year legislation and budget actions. The primary changes are a decrease of $6.5 million to annualize the 2014 Species Conservation Trust Fund Projects Bill (S.B. 14-188), and a decrease of $5.4 million to annualize the 2014 CWCB Construction Fund Projects Bill (H.B. 14-1333).

# Issue: Status of the Severance Tax Operational Fund

Projected severance tax revenues based on the September 2014 Legislative Council Staff forecast are sufficient to support authorized expenditures from the Severance Tax Operational Fund in FY 2014-15 and FY 2015-16 without requiring proportional reductions to Tier II programs. However, the recent decline in oil prices will likely impact revenue projections in the forthcoming December 2014 forecast, which could limit available revenue for future Tier II expenditures.

## SUMMARY:

- Projected revenues based on the September 2014 forecast from Legislative Council Staff (LCS) indicate the Severance Tax Operational Fund is able to support anticipated expenditures for FY 2014-15 without requiring proportional reductions to Tier II programs.

- Oil and gas production accounts for more than 96.0 percent total of severance tax revenues, and the price of oil has decreased by more than 40.0 percent since June 2014, with most of the decline occurring after September 2014. This will likely affect severance tax revenue projections for FY 2015-16 in the forthcoming December 2014 LCS forecast.

- Tier I programs are authorized to receive up to 100.0 percent of available moneys in the Severance Tax Operational Fund, while Tier II programs are funded with revenue remaining after Tier I appropriations are met. Therefore, decreases in severance tax revenue should not affect Tier I programs, but may require proportional reductions to Tier II programs.

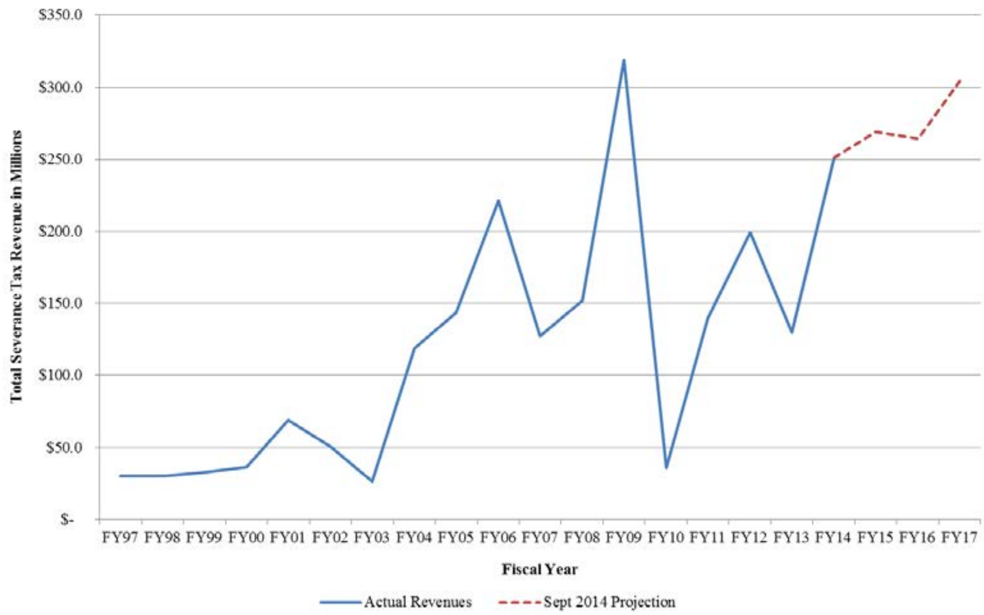
## RECOMMENDATION:

Staff recommends the Committee continue to monitor the Severance Tax Operational Fund balance and restrict future appropriations to minimize proportional reductions to Tier II programs. Additionally, staff recommends that the Committee revisit future-year projections of severance tax revenues during the Department's hearing to address the impact of potential revenue reductions from low oil prices based on the forthcoming December 2014 Legislative Council forecast.

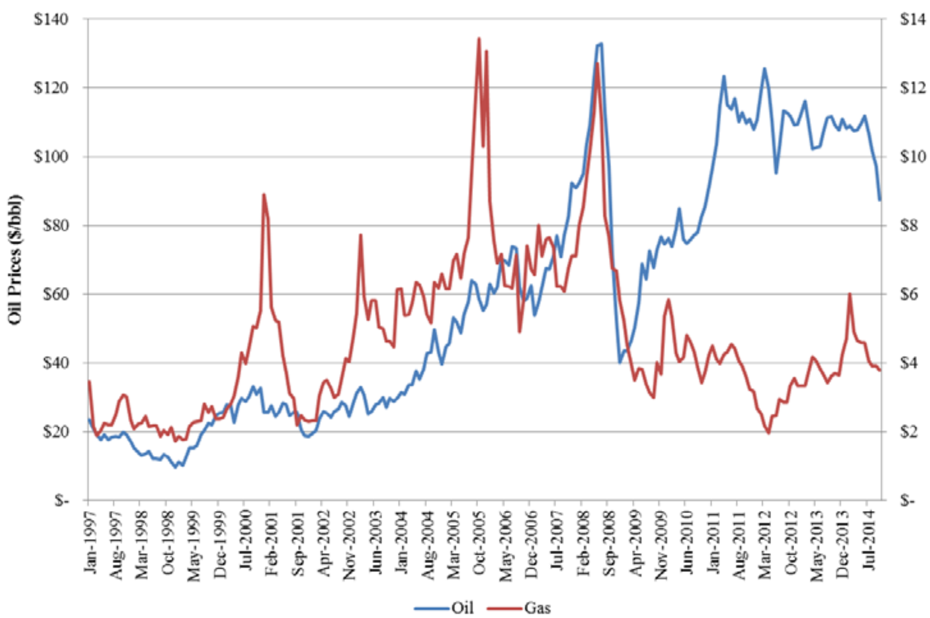
## DISCUSSION:

### *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. Oil and gas production generates the large majority of total severance tax revenue. Between FY 2008-09 and FY 2012-13, oil and gas production accounted for an average of 90.7 percent of total severance tax revenue, with coal (7.5 percent) and metallic minerals (1.8 percent) making up the remainder. From FY 2013-14 through projections for FY 2016-17, oil and gas is expected to account for an average of more than 96.0 percent of total severance tax revenue. The following figure shows total annual severance tax revenues over time (excluding interest):




Severance tax revenue is highly volatile with significant fluctuation from year to year, making revenue forecasts difficult. That volatility is largely the result of: (1) close ties between severance tax revenue and price fluctuations in the resources generating severance tax, most importantly oil and gas; and (2) an ad valorem tax credit allows severance taxpayers to deduct a portion of local property taxes paid on production from severance tax liability (Section 39-29-105 (2), C.R.S.). The following figure shows oil and gas prices from January 1997 through October 2014:



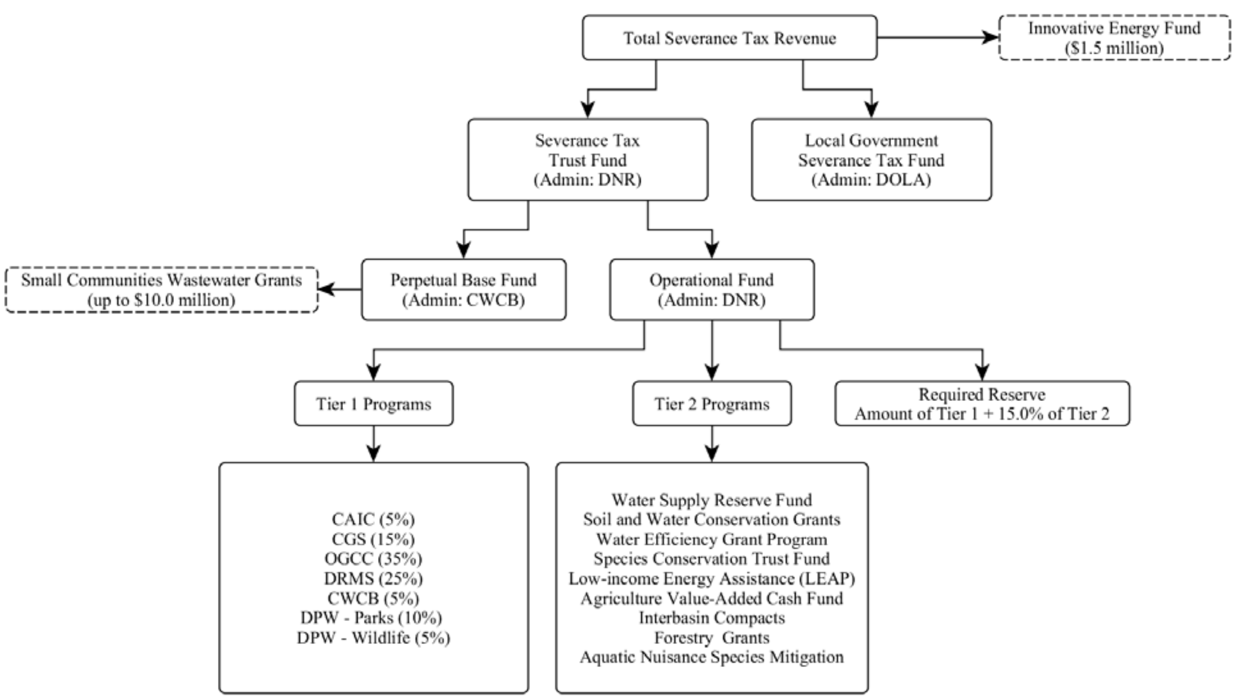

**Source: U.S. Energy Information Administration*

The amount of the credit against severance tax liability is based on production from two years prior because of a lag in the way property taxes are calculated. This tends to make swings in severance tax revenue more extreme than they would be otherwise. 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). 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.

Taking the ad valorem tax credit into account, the average effective severance tax rate in Colorado is approximately 1.5 percent. Additionally, severance tax is not levied on all oil and gas produced in the state. Production from "stripper wells" is exempt from severance tax liability (Section 39-29-105 (1) (b), C.R.S.). Stripper wells are low-production wells that produce 15 barrels or less of crude oil, or 90,000 cubic feet or less of gas per day. Production data from 2013 shows just over 62.5 percent of all oil and gas wells in the state are classified as stripper wells. These wells accounted for approximately 25.0 percent of total oil and gas production last year, which was not included in severance tax liabilities.

***Distribution of Severance Tax Revenues***

The following figure illustrates the distribution of total severance tax revenues to different parts of state government:




Total severance tax revenue 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.[1] Revenue in the Local Government Severance Tax Trust Fund is distributed to local governments, both directly 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.).

Of the severance tax revenue credited to the Severance Tax Trust Fund, 50.0 percent is transferred to the Perpetual Base Fund, which is administered by the Colorado Water Conservation Board (CWCB) and used for water construction projects.[2] The other 50.0 percent is transferred to the Operational, Fund which is divided between Tier I and Tier II expenditures (Section 39-29-109.3, C.R.S.).

*Tier I Expenditures*
Tier I expenditures primarily support salaries and on-going program costs in the Department of Natural Resources and are insulated from volatility in severance tax revenue. Each of the six 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, in theory, receive all available revenues in the Operational Fund. However, Tier I programs have generally used a much smaller percentage than statute allows. The following table compares the allowable and actual percentages of Operational Fund revenue for each of the six programs and divisions that receive Tier I expenditures:

**Operational Fund Revenues for Tier I Programs**

| | Allowable % by Statute | FY 13-14 Actual % | 5-Year Average |
|---|---|---|---|
| Colorado Avalanche Information Center | 5.0 | 0.6 | n/a |
| Colorado Geological Survey | 15.0 | 1.5 | 3.2* |
| Oil and Gas Conservation Commission | 35.0 | 3.9 | 4.7 |
| Reclamation, Mining, and Safety | 25.0 | 5.5 | 6.3 |
| Colorado Water Conservation Board | 5.0 | 1.6 | 2.0 |
| Division of Parks and Wildlife | 15.0 | 2.9 | 4.4 |
| **Total** | **100.0%** | **16.0%** | **21.6%** |

*GCS average is based on 4 years of data.

The reserve requirement for Tier I programs is equal to one full year of operating appropriations which also protects against the need to change staffing and operating levels based on fluctuating revenues.

[1] 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 FY 2015-16.
[2] The Small Communities Wastewater Grant Fund only receives severance tax money if the Perpetual Base Fund exceeds $50.0 million in annual revenues, and funding is capped at $10.0 million per year.

*Tier II Expenditures*
Tier II programs are funded with Operational Fund revenues left over after Tier I appropriations are fulfilled, and they support 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. 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.

The table on the following page provides a detailed overview of the Operational Fund based on the September 2014 Legislative Council forecast, including a comparison of authorized and estimated distributions to Tier II programs. No proportional reductions were required in FY 2013-14, and the first (July) installment of FY 2014-15 was made in full. The September 2014 forecast by Legislative Council Staff (LCS) does not indicate that proportional cuts will be required over the next two installments for this fiscal year. However, the forthcoming December 2014 LCS forecast will reflect the impact of the decline in oil prices, which could change whether proportional reductions are necessary in FY 2014-15 or FY 2015-16.

## RECOMMENDATION:

Staff recommends the Committee continue to monitor the Severance Tax Operational Fund balance and restrict future appropriations to minimize proportional reductions to Tier II programs. Additionally, staff recommends that the Committee revisit future-year projections of severance tax revenues during the Department's hearing to address the impact of potential revenue reductions from low oil prices based on the forthcoming December 2014 Legislative Council forecast.

| Severance Tax<br>Operational Fund | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Statutory Cite | Actual FY 12-13 | | Actual FY 13-14 | | Appropriated FY 14-15 | | Estimated FY 14-15 | | Estimated FY 15-16 | |
| Beginning balance | | $25,665,237 | | $18,981,011 | | $32,784,247 | | $32,784,247 | | 47,693,585 | |
| Revenue | | 32,567,255 | | 63,070,806 | | 67,627,724 | (est.) | 67,627,724 | (est.) | 66,585,402 | |
| **TOTAL Available for Expenditure** | | **$58,232,492** | 100.0% | **$82,051,817** | 100.0% | **$100,411,971** | 100.0% | **$100,411,971** | 100.0% | **$114,278,987** | 100.0% |
| Roll-forwards | | 0 | | 0 | | 743,586 | | 743,586 | | | |
| **Off-the-Top Expenditures** | | | | | | | | | | | |
| Colorado Energy Office (H.B. 12-1315) | | 0 | | 0 | | 375,000 | | 375,000 | | 375,000 | |
| Public School Energy Fund | 39-29-109.5 | 28,593 | | $53,638 | | TBD | | TBD | | TBD | |
| **Tier 1** | 39-29-109.3 (1) | | | | | | | | | | |
| Colorado Geological Survey | (b) | $2,398,341 | 4.1% | $1,257,148 | 1.5% | $1,342,243 | 1.3% | $1,342,243 | 1.3% | $1,342,243 | 1.2% |
| Oil and Gas Conservation Commission | (a) | 3,212,032 | 5.5% | 3,212,032 | 3.9% | 3,212,032 | 3.2% | 3,212,032 | 3.2% | 3,212,032 | 2.8% |
| Division of Reclamation, Mining, and Safety | (c) | 4,170,672 | 7.2% | 4,495,666 | 5.5% | 4,615,436 | 4.6% | 4,615,436 | 4.6% | 4,707,745 | 4.1% |
| Colorado Water Conservation Board | (d) | 1,334,069 | 2.3% | 1,305,010 | 1.6% | 1,319,250 | 1.3% | 1,319,250 | 1.3% | 1,319,250 | 1.2% |
| Division of Parks and Wildlife | (f) | 2,497,022 | 4.3% | 2,370,397 | 2.9% | 2,422,356 | 2.4% | 2,422,356 | 2.4% | 2,422,356 | 2.1% |
| Avalanche Information Center | X | 0 | 0.0% | 494,961 | 0.6% | 437,411 | 0.4% | 437,411 | 0.4% | 446,159 | 0.4% |
| **SUBTOTAL Tier 1** | | **$13,612,136** | 23.4% | **$13,135,214** | 16.0% | **$13,348,728** | 13.3% | **$13,348,728** | 13.3% | **$13,449,785** | 11.8% |
| **Tier 2** | 39-29-109.3 (2) | | | | | | | | | | |
| Water infrastructure development | (a) | $7,157,724 | | $10,091,639 | | $10,000,000 | | $10,000,000 | | $10,000,000 | |
| Soil Conservation Districts matching grants | (b) | 322,098 | | 454,124 | | 450,000 | | 450,000 | | $450,000 | |
| Water efficiency grants | (c) | 393,675 | | 555,040 | | 550,000 | | 550,000 | | $550,000 | |
| Species Conservation Trust Fund | (d) & (e) | 2,863,090 | | 4,036,656 | | 6,500,000 | | 6,500,000 | | $5,000,000 | |
| Low income energy assistance | (f) | 9,326,145 | | 13,119,131 | | 13,000,000 | | 13,000,000 | | $13,000,000 | |
| Renewable energy - Higher ed consortium | (g) | 0 | | 0 | | 0 | | 0 | | $0 | |
| Renewable energy - Agriculture | (h) | 357,886 | | 504,582 | | 500,000 | | 500,000 | | $500,000 | |
| Interbasin water compacts | (i) | 533,298 | | 751,895 | | 745,067 | | 745,067 | | $745,067 | |
| CO Water Research Institute - CSU | (j) | 0 | | 0 | | 0 | | 0 | | $0 | |
| Forest restoration grants/ bark beetle | (k) and (n) | 1,789,431 | | 2,522,910 | | 2,500,000 | | 2,500,000 | | $2,500,000 | |
| Tamarisk control | (l) | 0 | | 0 | | 0 | | 0 | | $0 | |
| Aquatic Nuisance Species Fund | (m) | 2,867,388 | | 4,042,714 | | 4,006,005 | | 4,006,005 | | $4,006,005 | |
| **SUBTOTAL Tier 2** | | **$25,610,735** | 44.0% | **$36,078,691** | 44.0% | **$38,251,072** | 38.1% | **$38,251,072** | 38.1% | **$36,751,072** | 32.2% |
| **TOTAL Expenditures** | | **$39,251,481** | | **$49,267,570** | | **$52,718,386** | | **$52,718,386** | | **$50,575,857** | |
| Transfer to General Fund | 39-29-109.3 (6) | 0 | | 0 | | 0 | | 0 | | 0 | |
| **Ending Balance** | | **$18,981,011** | | **$32,784,247** | | **$47,693,585** | | **$47,693,585** | | **$63,703,130** | |
| Tier 1 Reserve | 39-29-109.3 (3) | $12,612,136 | | $13,135,214 | | $13,348,728 | | $13,348,728 | | $13,449,785 | |
| Tier 2 Reserve | 39-29-109.3 (3) | 5,362,661 | | 5,362,661 | | 5,737,661 | | 5,737,661 | | 5,512,661 | |
| Low income energy assistance reserve | | 0 | | 0 | | 0 | | 0 | | | |
| **TOTAL Reserve Requirement** | | **$17,974,797** | 30.9% | **$18,497,875** | 22.5% | **$19,086,389** | 19.0% | **$19,086,389** | 19.0% | **$18,962,446** | 16.6% |
| **UNOBLIGATED BALANCE** | | **$1,006,214** | 1.7% | **$14,286,372** | 17.4% | **$28,607,196** | 28.5% | **$28,607,196** | 28.5% | **$44,740,684** | 39.2% |

(est.) = estimate. Revenue estimates are based on the Legislative Council Staff's September 2014 Revenue Forecast and includes interest income of $150,000 in FY 2013-14 and $228,558 in FY 2014-15. Anticipated Tier 2 distributions include no proportional reductions in FY 2014-15 or FY 2015-16.
TBD = To be determined

# Issue: Funding for the Reclamation of Forfeited Mine Sites

The Department's FY 2015-16 budget request includes: (1) a reauthorization of $127,000 cash funds from the Severance Tax Operational Fund for the Division of Reclamation, Mining, and Safety (DRMS) to reclaim forfeited post-law mine sites with insufficient bonds; and (2) a net-zero transfer of 0.3 FTE to the Reclamation of Forfeited Mine Sites line item to more accurately reflect staff time required to manage reclamation projects.

## SUMMARY:

- The DRMS has had a $1.7 million cash funds appropriation from the Severance Tax Operational Fund, made in installments, since FY 2007-08 to help pay for reclamation projects at certain forfeited mine sites with insufficient financial warranties. That funding expires this year, and the Department is requesting it be reauthorized at a reduced level for another three years.

- Based on workload, the DRMS has identified eight sites that have insufficient bonds due to bond failures, and expects to be responsible for reclamation at five new under-bonded sites per year at a total cost of $127,000 per year.

- The request makes a net-zero transfer 0.3 FTE to the Inactive Mines Reclamation Program to ensure funds dedicated to pre-law mine sites are not used to support staff time required for post-law reclamation projects.

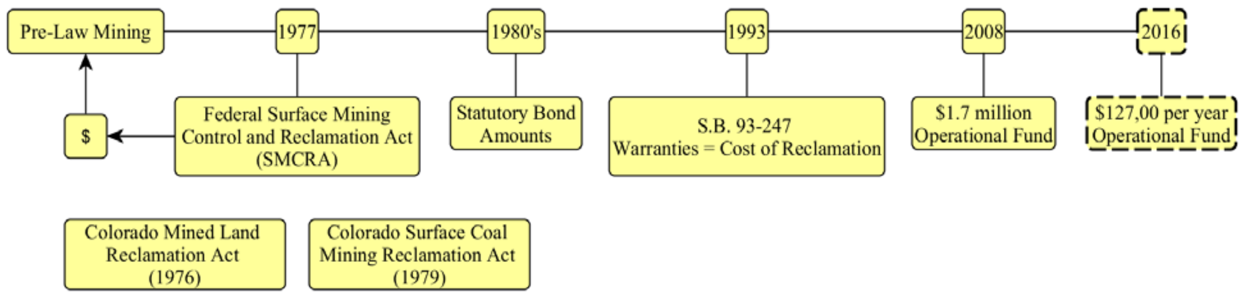
## RECOMMENDATION:

Staff recommends the Committee: (1) consider a range of funding options while reviewing the request prior to figure-setting; (2) engage in a discussion with the Department on whether a Tier I appropriation from the Severance Tax Operational Fund is necessary; and (3) consider sponsoring legislation to fund the request as a Tier II appropriation from the Severance Tax Operational Fund.

## DISCUSSION:

***Background***
The Division of Reclamation, Mining, and Safety has three major responsibilities: (1) permitting, inspecting, and ensuring compliance at over 1,750 active coal and mineral prospecting and mining operations; (2) safeguarding and reclaiming abandoned and forfeited mine sites; and (3) training, testing, and certifying mine employees at both coal and non-coal mining operations in accordance with federal health and safety standards.

The Inactive Mines Reclamation Program (IMRP) is responsible for several different kinds of reclamation projects that are funded based on when the mine was abandoned or forfeited, and the kinds of issues at the site. The following figure shows a timeline of funding for reclamation projects, including the FY 2015-16 Department request (dashed boxes):




The Surface Mining Control and Reclamation Act (SMCRA) provides federal funding for reclamation at mine sites abandoned prior to its passage in 1977, also known as pre-law mines.[1] No other mines are eligible to receive SMCRA funding for reclamation.

Colorado passed the Mined Land Reclamation Act and the Surface Coal Mining Reclamation Act around the same time as SMCRA, creating the first mine regulatory programs in the state which required permitting and bonding for mining operations. Between 1977 and 1993, mine operators were required to post bonds to offset the cost of reclamation in case of forfeiture, but the amount was set in statute based on acreage and type of mine. As a result, the financial warranty proved insufficient to cover the full cost of reclamation work at some forfeited mine sites. Prior to 2007, the DRMS was only able to work on reclamation projects at under-bonded mine sites as funding was available, which allowed a backlog to develop over time.

In FY 2007-08, the DRMS received $1.7 million in funding over eight years from the Severance Tax Operational Fund to cover the bonding shortfall from the backlog of 32 forfeited mine sites. Of those, only 18 sites ultimately required additional funding, and the DRMS used the rest of the appropriation for reclamation at 35 other under-bonded sites identified since 2008. This funding expires at the end of FY 2014-15, although the three-year spending cycle approved for this appropriation will allow moneys to be spent through FY 2019-20.

The Colorado Mined Land Reclamation Act was amended in 1993 to include stricter environmental standards and required bonds to be calculated for individual mines based on size, type of disturbance, on-site structures, environmental impacts, and construction costs. In general, post-1993 bonds have been adequate to cover reclamation costs at most mine sites, and financial warranty amounts have been adjusted for sites with bonds capped under previous law. However, there are two circumstances that may still leave the DRMS without sufficient bonds to complete mine site reclamation:

[1] Pursuant to Section 39-29-109.3, C.R.S., reclamation projects at pre-law mines are also supported by $500,000 annually from the Severance Tax Operational Fund.

1) Bond requirements are reviewed every three to four years as part of the inspection process, and can be increased to reflect inflation and account for any new site developments that impact the cost of reclamation. If operators cannot secure the increased bond amount, the permit is revoked and the site may be abandoned without sufficient funds to complete the required reclamation. The DRMS has had an average of five under-bonded mines per year since 2008 with deficiencies ranging from $1,000 to $25,000 per site, excluding five outlier sites with costs over $70,000 per site.

2) Although the DRMS is an assignor on every bond, there have been instances where bond failure has occurred because funds were released to an operator without notice to the agency, collateral was deemed insufficient, or bond records were lost in the course of company mergers. At present, there are eight sites with a combined total of $86,456 in bond losses that the DRMS does not have funding to cover.

***Department Request for Continuation of Funding***

The 2014 Long Bill includes an appropriation of $171,000 cash funds for the Reclamation of Forfeited Mine Sites line item, which is the final installment of the $1.7 million cash funds appropriation from FY 2007-08. The Department is requesting that funding from the Severance Tax Operational Fund be reauthorized for three years at a reduced level of $127,000 per year to cover the costs of reclamation at mine sites with insufficient or failed bonds. The request also includes a net-zero transfer of 0.3 FTE from the Inactive Mines-Program Costs line item to the Reclamation of Forfeited Mine Sites line item to more accurately reflect the FTE required to manage these projects and ensure funding for the position only comes from appropriations for post-law sites. The Department has indicated an intention to revisit this appropriation after three years to evaluate whether workload is in line with assumptions made in the request.

*Reclamation at Forfeited Mine Sites*

A very small percentage of post-law mine sites end up being forfeited without sufficient bonds to cover required reclamation projects. The DRMS has issued approximately 8,500 permits since 1977, of which 260 have been revoked. Only 53 revoked permits—0.6 percent of total permits issued—did not have sufficient bonds for reclamation. Based on the cost of reclamation at the forfeited mine sites addressed since 2008, the DRMS estimates under-bonded mine sites require an average of $12,600 in additional funding, and expects five new sites per year at an annual cost of $63,000. The request also includes $28,800 per year for three years to complete reclamation projects at the eight known sites with insufficient funding due to bond failures.

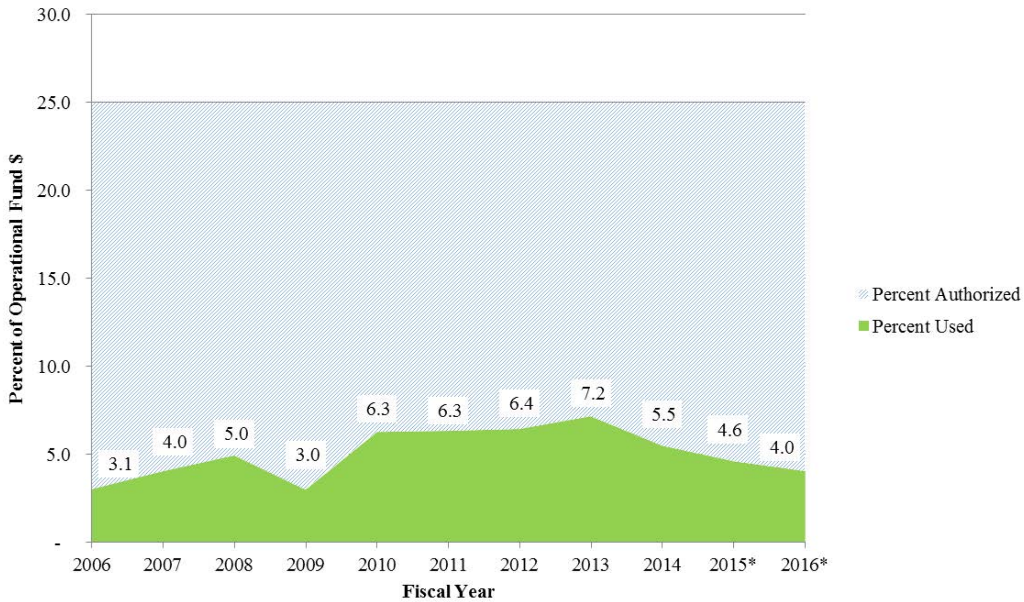
Please note there were five mine sites that required additional funding for reclamation in excess of $70,000. These were excluded from the calculation of the average cost per forfeited mine site used to build the Department's request. The DRMS indicated that these sites were atypical because bonding deficiencies are generally smaller due to adjustments to financial warranties after 1993. However, if the DRMS is left with responsibility for reclamation at a site with a large shortfall, the agency will need to request additional funding to cover the cost of the project.

*Transfer of FTE*

If approved, the request would transfer 0.3 FTE from the Inactive Mines-Program Costs line item to the Reclamation of Forfeited Mine Sites line item. The Program Costs line item is primarily used for reclamation at pre-law sites and moving the FTE would ensure that pre-law funding is not used to subsidize staff time spent on post-law reclamation projects.

***Impact to Severance Tax Operational Fund***

The DRMS is a Tier I program authorized to receive up to 25.0 percent of available moneys in the Severance Tax Operational Fund (Section 39-29-109.3, C.R.S.). The following figure compares actual and authorized Operational Fund moneys for the DRMS through FY 2015-16:




*Note: FY 214-15 = appropriated; FY 2015-16 = includes request.

Expenditures over the past 10 years account for a smaller percentage of Operational Fund moneys than statute allows. The DRMS has averaged just over $4.3 million per year from the Operational Fund since FY 2010-11, and the requested increase of $127,000 does not put the Division in any jeopardy of exceeding the amount allowed in statute. It is important to note that, because the DRMS is as a Tier I program, any Operational Fund appropriation must be matched in equal amount as part of the required reserve. This has the effect of doubling the impact of any increase in funding. If approved, this request would obligate $254,000 of Operational Fund moneys by increasing the required reserve by $127,000 to equal the appropriation to the Division.

Increasing Tier I appropriations increases the amount of total revenue required to avoid proportional reductions to Tier II programs. Still, the impact of this specific request is small. If approved, the appropriation and the associated increase in reserve amounts to 0.2 percent of Operational Fund revenue currently projected to be available for appropriation in FY 2015-16. Any unspent money would revert back to the Operational Fund after the three-year spending cycle for each appropriation ended.

## RECOMMENDATION:

Given the potential decrease in severance tax revenues in FY 2015-16 due to low oil prices (discussed in a previous issue), staff recommends the Committee consider a range of funding options while reviewing the request prior to figure-setting, including:

*Option 1 – Fully fund the request as a Tier I expenditure from the Severance Tax Operational Fund.*

This would provide $127,000 cash funds per year for three years, plus an equal amount in reserve, from the Severance Tax Operational Fund, for reclamation at eight known sites and an estimated five new forfeited mine sites per year.

*Option 2 – Approve Tier I funding for the eight known sites with bond failures, plus the FTE to manage the projects, and reconsider funding for expected projects when need is demonstrated and the impact of low oil prices on severance tax revenue can be determined.*

As mentioned above, the DRMS has identified eight sites that have insufficient bonds due to errors or failures at financial institutions. These sites require $28,819 per year over three years to reclaim. Assuming 0.3 FTE is still required to manage these projects, the Tier I appropriation would be $64,019 with an equal amount in reserve. The total impact on the Operational Fund would be almost $126,000 less than the original request. As part of the Tier I appropriation for the DRMS, the funding would not be subject to proportional reductions. This would allow the DRMS to begin reclaiming known sites right away with guaranteed funding. If new sites are identified, the DRMS can provide the exact amount of funding required for reclamation and revisit the issue with the Committee, taking into account the most current information on severance tax revenues available.

***Option 3 (Recommendation) – Engage in a discussion with the Department on whether a Tier I appropriation from the Severance Tax Operational Fund is necessary, and consider sponsoring legislation to fund the request as a Tier II appropriation from the Severance Tax Operational Fund.***

Splitting programs supported by the Operational Fund into two tiers helps protect funding for FTE and ongoing programs by prioritizing those expenditures (Tier I) over programs that have the flexibility to absorb changes in funding over time (Tier II), e.g. grants, loans, construction projects etc. The DRMS is designated as a Tier I program, but staff believes it would be appropriate to fund the projects addressed with this request as a Tier II expenditure. ***Please note this would require legislation to change statute.***

Staff agrees that forfeited mine sites need to be addressed and properly reclaimed. However, post-law forfeited mine sites handled by the IMRP are not emergencies, for which funding is appropriated, and reclamation can proceed at any time based on available funds. Additionally, the program's ability to roll forward funding for three years can help cushion the immediate impact of any proportional reductions. While prior appropriations have been exhausted at the three year spending cycle, the program has rolled forward an average of $300,000 each year since FY 2007-08. Any unused money at the end of three years would still revert back to the Operational Fund.

Funding this request as a Tier II expenditure would reduce the impact on the Operational Fund because of the lower reserve requirement. Tier II programs only require a 15.0 percent reserve, which would be $19,050 rather than the full amount of the request. Limiting additions to Tier I appropriations will decrease the burden on the reserve in lean years, build in flexibility to adjust program workload based on available revenues, and reserve Tier I funding for staff and other essential functions that are less able to accommodate fluctuating appropriations.

Staff requested feedback from the Department on this issue, which responded with a different perspective on Tier I and Tier II funding. The Department acknowledges Tier I expenditures generally support on-going FTE and functions, and that the IMRP funding for reclamation projects at post-law mine sites could theoretically withstand proportional reductions more easily than most other Tier I programs. The more pressing concern for the Department seems to be that moving any portion of DRMS funding to Tier II could damage the distinction between historical, long-standing uses of the Operational Account (Tier I) and newer programs less directly related to original legislative intent (Tier II). As such, the Department has not previously considered and does not support the staff recommendation.

*Option 4: Defer a decision on funding any portion of the request until the impact of low oil prices on severance tax revenue for FY 2015-16 can be determined.*

While allowing a backlog of reclamation projects at forfeited mine sites is not ideal, these sites do not require immediate action. Any emergent reclamation issues that present an imminent danger to the public can be dealt with immediately using available emergency response funds. Funding for the DRMS Emergency Response Costs line item was increased to $100,000 in FY 2014-15, and is a Tier I appropriation protected from volatility in severance tax revenues. Delaying a decision on this request does not jeopardize any current projects because of the three year spending cycle built into the original appropriation. Such a delay would allow the Committee to make a determination after the full effects of any reductions in severance tax revenues and future trends in oil prices are identified.

# Issue: OGCC Permitting and Hearings Unit FTE Request

The Department's FY 2015-16 budget request includes an increase of $403,450 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 2.0 FTE to expand the Oil and Gas Conservation Commission's (OGCC) permitting and hearings staff, purchase contract services, and fund additional leased space.

## SUMMARY:

- The OGCC has identified an increase in workload for the permitting and hearings units due to the increased complexity and length of required permits, a backlog of permits that require processing, and growth in the number of hearing applications being submitted to the Commission.

- The Department request includes an increase of $403,450 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 2.0 FTE to expand the OGCC's permitting and hearings staff, purchase contract services, and fund additional leased space. If approved, the Department would expect to reduce the backlog of permits, process permits in approximately 30 days, and address hearing applications more efficiently.

- Decreasing oil prices will likely affect mill levy revenue to the Response Fund, the proposed source of funding for this request, but the OGCC is not currently expecting any change in workload based on agency experience during the last period of low oil prices between 2008 and 2010.

## RECOMMENDATION:

Staff recommends the Committee request updated information from the Department regarding the impact of declining oil prices on anticipated OGCC revenue and workload, including: (1) the ability of the Oil and Gas Conservation and Environmental Response Fund to support required expenditures and the requested increase going forward; and (2) any revisions to workload projections as the magnitude of decreases in the price of oil begins to exceed recent comparable market conditions.

## DISCUSSION:

***Background***

The Oil and Gas Conservation Commission is the agency responsible for overseeing the development of oil and gas in Colorado while protecting public health, safety, and welfare, the environment, and wildlife. This involves processing applications for permits and hearings from operators, conducting inspections to monitor existing wells and facilities, pursuing enforcement actions in the case of rule violations, and conducting reclamation at abandoned well sites. The Department's request specifically addresses workload for the permitting and hearings units due to the increased complexity and length of required permits, and growth in the number of hearing applications being submitted to the Commission. If approved, the request would provide funding for one new permit-compliance technician and 4,160 hours of contract services for the permitting unit, one new hearing officer in the hearings unit, and additional leased space at a total cost of $403,450 cash funds from the Oil and Gas Conservation and Environmental Response Fund.

***Department Request***

*Permitting Unit FTE*
The permitting unit is responsible for issuing permits for the drilling of new oil and gas wells, the recompletion of existing wells, and the location of well pads and tank batteries. Permitting is the first step in the process of ensuring: (1) wells are drilled, completed, and operated in compliance with OGCC regulations; and (2) oil and gas facilities are properly constructed, maintained, and reclaimed to protect the public and the environment.

There are two types of permits are currently occupying the majority of staff time in the permitting unit: the Form 2, also known as an Application for Permit to Drill (APD); and the Form 2A required for any surface disturbance at a new or existing oil and gas site. As shown in the following table, the number of APDs reached a high of 7,661 in FY 2007-08 and has declined steadily since then, settling around an average of just under 4,400 per year:

**OGCC Requested Drilling Permits (APDs)**

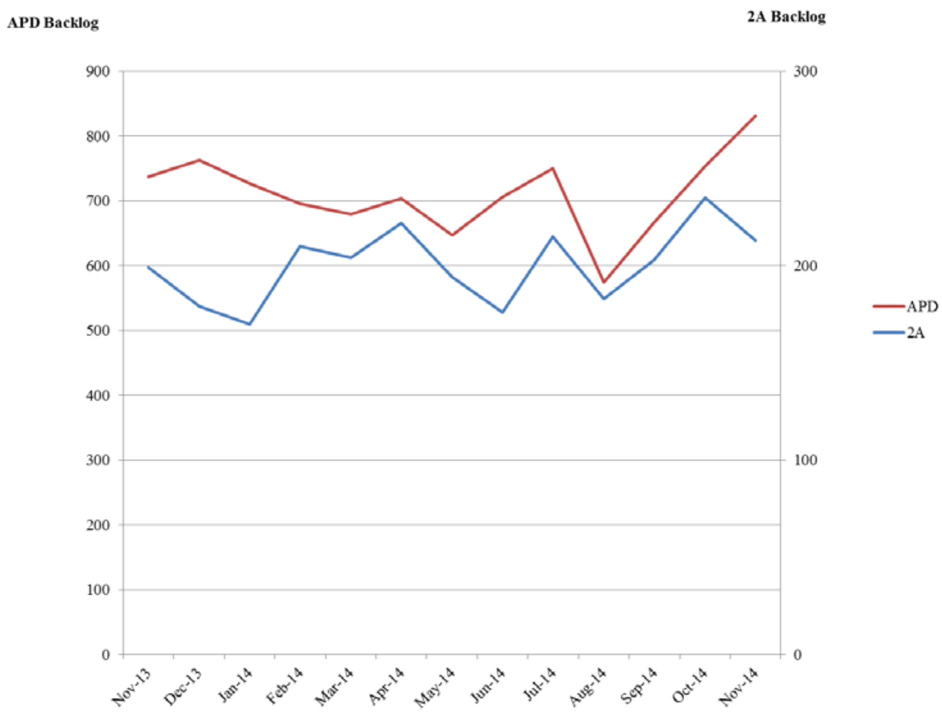
| | FY07-08 | FY08-09 | FY09-10 | FY10-11 | FY11-12 | FY12-13 | FY13-14 | FY14-15* |
|---|---|---|---|---|---|---|---|---|
| APDs Requested | 7,661 | 6,923 | 5,278 | 4,883 | 4,541 | 3,893 | 4,399 | 4,200 |
| *Percent Change* | *15.0* | *(9.6)* | *(23.8)* | *(7.5)* | *(7.0)* | *(14.3)* | *13.0* | *(4.5)* |

*Projected workload.

While the total number of permits has decreased over time, the OGCC indicates that workload for the permitting unit has actually increased due to the technical complexity associated with new horizontal wells and additional information required on each APD by new setback rules for oil and gas facilities.

Engineering and environmental staff are responsible for reviewing the technical aspects of each permit application, which are now much more complicated and frequently involve threading horizontal well bores through existing fields of vertical wells. Permit-compliance technicians evaluate permit forms and applications for errors and completeness. APDs are now much longer due to new setback rules that increased the number of fields requiring review increased by 66.3 percent after they went into effect in August 2013. Combined, these factors have increased the time it takes for permitting staff to process an APD from 30 days in FY 2010-11 to 56 days in FY 2014-15.

Additionally, there is an ongoing backlog of APDs and Form 2A permits yet to be processed. The following figure shows the backlog for each permit type for the past year, averaging 710 per month for APDs and 200 for Form 2As:




With current staffing and contract services purchased using vacancy savings, the permitting unit is currently operating almost exactly at capacity. Since November 2013, an average of 443 APDs and Form 2As have been submitted per month and the permitting unit processed an average of 437 permits per month. This has not allowed for any consistent reduction in the backlog over time.

The request would provide funding for one permanent permit-compliance technician and two contractors to review and process drilling permit applications submitted by operators. The OGCC analysis estimates permit processing times would fall back to the 30-day target by FY 2016-17 if the request is approved. Once the backlog of permits is reduced and processing time is improved, the Department has indicated it would shift contract hours away from permitting to address workload fluctuation in other units. The OGCC has had difficulty attracting qualified permit-compliance technicians at range minimum salaries due to competition with the oil and gas industry. As such, the Department is requesting funding at 28.0 percent above the range minimum for an Engineering/Physical Science Technician II.

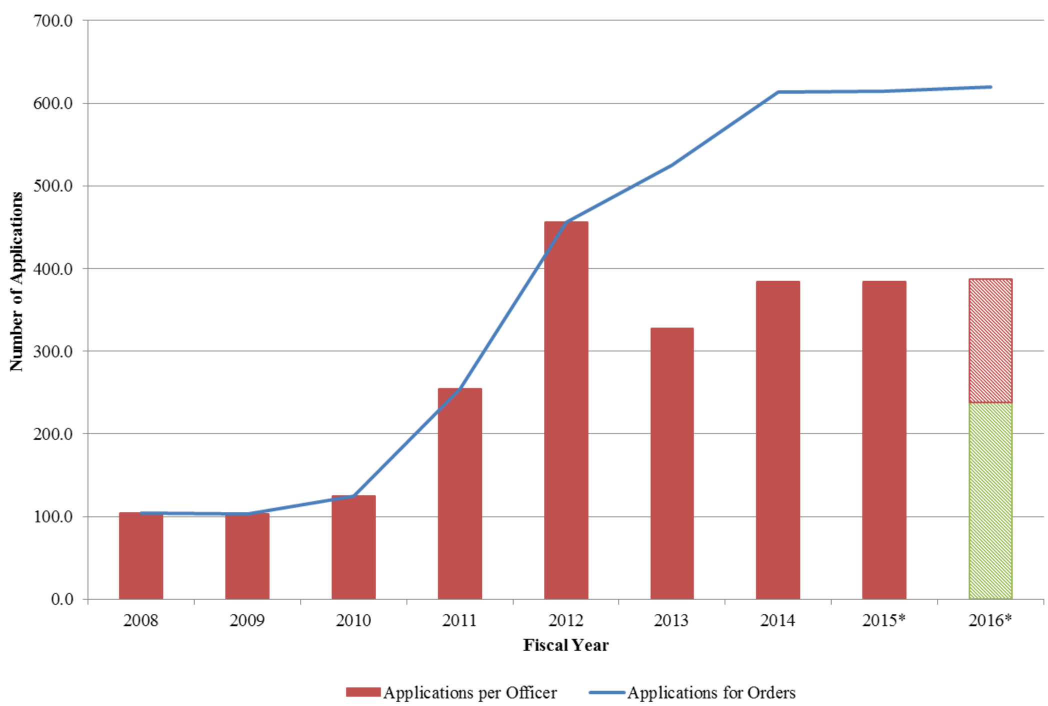
*Hearings Unit FTE*
The hearings unit is responsible for all matters related to Oil and Gas Conservation Commission (Commission) hearings, including applications for orders submitted by operators on well spacing and the pooling of mineral interests:

- *Well spacing* is the process of establishing the appropriate number of acres drained by one well or the appropriate number of wells necessary to effectively and efficiently drain a drilling unit.

- *Pooling* combines mineral interests within a drilling unit so that production is shared according to each owner's proportionate interest. In general, a pooling order is required when at least one mineral owner declines to consent to a voluntary pooling agreement or to override pooling restrictions in operator leases.

Both of these are administered by the Commission to help ensure efficient development of drilling units while protecting correlative rights so that each owner and producer gets an equitable share of the production of oil and gas from a drilling unit.[1]

Engineering staff at the OGCC handled hearings request until the first official hearing officer (1.0 FTE) was added in FY 2007-08. The next addition of a hearing officer was in FY 2012-13, representing a 60.0 percent increase in staffing. Since then, the OGCC has had a total of 1.6 FTE for reviewing, processing, and presenting applications for orders. As shown in the figure below (blue line), the number of applications has increased by just under 500.0 percent since FY 2008-09. The red bars show the number of applications per FTE over time and the lined column on the far right shows applications per FTE with (green) and without (red) the requested increase:




*Note: Workload data for FY 2014-15 and FY 2015-16 is projected.

Workload related to hearing applications is primarily driven by active well count and the increasing complexity of oil and gas development in the state. Higher well density and larger drilling units create a more involved and time-intensive process for hearing officers responsible for reviewing applications and presenting them to the Commission. The number of active wells

[1] Pursuant to Section 34-60-103 (4), C.R.S., correlative rights means each owner and producer in a common pool or source of supply of oil and gas shall have an equal opportunity to obtain and produce his just and equitable share of the oil and gas underlying such pool or source of supply.

in the state has doubled over the past ten years and 94.0 percent of new wells use horizontal drilling techniques, compared to only 2.0 percent five years ago. Hearing applications for more traditional vertical wells typically contained one well for each 40 acre drilling unit, while hearing applications for new horizontal wells can have more than 120 wells on drilling units larger than four square miles (2,560 acres). It is also important to note that the hearings process is linked to permitting because APDs cannot move forward and new wells cannot be drilled until hearing applications have been approved.

The Department request would provide for one additional hearing officer to review and process applications for orders submitted by operators. Again, the OGCC has had difficulty attracting qualified hearing officers at range minimum salaries due to competition with the oil and gas industry. The Department is requesting funding that is 31.0 percent above the range minimum for a Hearing Officer II.

*Leased Space*

The OGCC is currently located on the eight floor The Chancery building in downtown Denver and has indicated this space is more than fully occupied by permanent staff, temporary employees, contractors, and interns. There is 2,413 square feet of vacant space available on the same floor that is contiguous with existing office space and the OGCC proposes to lease this additional space to accommodate requested FTE and any future staffing increases. The requested space contains nine work spaces and one small meeting room. Two cubicles would be reserved for contractors, interns, and OIT staff, so the addition of 7.0 new FTE would put the OGCC at capacity with the new space. If the request is approved, the new FTE would occupy two of the seven available work spaces. Building management has agreed to hold the vacant suite for the OGCC until the request for additional leased space is considered by the legislature.

***Impact on the Oil and Gas Environmental Response Fund***

The proposed funding source for this request is the Oil and Gas Conservation and Environmental Response Fund, supported by revenue from a mill levy on the production of oil and gas. The mill levy is set by the OGCC, with a statutory maximum level of 1.7 mills. Based on recent revenue projections, the Department estimates that the Response Fund will be able to support the request without requiring an increase in the mill levy (currently 0.7 mills). However, as mentioned previously, Response Fund revenue is dependent on price conditions and production, and the timing and magnitude of the impact of low oil prices is difficult for the OGCC to predict.

***Effect of Oil Prices on Future Workload***

At the request of staff, the OGCC provided information on workload during the last significant decline in oil and gas prices to provide some insight on the potential impact of current market conditions. The following table tracks the price and production of oil and gas, along with changes in agency workload indicators from 2008 to 2010:

| Comparison of Oil and Gas Prices and Production with OGCC Workload | 2008 | 2009 | 2010 | Percent Change |
|---|---|---|---|---|
| ***Oil and Gas Prices and Production*** | | | | |
| Oil – WTI Spot Prices ($/barrel) | $99.67 | $61.95 | $79.49 | *(20.0%)* |
| Gas – Henry Hub Spot Prices ($/million BTU) | $8.86 | $3.94 | $4.37 | *(51.0%)* |
| Colorado Oil Production (Million Barrels) | 29.56 | 30.22 | 32.75 | *11.0%* |
| Colorado Gas Production (Trillion Cubic Feet) | 1,532.6 | 1,558.6 | 1,663.0 | *9.0%* |
| ***OGGG Workload Indicators**** | | | | |
| **Active Wells** | **37,359** | **40,956** | **43,354** | ***16.0%*** |
| Completion Interval Reports (5 and 5A) Received | 10,051 | 11,800 | 9,549 | *(5.0%)* |
| **Drilling Permit Applications** | **8,400** | **4,754** | **5,703** | ***(32.0%)*** |
| **Hearing Applications Received** | **109** | **87** | **155** | ***42.0%*** |
| Complaints Received | 222 | 202 | 218 | *(2.0%)* |
| Remediation Projects Received[2] | 259 | 208 | 511 | *97.0%* |
| Appropriated FTE | 55.0 | 73.0 | 73.0 | *33.0%* |

*Please note workload data is for Calendar Years to align with price and production data.

Both production and active well count continued to increase while oil and gas prices were down. The number of APDs received decreased by 32.0 percent during this period, but the OGCC attributes this to the transition from one- to two-year permits that reduced the number of refilings. The OGCC also notes that 2009 rule changes increased the complexity of permits in much the same way as the new setback rules effective in 2013. This maintained the level workload, even as the number of permits declined. Hearing applications went down temporarily, but ultimately increased 42.0 percent as oil prices rebounded.

Assuming prior experience is predictive of future patterns, the OGCC does not foresee any significant reduction in workload as a result of the current decrease in prices, even if industry temporarily cuts its drilling budgets. Operators are still expected to submit APDs and hearings applications while cutting costs and adjusting to the new price environment. Also, industry has invested heavily in infrastructure in the state, and the OGCC anticipates that the existing oil and gas facilities will continue to generate workload that exceeds current agency capacity.

## RECOMMENDATION:

Staff recommends the Committee request updated information from the Department regarding the impact of declining oil prices on anticipated OGCC revenue and workload, including: (1) the ability of the Oil and Gas Conservation and Environmental Response Fund to support required expenditures and the requested increase going forward; and (2) any revisions to workload projections if the magnitude of decreases in the price of oil begins to exceed recent comparable market conditions.

[2] The OGCC indicated that the number of remediation projects tends to increases in poor market conditions because assets change hands more frequently leading to the discovery of existing problems.

# Issue: DWR Water Administration and Coordination Staff

The Department's FY 2015-16 budget request includes an increase of $213,140 General Fund and 2.4 FTE to hire deputy well and water commissioners in response to increasing water administration responsibilities in the Arkansas and Yampa River basins, and to fund a statewide coordinator to support the Water Rights Tabulation and Diversion Records teams.

## SUMMARY:

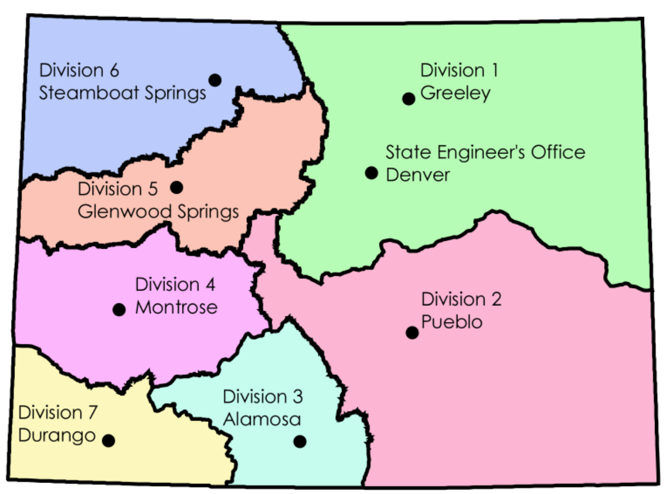
- The Department request includes two deputy well commissioners and one deputy water commissioner in response to increasing workload related to groundwater administration in the Arkansas River basin (Division 2), driven by compact obligations, and surface water administration in over-appropriated districts the Yampa River basin (Division 6).

- All seven water divisions have similar responsibilities and the DWR has taken steps to centralize the coordination of business processes by areas of expertise to increase efficiency. To complete this process, the Department request includes a statewide coordinator position to support the Water Rights Tabulation and Diversion Records teams.

## DISCUSSION:

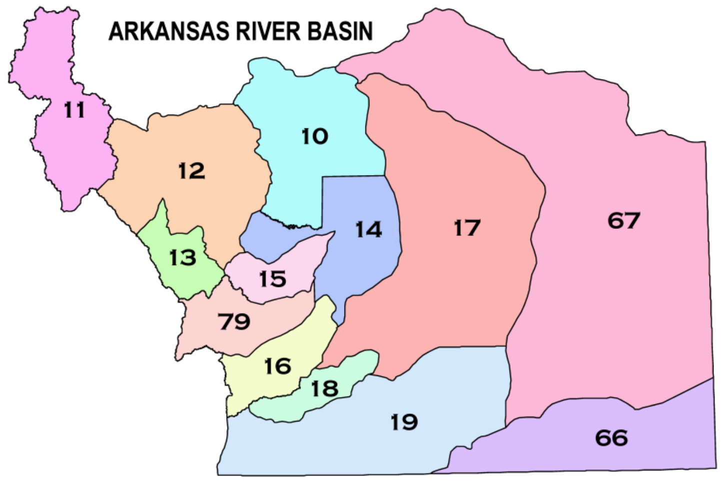
***Background***

Water administration is one of the primary responsibilities of the Division of Water Resources, which is charged with overseeing over 170,000 intrastate surface and groundwater rights, as well as ensuring compliance with nine interstate compact agreements. As shown in the figure below, Colorado is divided into seven divisions that correspond to major drainage basins in the state:



***Groundwater Administration in the Arkansas River Basin***

The Department request includes $84,596 General Fund and 1.0 FTE for two deputy well commissioners to administer groundwater in the Arkansas River basin. The Arkansas River basin is located in Division 2 in the southeast corner of the state, shown in the following figure:

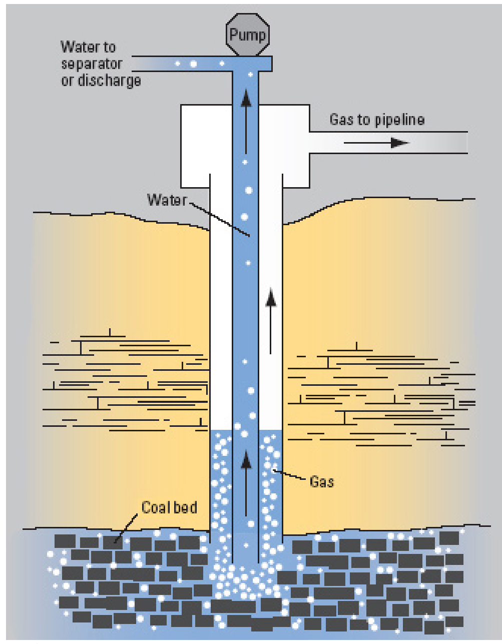



| District | District Name | District | District Name |
|---|---|---|---|
| 10 | Fountain Creek | 17 | Arkansas: Fowler to Las Animas |
| 11 | Arkansas: Headwaters to Salida | 18 | Apishapa River |
| 12 | Arkansas: Salida to Portland | 19 | Purgatoire River |
| 13 | Wet Mountain Valley | 66 | Cimarron River Basin |
| 14 | Arkansas: Portland to Fowler | 67 | Arkansas: Las Animas to Stateline |
| 15 | Saint Charles | 79 | Huerfano River |
| 16 | Cucharas River | | |

The Department identified two main factors driving an increased workload related to groundwater administration in this river basin: (1) new responsibility for 3,700 coalbed methane wells; and (2) increased monitoring obligations under the Arkansas River Compact as decreed by U.S. Supreme Court in the 2009 *Kansas* v. *Colorado* decision.

*Coalbed Methane Wells*

Coalbed methane (CBM) is a kind of natural gas found in coal seams, absorbed onto the surface of the coal by hydrostatic pressure from groundwater present in the seam. As illustrated in the following figure, CBM is accessed by pumping groundwater from the well, which reduces pressure in the coal bed and allows the methane to escape and be captured. While each individual CBM well does not generally produce large amounts of water, the DWR estimates over 9,000 acre feet of water are produced by CBM wells each year.



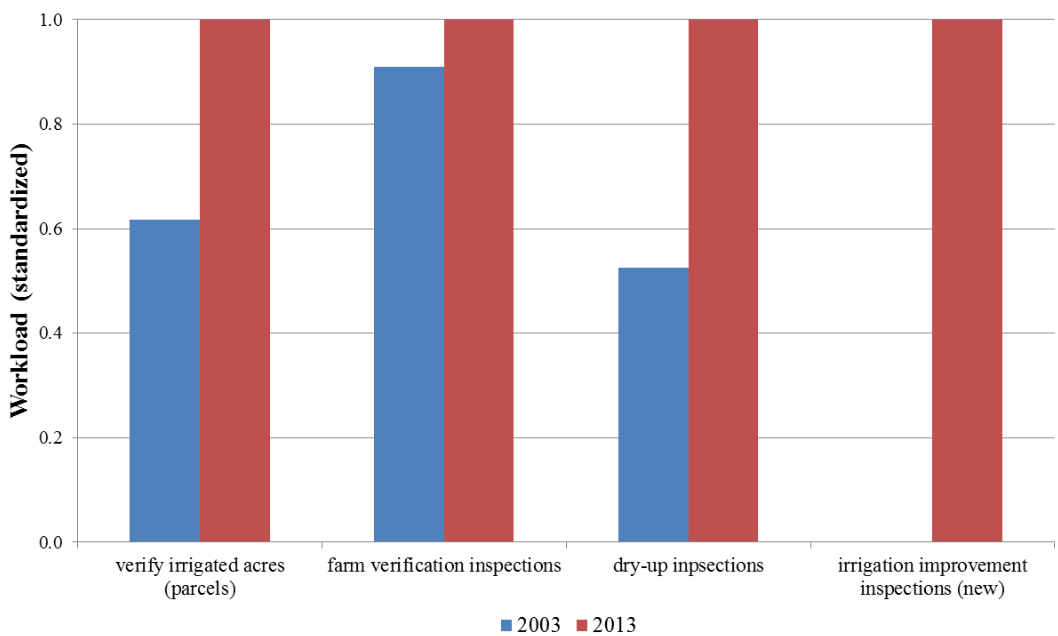

*Source: USGS, 2000

In the 2010 *Vance v. Wolfe* decision, the Colorado Supreme Court ruled that all wells producing groundwater through the CBM extraction process put that water to beneficial use and were subject to permitting and administration by the DWR. As a result, the Division has been responsible for oversight of 6,000 CBM wells starting in 2010, including 3,700 in the Arkansas River basin alone. The addition of CBM wells in Division 2 has increased the total number of wells under administration by approximately 37.0 percent. Each requires a permit from the DWR and augmentation plans must be in place to prevent injury to senior water rights.

The other 2,300 CBM wells are primarily located in Division 7 in the southwest corner of the state. According to the DWR, these wells do have not have the same workload impact as the new wells in the Arkansas River basin. Division 7 does not currently have the same level of administrative complexity as Division 2, and workload increases associated with the new CBM wells were absorbed by existing FTE. This is not the case in Division 2 where all water must be carefully accounted for.

*Kansas v. Colorado and the Arkansas River Compact*
The Arkansas River Compact between Kansas and Colorado was approved by Congress in 1949 and specified that any future development could not materially deplete the quantity or availability of water in the river. Over time, however, post-Compact groundwater development in Colorado, largely in the form of high capacity irrigation wells, reduced flows at the state line. Kansas filed suit against Colorado in 1985 for being in violation of the compact by allowing alluvial well pumping without requiring sufficient augmentation to maintain flow.

Augmentation plans were required starting in 1996 and the case was settled in 2009, but Colorado was held liable for $34.7 million and is subject to specific requirements for strict well and groundwater administration above and beyond existing augmentation rules. The DWR now has an increased obligation to update data on irrigated acreage using satellite imagery on a five-year basis, verify how water is used on farms with wells, and inspect parcels dried up to provide augmentation supplies for other well depletions. The following figure shows standardized workload measures for each requirement for 2003 and 2013:




The DWR was already doing some inspections as the case progressed, but they were formally incorporated into the settlement at a level that required a higher level of vigilance. This is complicated by two other factors:

- Flood irrigation in the basin is starting to be replaced with center pivot sprinkler systems. This has made the application of water to fields much more efficient, reducing the amount of return flow to the river that previously helped keep the river in compliance. The DWR established rules in 2011 to administer irrigation improvements as a preventative effort to avoid future compact violations.

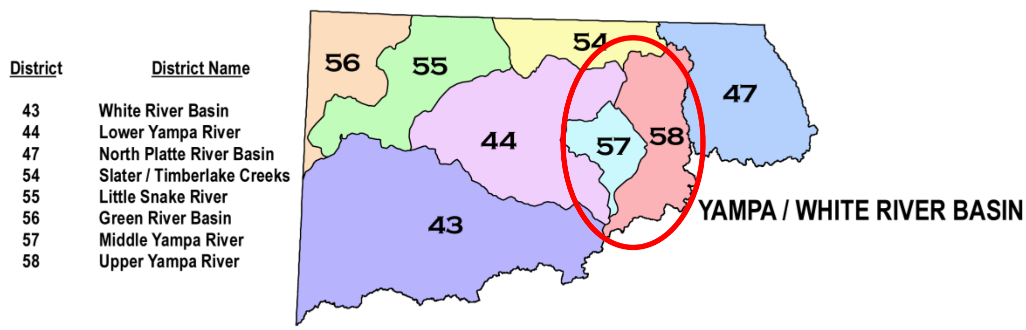
- Less municipal water is available to augment groundwater pumping in the Arkansas River basin. This causes more acres to be dried up, increasing the number of inspections that need to be completed by DWR staff.

Overall, the total number of inspections required under the *Kansas v. Colorado* settlement and new irrigation improvement rules has increased 65.2 percent since 2003. The increasing trend is expected to continue as more farms convert to center pivot irrigation and conditions become drier in the basin.

The requested FTE would be responsible for administering the CBM wells, making sure wells are operating in compliance with groundwater rules, overseeing irrigation development, and verifying efforts to comply with the Arkansas River Compact. If approved, the Department indicated the two additional well commissioners would help maximize the beneficial use of water in the Arkansas River basin and ensure Compact compliance. Without additional FTE, the Department is concerned that Colorado water users would not receive all the water to which they are entitled, and compliance with the Compact would be more difficult to monitor, which may lead to costly legal action over compact violations

***Surface Water Administration in the Yampa River Basin***

The Department request includes $42,178 General Fund and 0.5 FTE for one permanent part time deputy water commissioner in the Yampa River basin. As shown in the following figure, the Yampa River basin is located in Division 6 in the northwest corner of the state. The Department's request focuses on the increasing administration requirements in Districts 57 and 58 (circled in red), most of which is currently overseen by 1.0 FTE:



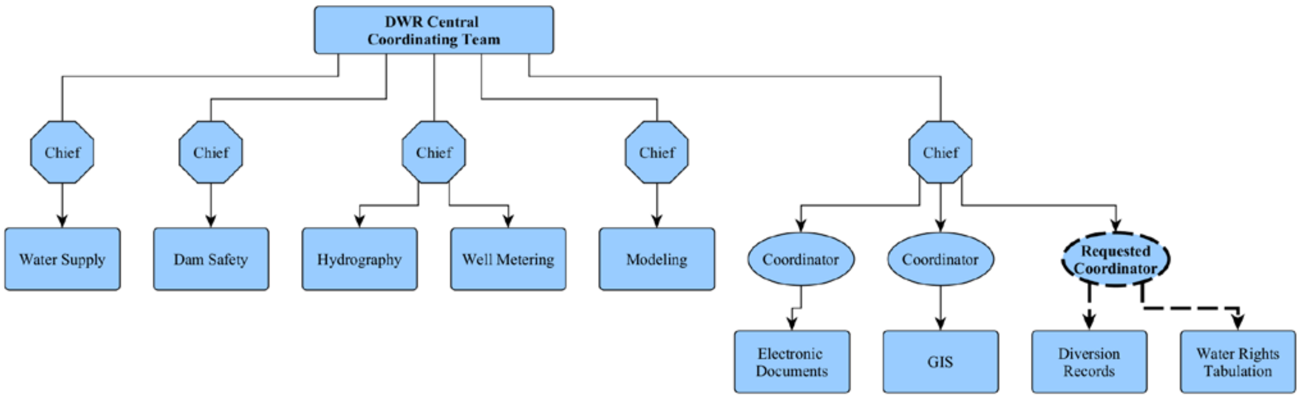

Strict administration practices are relatively new to Division 6 as water supply has historically exceeded demand in the Yampa River basin. Districts 57 and 58 were not designated as over-appropriated and subject to strict administration until 2011. As a result, many water rights in the area do not have the infrastructure necessary for administration, and water users are not practiced at navigating calls on the river to ensure delivery of the appropriate amount of water.

In Districts 57 and 58, the effort to bring the more than 850 active diversion structures and associated measuring devices into compliance has increased regulatory orders from one to 65 in three years. Of all the water court applications in all of Division 6, 75.0 percent come from these two districts alone. After the required infrastructure is established, the number of regulatory orders is expected to be similar as water commissioners start to actively administer water rights by making adjustments to headgates and other diversion structures.

The size of Districts 57 and 58 is also becoming an issue. Together, they are over 1,000 square miles and more rivers and creeks have become subject to strict administration in the past several years. At present, the areas requiring the most active administration are at opposite ends of the districts and a single water commissioner cannot visit both in the same day. If there are calls on more than one river or creek at the same time, the current water commissioner alternates days or rotates between them to administer water rights where necessary. The Department anticipates the requested deputy water commissioner would be able to assist with increased administration requirements and help ensure optimal water use in Districts 57 and 58 during the irrigation season.

***Water Rights Tabulation and Diversion Records Coordinator***

The Department request includes $86,366 General Fund and 0.9 FTE to provide a coordinator for the Diversion Records and Water Rights Tabulation teams. The figure below shows the current structure of DWR business process support as well as the requested position (dashed oval):




While each river basin has unique issues, the seven water divisions in the state have similar responsibilities and use the same technology in the performance of their duties. As a result, the DWR has organized technological expertise across divisions into teams for water supply, dam safety, hydrography, well metering, modeling, electronic documents, GIS, diversion records, and water rights tabulation. These teams are centrally coordinated by a chief to facilitate the development of consistent business processes across all divisions, rather than creating seven separate processes or solutions to the same problem.

The DWR added a Chief of Water Information (far right) in FY 2014-15 to oversee the Electronic Documents and GIS teams. These two teams also have their own statewide coordinator for day-to-day support beyond what the Chief can provide. Administering water rights and maintaining records of diversion structures have both become increasingly complex as more beneficial uses for scarce water supplies are recognized. As a result, the Department is requesting a new coordinator position to provide the same support for the Water Rights Tabulation and Diversion Records teams as other Water Information teams.

One recommendation from the recent H.B. 12-1278 study in the South Platte River basin was the addition of a senior staff position to provide leadership on water rights tabulation and diversion records in Division 1. This is essentially the same as the requested position, but the DWR has indicated a coordinator can be leveraged to organize these activities and increase efficiency across all seven divisions, not just in South Platte River basin (Division 1). The request for FY 2015-16 is the final step in the reorganization of the DWRs business process support structure and the Division has indicated that it does not anticipate a need for any additional staff going forward.

***Source of Funding for the Request***

Staff considered the possibility of cash funding the Division 2 and Division 6 commissioner positions via fee adjustments instead of using General Fund. These positions benefit a subsection of water users in specific geographic areas which could conceivably create equity issues with using General Fund. The DWR indicated that raising fees to fund new positions has been attempted in the past with poor results. Well permitting fees were increased from $60 to $440 in 2003 to generate more revenue (S.B. 03-181). This decreased the number of permits received by over 60.0 percent and did not raise the expected amount of funding. A different fee program for appropriative water rights was abandoned after one year because the expense of implementation offset gains in revenue (S.B. 03-278).

Apart from previous issues with raising revenue through fees, the DWR had three other concerns with attempting to cash fund the new FTE:

1) Surface water and groundwater are interrelated, as recognized in various court cases. Well and water commissioners both contribute to water administration and the Division felt it would be difficult to separate water users in order to properly assess a fee.
2) The Division does charge a processing fee to cover initial permitting, but the workload for a well can continue for long periods of time and it would be challenging to charge a fee to cover administration costs over the life of the well.
3) The DWR views water administration as a service that benefits all citizens of the state, which makes General Fund an appropriate source of funding for well and water commissioners regardless of water division or district locations.

# Issue: Colorado Avalanche Information Center Request

The Department's FY 2015-16 budget request includes an increase of $189,926 total funds and 1.4 FTE for the Colorado Avalanche Information Center (CAIC) to support two new forecasters, and to provide administrative assistance, equipment, and leased space for the program.

## SUMMARY:

- The Colorado Avalanche Information Center was established in 1973 and seeks to minimize the economic and human impact of snow avalanches on recreation, tourism, commerce, industry and the citizens of Colorado by providing information and education on avalanche danger.

- Avalanche forecasters are roughly divided into two areas of expertise, highway and backcountry, in part due to restrictions on the use of assets provided by the Department of Transportation (CDOT). The CAIC is making an effort to increase efficiency and allow all forecasters to respond to high priority areas, regardless of location.

- The request includes an increase of $189,926 total funds and 1.4 FTE for the CAIC to support two new forecasters, and provide administrative assistance, equipment, and leased space for the program.

- Funding for this request is primarily from reappropriated funds provided by CDOT, but includes $28,210 cash funds from the Severance Tax Operational Fund to support the transfer of 0.5 FTE from the Executive Director's Office (EDO) to the CAIC. This allows the Department to offset the same General Fund with revenue from indirect cost recoveries previously used to support the FTE in the EDO.

## DISCUSSION:

***Background***

The primary objective of the Colorado Avalanche Information Center (CAIC) is to minimize the economic and human impact of snow avalanches on recreation, tourism, commerce, industry and the citizens of Colorado by providing information and education on avalanche danger. Colorado accounts for one third of all avalanche deaths in the United States, but the number of avalanche deaths per 100,000 people in the state has generally declined in spite of increasing population growth. The CAIC is responsible for forecasting avalanche danger, and providing education and safety training to help reduce risks to highway travelers, Colorado Department of Transportation (CDOT) staff, recreationalists, and avalanche professionals.

The CAIC is the oldest public avalanche forecast program in the United States, established in 1973. Between 1973 and 1983, the CAIC was administered by the federal government as part of a research program in the U.S. Forest Service. After federal budget cuts in 1983, the Department of Natural Resources took over the program and made it part of the Colorado Geological Survey

(CGS) starting in 1987. CDOT started working with the CAIC in 1993 to forecast avalanche conditions for mountain roads and that collaboration continues today. More recently, H.B. 12-1355 transferred the entire CGS to the Colorado School of Mines, but H.B. 13-1057, passed during the following legislative session, kept the CAIC in the Department as a special program in the Executive Director's Office.

*Current Funding and Program Structure*
The CAIC has total of 9.0 FTE and four temporary positions which support a staff of 17 people, many of which are designated as permanent part time employees. Approximately 48.0 percent of the funding for this program comes from cash funds, including fees, donations, and appropriations from the Severance Tax Operational Fund. About 50.0 percent of program funding comes from CDOT as reappropriated funds, and a small amount of federal funding from the U.S. Forest Services accounts for the remainder.

Fourteen forecasters are tasked with observing and collecting information on weather and snowpack in order to issue daily reports on avalanche risk in 10 zones around the state during avalanche season. Forecasters are roughly divided into two areas of expertise: highway and backcountry. Highway forecasters primarily focus on slopes known to have an impact on roads while backcountry forecasters evaluate any slope in their assigned area that has the potential to produce an avalanche. However, the CAIC has indicated that it is working to increase efficiency and flexibility in forecasting by minimizing this distinction, allowing forecasters to work on highways or in the backcountry depending on conditions and the location of high risk areas.

***Issues with CAIC Staffing and Equipment***
The Department has identified several areas of concern related to CAIC staffing and equipment:

1) The CAIC expects more staff turnover than usual as a number of experienced forecasters retire over the next several years. This includes a highway forecaster who accumulated responsibility for eight highways over 20 years with the CAIC, and will leave behind a significant forecasting workload.
2) An increase in the administrative workload for program management is interfering with the supervision and training of forecasters, as well as other responsibilities related to program operations.
3) The provision of vehicles and equipment by CDOT under the current arrangement limits flexibility of CAIC staff to forecast in high priority areas because use is restricted to highway forecasting activities.

***Department Request***
The Department request includes $189,926 total funds and 1.4 FTE for the CAIC to support two new avalanche forecasters and an administrative position, and to provide vehicles, radios, and leased space for CAIC forecasting staff.

*Avalanche Forecasters*
The request includes $128,326 reappropriated funds from CDOT to hire two full-time forecasters (0.7 FTE each), and help cover the cost of required certifications, e.g. wilderness first aid credentials and Type I explosive permits. One forecaster would be located in the Boulder office

to take over part of the forecasting responsibilities of program managers. The CAIC Director currently works half-time as a forecaster and the Deputy Director works as a full-time forecaster during the avalanche season. The new forecaster would assume all forecasting responsibilities of the Director and half the responsibilities of the Deputy Director, with the intent of giving program managers the ability to travel to supervise employees in different parts of the state, increase outreach efforts, and fill in for other forecasters if necessary. Ensuring program managers can visit forecasters will be particularly important as new forecasters are hired and trained to replace retiring employees over the next several years.

The other new forecaster would take over half the area in the Sawatch Mountain Range, currently covered by the retiring 20-year veteran of the CAIC. Internal and external reviews flagged the workload of this particular employee as a point of concern because the amount of responsibility decreased the number of site visits, increased reliance on second hand observations, and required extensive driving and long hours. Accumulated experience with area highways allowed this forecaster to effectively assess avalanche risk, but the CAIC has indicated future coverage of that area needs to be split geographically between two forecasters to be effective.

*Administrative Assistance*
The request includes a net-zero transfer of an existing 0.5 FTE from the Executive Director's Office to the CAIC to provide administrative support for the program. The position, originally paid for by departmental indirect cost recoveries, would be funded by $28,210 cash funds from the Severance Tax Operational Fund. This has the added effect of allowing the Department to offset the same amount in General Fund with the indirect cost revenue made available by the transfer. The provision of administrative assistance to the CAIC is intended to reduce the administrative workload of program managers, allowing them more time for employee management and other program operations.

*Management of Equipment from CDOT*
CDOT works closely with the CAIC on highway forecasting and avalanche mitigation, and supports the program by providing vehicles, radios, and leased space to CAIC staff. However, the Department has indicated that the current arrangement is problematic for both agencies. CDOT is managing assets that are not under its direct control, which creates ambiguity in inventory and responsibility for risk management claims. The CAIC is restricted to using CDOT assets for highway forecasting only, which interferes with forecaster flexibility to respond to high priority areas both along highways and in the backcountry.

The Department request includes $61,600 reappropriated funds, provided by CDOT, to allow the CAIC to purchase and manage its own vehicles, radios, and leased space. This is intended to clarify the ownership of assets for CDOT while giving CIAC direct control over the purchase and use of equipment and office space. As a result, all CAIC staff would be able to use vehicles for highway and backcountry field visits, as well as share office space with other forecasters in the same region.

***Impact on the Severance Tax Operational Fund***

The CAIC is a Tier I program authorized to receive up to 5.0 percent of the moneys in the Severance Tax Operational Fund as of FY 2013-14 (Section 39-29-109.3 (1) (b.5), C.R.S.). The portion of the request funded by Operational Fund moneys constitutes an exceedingly small portion of the total revenue projected to be available for appropriation in FY 2015-16, and does not put the CAIC in jeopardy of exceeding its statutory limit.

However, it is still important to note that the required reserve for a Tier I program is equal to operating appropriations for one year, which has the effect of doubling the impact of the request. If approved, the request for $28,210 cash funds from the Operational Fund will obligate a total of $56,420 of Operational Fund revenue once the required reserve is taken into account. Also, increasing Tier I appropriations increases the amount of severance tax revenue required to avoid proportional reductions in Tier II programs.

## Appendix A: Number Pages

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

**DEPARTMENT OF NATURAL RESOURCES**
**Mike King, Executive Director**

### (1) EXECUTIVE DIRECTOR'S OFFICE

This division provides budgeting, accounting, financial management, human resources, information technology, public information, and environmental education coordination for all divisions. Cash fund sources include various funds as reflected in individual division descriptions. Reappropriated funds is comprised of statewide and departmental indirect cost recoveries.

### (A) Administration

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Personal Services | 3,507,680 | 3,590,553 | 3,693,831 | 3,772,923 * | |
| FTE | 38.2 | 39.1 | 41.8 | 41.3 | |
| Reappropriated Funds | 3,507,680 | 3,590,553 | 3,693,831 | 3,772,923 | |
| | | | | | |
| Health, Life, and Dental | 9,980,553 | 10,898,842 | 11,372,174 | 11,692,009 * | |
| General Fund | 963,577 | 820,070 | 1,213,503 | 1,021,983 | |
| Cash Funds | 6,188,673 | 7,063,034 | 7,652,556 | 7,752,676 | |
| Reappropriated Funds | 1,069,178 | 1,439,495 | 1,177,794 | 1,522,978 | |
| Federal Funds | 1,759,125 | 1,576,243 | 1,328,321 | 1,394,372 | |
| | | | | | |
| Short-term Disability | 155,364 | 174,073 | 205,663 | 207,305 * | |
| General Fund | 26,141 | 30,102 | 32,444 | 33,331 | |
| Cash Funds | 101,914 | 113,478 | 141,925 | 142,025 | |
| Reappropriated Funds | 5,494 | 5,634 | 5,861 | 6,402 | |
| Federal Funds | 21,815 | 24,859 | 25,433 | 25,547 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| S.B. 04-257 Amortization Equalization Disbursement | 3,169,436 | 3,705,042 | 4,274,935 | 4,645,016 * | |
| General Fund | 473,384 | 572,359 | 674,702 | 747,378 | |
| Cash Funds | 2,141,826 | 2,508,284 | 2,949,931 | 3,189,819 | |
| Reappropriated Funds | 102,945 | 107,304 | 121,845 | 143,449 | |
| Federal Funds | 451,281 | 517,095 | 528,457 | 564,370 | |
| S.B. 06-235 Supplemental Amortization Equalization Disbursement | 2,733,609 | 3,342,999 | 4,007,752 | 4,486,542 * | |
| General Fund | 404,868 | 514,883 | 632,533 | 721,899 | |
| Cash Funds | 1,852,453 | 2,264,422 | 2,765,561 | 3,081,020 | |
| Reappropriated Funds | 88,469 | 96,872 | 114,230 | 138,493 | |
| Federal Funds | 387,819 | 466,822 | 495,428 | 545,130 | |
| Salary Survey | 0 | 2,364,281 | 2,878,038 | 1,153,648 | |
| General Fund | 0 | 308,185 | 454,846 | 185,225 | |
| Cash Funds | 0 | 1,919,674 | 1,984,856 | 897,944 | |
| Reappropriated Funds | 0 | 66,251 | 82,176 | 35,294 | |
| Federal Funds | 0 | 70,171 | 356,160 | 35,185 | |
| Merit Pay | 0 | 1,527,049 | 1,030,883 | 945,138 | |
| General Fund | 0 | 254,746 | 175,507 | 180,081 | |
| Cash Funds | 0 | 1,173,674 | 699,752 | 712,925 | |
| Reappropriated Funds | 0 | 53,444 | 30,328 | 32,228 | |
| Federal Funds | 0 | 45,185 | 125,296 | 19,904 | |
| Shift Differential | 31,242 | 31,242 | 29,155 | 42,291 | |
| Cash Funds | 31,242 | 31,242 | 29,155 | 42,291 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Workers' Compensation | 1,607,888 | 1,566,177 | 1,879,077 | 1,465,255 | |
| General Fund | 62,350 | 70,152 | 53,330 | 42,950 | |
| Cash Funds | 1,497,832 | 1,470,317 | 1,814,534 | 1,414,359 | |
| Reappropriated Funds | 8,348 | 94 | 8,980 | 7,752 | |
| Federal Funds | 39,358 | 25,614 | 2,233 | 194 | |
| | | | | | |
| Operating Expenses | 650,701 | 473,467 | 1,246,924 | 1,246,674 * | |
| Cash Funds | 467,682 | 290,551 | 1,057,006 | 1,057,006 | |
| Reappropriated Funds | 177,682 | 177,579 | 184,581 | 184,331 | |
| Federal Funds | 5,337 | 5,337 | 5,337 | 5,337 | |
| | | | | | |
| Legal Services | 3,381,991 | 4,449,075 | 5,046,737 | 4,817,364 | |
| General Fund | 850,032 | 1,167,052 | 1,294,457 | 1,235,624 | |
| Cash Funds | 2,473,115 | 3,213,097 | 3,634,397 | 3,469,214 | |
| Reappropriated Funds | 8,938 | 43,851 | 51,683 | 49,334 | |
| Federal Funds | 49,906 | 25,075 | 66,200 | 63,192 | |
| | | | | | |
| Purchase of Services from Computer Center | 5,222,353 | 5,986,663 | 0 | 0 | |
| General Fund | 318,313 | 458,489 | 0 | 0 | |
| Cash Funds | 3,651,170 | 3,993,259 | 0 | 0 | |
| Reappropriated Funds | 1,042,475 | 1,369,892 | 0 | 0 | |
| Federal Funds | 210,395 | 165,023 | 0 | 0 | |
| | | | | | |
| Multiuse Network Payments | 2,274,071 | 2,206,025 | 0 | 0 | |
| General Fund | 334,341 | 302,137 | 0 | 0 | |
| Cash Funds | 1,607,007 | 1,748,057 | 0 | 0 | |
| Reappropriated Funds | 313,778 | 138,626 | 0 | 0 | |
| Federal Funds | 18,945 | 17,205 | 0 | 0 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Management and Administration of OIT | 290,806 | 273,645 | 0 | 0 | |
| General Fund | 41,187 | 35,113 | 0 | 0 | |
| Cash Funds | 182,263 | 227,786 | 0 | 0 | |
| Reappropriated Funds | 62,038 | 6,106 | 0 | 0 | |
| Federal Funds | 5,318 | 4,640 | 0 | 0 | |
| Payment to Risk Management and Property Funds | 949,810 | 835,402 | 767,271 | 581,637 | |
| General Fund | 91,214 | 87,267 | 80,713 | 53,381 | |
| Cash Funds | 830,795 | 720,247 | 662,823 | 513,487 | |
| Reappropriated Funds | 15,872 | 16,403 | 13,431 | 8,416 | |
| Federal Funds | 11,929 | 11,485 | 10,304 | 6,353 | |
| Vehicle Lease Payments | 2,860,362 | 3,089,942 | 3,902,389 | 3,887,577 * | |
| General Fund | 320,663 | 297,201 | 252,298 | 247,515 | |
| Cash Funds | 2,493,765 | 2,732,523 | 3,576,478 | 3,556,294 | |
| Reappropriated Funds | 0 | 6,727 | 8,091 | 25,810 | |
| Federal Funds | 45,934 | 53,491 | 65,522 | 57,958 | |
| Information Technology Asset Maintenance | 35,647 | 62,500 | 263,159 | 263,159 | |
| General Fund | 0 | 31,628 | 31,628 | 31,628 | |
| Cash Funds | 19,059 | 11,749 | 140,993 | 140,993 | |
| Reappropriated Funds | 16,588 | 19,123 | 90,538 | 90,538 | |
| Leased Space | 1,266,004 | 1,331,033 | 1,302,222 | 1,346,896 * | |
| General Fund | 531,230 | 532,215 | 568,930 | 574,079 | |
| Cash Funds | 704,661 | 761,740 | 697,736 | 718,125 | |
| Reappropriated Funds | 0 | 0 | 0 | 18,000 | |
| Federal Funds | 30,113 | 37,078 | 35,556 | 36,692 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Capitol Complex Leased Space | 865,372 | 1,174,622 | 972,920 | 1,508,340 | |
| General Fund | 216,033 | 277,908 | 205,939 | 319,271 | |
| Cash Funds | 373,616 | 561,681 | 496,633 | 769,941 | |
| Reappropriated Funds | 169,701 | 199,814 | 166,393 | 257,964 | |
| Federal Funds | 106,022 | 135,219 | 103,955 | 161,164 | |
| Integrated Resource Services | 0 | 0 | 250,000 | 250,000 | |
| Reappropriated Funds | 0 | 0 | 250,000 | 250,000 | |
| Communication Services Payments | 1,039,294 | 1,157,811 | 0 | 0 | |
| Cash Funds | 1,039,294 | 1,157,811 | 0 | 0 | |
| COFRS Modernization | 1,356,244 | 1,351,127 | 1,411,696 | 1,411,696 | |
| General Fund | 134,326 | 130,479 | 130,479 | 130,479 | |
| Cash Funds | 1,148,689 | 1,113,765 | 1,113,765 | 1,113,765 | |
| Reappropriated Funds | 68,112 | 67,437 | 67,437 | 67,437 | |
| Federal Funds | 5,117 | 39,446 | 100,015 | 100,015 | |
| Information Technology Security | 0 | 99,835 | 0 | 0 | |
| General Fund | 0 | 7,026 | 0 | 0 | |
| Cash Funds | 0 | 72,362 | 0 | 0 | |
| Reappropriated Funds | 0 | 18,499 | 0 | 0 | |
| Federal Funds | 0 | 1,948 | 0 | 0 | |
| Species Conservation Trust Fund | 27,762 | 25,080 | 6,500,000 | 0 | |
| Cash Funds | 27,762 | 25,080 | 6,500,000 | 0 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Payments to OIT | 0 | 0 | 8,302,611 | 6,797,811 | |
| General Fund | 0 | 0 | 830,156 | 552,561 | |
| Cash Funds | 0 | 0 | 6,357,417 | 5,224,355 | |
| Reappropriated Funds | 0 | 0 | 991,257 | 947,102 | |
| Federal Funds | 0 | 0 | 123,781 | 73,793 | |
| **SUBTOTAL - (A) Administration** | 41,406,189 | 49,716,485 | 59,337,437 | 50,521,281 | (14.9%) |
| *FTE* | 38.2 | 39.1 | 41.8 | 41.3 | (1.2%) |
| General Fund | 4,767,659 | 5,897,012 | 6,631,465 | 6,077,385 | (8.4%) |
| Cash Funds | 26,832,818 | 33,173,833 | 42,275,518 | 33,796,239 | (20.1%) |
| Reappropriated Funds | 6,657,298 | 7,423,704 | 7,058,456 | 7,558,451 | 7.1% |
| Federal Funds | 3,148,414 | 3,221,936 | 3,371,998 | 3,089,206 | (8.4%) |
| **(B) Special Programs** | | | | | |
| Colorado Avalanche Information Center | 439,181 | 647,478 | 838,466 | 1,029,549 * | |
| FTE | 3.8 | 8.3 | 9.0 | 10.9 | |
| Cash Funds | 182,975 | 277,284 | 398,516 | 447,271 | |
| Reappropriated Funds | 246,963 | 372,189 | 420,979 | 563,307 | |
| Federal Funds | 9,243 | (1,995) | 18,971 | 18,971 | |
| Indirect Cost Assessment | 0 | 34,564 | 11,840 | 25,620 | |
| Cash Funds | 0 | 34,564 | 11,334 | 25,620 | |
| Federal Funds | 0 | 0 | 506 | 0 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (B) Special Programs** | 440,994 | 682,042 | 850,306 | 1,055,169 | 24.1% |
| *FTE* | 3.8 | 8.3 | 9.0 | 10.9 | 21.1% |
| Cash Funds | 182,975 | 311,848 | 409,850 | 472,891 | 15.4% |
| Reappropriated Funds | 246,963 | 372,189 | 420,979 | 563,307 | 33.8% |
| Federal Funds | 11,056 | (1,995) | 19,477 | 18,971 | (2.6%) |

| | | | | | |
|---|---|---|---|---|---|
| **TOTAL - (1) Executive Director's Office** | 41,847,183 | 50,398,527 | 60,187,743 | 51,576,450 | (14.3%) |
| *FTE* | 42.0 | 47.4 | 50.8 | 52.2 | 2.8% |
| General Fund | 4,767,659 | 5,897,012 | 6,631,465 | 6,077,385 | (8.4%) |
| Cash Funds | 27,015,793 | 33,485,681 | 42,685,368 | 34,269,130 | (19.7%) |
| Reappropriated Funds | 6,904,261 | 7,795,893 | 7,479,435 | 8,121,758 | 8.6% |
| Federal Funds | 3,159,470 | 3,219,941 | 3,391,475 | 3,108,177 | (8.4%) |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (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 Operational Fund.

### (A) Coal Land Reclamation

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Program Costs | 2,126,557 | 2,126,557 | 2,181,654 | 2,219,915 | |
| FTE | 19.3 | 19.6 | 22.0 | 22.0 | |
| Cash Funds | 449,087 | 449,087 | 467,606 | 475,589 | |
| Federal Funds | 1,677,470 | 1,677,470 | 1,714,048 | 1,744,326 | |
| Indirect Cost Assessment | 110,423 | 122,636 | 133,005 | 136,099 | |
| Cash Funds | 28,181 | 30,480 | 27,931 | 28,581 | |
| Federal Funds | 82,242 | 92,156 | 105,074 | 107,518 | |
| **SUBTOTAL - (A) Coal Land Reclamation** | 2,236,980 | 2,249,193 | 2,314,659 | 2,356,014 | 1.8% |
| *FTE* | 19.3 | 19.6 | 22.0 | 22.0 | 0.0% |
| Cash Funds | 477,268 | 479,567 | 495,537 | 504,170 | 1.7% |
| Federal Funds | 1,759,712 | 1,769,626 | 1,819,122 | 1,851,844 | 1.8% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(B) Inactive Mines** | | | | | |
| Program Costs | 1,256,438 | 1,330,914 | 1,686,695 | 1,739,624 * | |
| FTE | 9.1 | 7.5 | 16.4 | 16.1 | |
| Cash Funds | 362,469 | 582,012 | 519,247 | 523,757 | |
| Federal Funds | 893,969 | 748,902 | 1,167,448 | 1,215,867 | |
| Mine Site Reclamation | 306,656 | 371,130 | 411,665 | 411,665 | |
| FTE | 0.0 | 0.5 | 1.2 | 1.2 | |
| Cash Funds | 306,656 | 371,130 | 381,665 | 381,665 | |
| Reappropriated Funds | 0 | 0 | 30,000 | 30,000 | |
| Reclamation of Forfeited Mine Sites | 267,055 | 247,499 | 171,000 | 121,162 * | |
| FTE | 0.0 | 0.1 | 0.0 | 0.3 | |
| Cash Funds | 267,055 | 247,499 | 171,000 | 121,162 | |
| Abandoned Mine Safety | 99,850 | 0 | 99,850 | 99,850 | |
| FTE | 0.1 | 0.0 | 0.2 | 0.2 | |
| Cash Funds | 99,850 | 0 | 99,850 | 99,850 | |
| Indirect Cost Assessment | 109,443 | 163,568 | 179,219 | 166,972 | |
| Cash Funds | 14,633 | 59,504 | 16,733 | 23,343 | |
| Federal Funds | 94,810 | 104,064 | 162,486 | 143,629 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (B) Inactive Mines** | 2,039,442 | 2,113,111 | 2,548,429 | 2,539,273 | (0.4%) |
| *FTE* | 9.2 | 8.1 | 17.8 | 17.8 | (0.0%) |
| General Fund | 0 | 0 | 0 | 0 | 0.0% |
| Cash Funds | 1,050,663 | 1,260,145 | 1,188,495 | 1,149,777 | (3.3%) |
| Reappropriated Funds | 0 | 0 | 30,000 | 30,000 | 0.0% |
| Federal Funds | 988,779 | 852,966 | 1,329,934 | 1,359,496 | 2.2% |
| **(C) Minerals** | | | | | |
| Program Costs | 2,157,524 | 2,201,071 | 2,179,273 | 2,219,109 | |
| FTE | 20.3 | 19.5 | 24.1 | 24.1 | |
| Cash Funds | 2,157,524 | 2,201,071 | 2,179,273 | 2,219,109 | |
| Indirect Cost Assessment | 127,188 | 144,147 | 124,971 | 132,003 | |
| Cash Funds | 127,188 | 144,147 | 124,971 | 132,003 | |
| **SUBTOTAL - (C) Minerals** | 2,284,712 | 2,345,218 | 2,304,244 | 2,351,112 | 2.0% |
| *FTE* | 20.3 | 19.5 | 24.1 | 24.1 | 0.0% |
| Cash Funds | 2,284,712 | 2,345,218 | 2,304,244 | 2,351,112 | 2.0% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(D) Mines Program** | | | | | |
| Colorado and Federal Mine Safety Program | 523,441 | 491,021 | 524,761 | 535,850 | |
| FTE | 4.1 | 4.0 | 4.0 | 4.0 | |
| Cash Funds | 324,324 | 324,324 | 335,116 | 346,205 | |
| Federal Funds | 199,117 | 166,697 | 189,645 | 189,645 | |
| Blaster Certification Program | 108,353 | 108,353 | 109,462 | 112,052 | |
| FTE | 0.9 | 1.2 | 1.0 | 1.0 | |
| Cash Funds | 22,606 | 22,606 | 22,839 | 23,381 | |
| Federal Funds | 85,747 | 85,747 | 86,623 | 88,671 | |
| Indirect Cost Assessment | 25,148 | 23,072 | 24,581 | 25,541 | |
| Cash Funds | 16,682 | 16,180 | 16,265 | 18,200 | |
| Federal Funds | 8,466 | 6,892 | 8,316 | 7,341 | |
| **SUBTOTAL - (D) Mines Program** | 656,942 | 622,446 | 658,804 | 673,443 | 2.2% |
| *FTE* | 5.0 | 5.2 | 5.0 | 5.0 | 0.0% |
| Cash Funds | 363,612 | 363,110 | 374,220 | 387,786 | 3.6% |
| Federal Funds | 293,330 | 259,336 | 284,584 | 285,657 | 0.4% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(E) Emergency Response Costs** | | | | | |
| Emergency Response Costs | 24,907 | 25,000 | 100,000 | 100,000 | |
| Cash Funds | 24,907 | 25,000 | 100,000 | 100,000 | |
| **SUBTOTAL - (E) Emergency Response Costs** | 24,907 | 25,000 | 100,000 | 100,000 | 0.0% |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Cash Funds | 24,907 | 25,000 | 100,000 | 100,000 | 0.0% |
| **TOTAL - (2) Division of Reclamation, Mining, and Safety** | 7,242,983 | 7,354,968 | 7,926,136 | 8,019,842 | 1.2% |
| *FTE* | 53.8 | 52.4 | 68.9 | 68.9 | 0.0% |
| Cash Funds | 4,201,162 | 4,473,040 | 4,462,496 | 4,492,845 | 0.7% |
| Reappropriated Funds | 0 | 0 | 30,000 | 30,000 | 0.0% |
| Federal Funds | 3,041,821 | 2,881,928 | 3,433,640 | 3,496,997 | 1.8% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (3) GEOLOGICAL SURVEY

Primary functions: Provides geologic information to the public and government agencies. Cash funds are from severance tax revenues, fees for geological services provided, and grants. Reappropriated funds are from transfers from other state agencies for geological services. The enactment of H.B. 12-1355 transferred most functions of the Geological Survey to the Colorado School of Mines, effective January 31, 2013. The enactment of H.B. 13-1057 retained the Colorado Avalanche Information Center (formerly part of the Geological Survey) within the Department of Natural Resources but moved that function to the Executive Director's Office. As a result of those two bills, the Geological Survey is no longer a division of the Department of Natural Resources, and there is no request or recommendation for FY 2015-16.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Environmental Geology and Geological Hazards Program | 605,510 | 0 | 0 | 0 | |
| FTE | 4.8 | 0.0 | 0.0 | 0.0 | |
| General Fund | 0 | 0 | 0 | 0 | |
| Cash Funds | 475,020 | 0 | 0 | 0 | |
| Reappropriated Funds | 109,571 | 0 | 0 | 0 | |
| Federal Funds | 20,919 | 0 | 0 | 0 | |
| | | | | | |
| Colorado Avalanche Information Center | 238,531 | 0 | 0 | 0 | |
| FTE | 4.7 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 69,383 | 0 | 0 | 0 | |
| Reappropriated Funds | 151,311 | 0 | 0 | 0 | |
| Federal Funds | 17,837 | 0 | 0 | 0 | |
| | | | | | |
| Mineral Resources and Mapping | 776,213 | 0 | 0 | 0 | |
| FTE | 4.8 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 708,241 | 0 | 0 | 0 | |
| Federal Funds | 67,972 | 0 | 0 | 0 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Indirect Cost Assessment | 93,762 | 0 | 0 | 0 | |
| Cash Funds | 74,494 | 0 | 0 | 0 | |
| Federal Funds | 19,268 | 0 | 0 | 0 | |
| **TOTAL - (3) Geological Survey** | 1,714,016 | 0 | 0 | 0 | 0.0% |
| *FTE* | 14.3 | 0.0 | 0.0 | 0.0 | 0.0% |
| General Fund | 0 | 0 | 0 | 0 | 0.0% |
| Cash Funds | 1,327,138 | 0 | 0 | 0 | 0.0% |
| Reappropriated Funds | 260,882 | 0 | 0 | 0 | 0.0% |
| Federal Funds | 125,996 | 0 | 0 | 0 | 0.0% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(4) 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 | 6,378,943 | 8,015,526 | 8,414,108 | 8,942,482 * | |
| FTE | 70.2 | 80.4 | 94.3 | 96.3 | |
| Cash Funds | 6,378,943 | 8,015,526 | 8,414,108 | 8,942,482 | |
| Underground Injection Program | 96,559 | 96,559 | 96,559 | 96,559 | |
| FTE | 2.0 | 2.0 | 2.0 | 2.0 | |
| Federal Funds | 96,559 | 96,559 | 96,559 | 96,559 | |
| Plugging and Reclaiming Abandoned Wells | 350,040 | 429,031 | 445,000 | 445,000 | |
| Cash Funds | 350,040 | 429,031 | 445,000 | 445,000 | |
| Environmental Assistance and Complaint Resolution | 220,155 | 281,556 | 312,033 | 312,033 | |
| Cash Funds | 220,155 | 281,556 | 312,033 | 312,033 | |
| Emergency Response | 0 | 0 | 1,000,000 | 1,000,000 | |
| Cash Funds | 0 | 0 | 1,000,000 | 1,000,000 | |
| Special Environmental Protection and Mitigation Studies | 196,165 | 162,948 | 325,000 | 325,000 | |
| Cash Funds | 196,165 | 162,948 | 325,000 | 325,000 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Indirect Cost Assessment | 404,024 | 445,953 | 410,260 | 519,853 | |
| Cash Funds | 393,108 | 429,764 | 405,234 | 508,896 | |
| Federal Funds | 10,916 | 16,189 | 5,026 | 10,957 | |
| **TOTAL - (4) Oil and Gas Conservation Commission** | 7,645,886 | 9,431,573 | 11,002,960 | 11,640,927 | 5.8% |
| *FTE* | 72.2 | 82.4 | 96.3 | 98.3 | 2.1% |
| Cash Funds | 7,538,411 | 9,318,825 | 10,901,375 | 11,533,411 | 5.8% |
| Federal Funds | 107,475 | 112,748 | 101,585 | 107,516 | 5.8% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (5) 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 (98% of holdings). Cash funds are from the Trust Administration Fund. Reappropriated funds are from the Division of Parks and Wildlife.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Program Costs | 3,790,477 | 4,130,917 | 4,222,710 | 4,328,760 | |
| FTE | 37.0 | 37.0 | 40.0 | 40.0 | |
| Cash Funds | 3,790,477 | 4,130,917 | 4,222,710 | 4,328,760 | |
| | | | | | |
| Public Access Program Damage and Enhancement Costs | 189,274 | 142,956 | 225,000 | 225,000 | |
| Reappropriated Funds | 189,274 | 142,956 | 225,000 | 225,000 | |
| | | | | | |
| Asset Management System Upgrade | 0 | 1,182,350 | 0 | 0 | |
| Cash Funds | 0 | 1,182,350 | 0 | 0 | |
| | | | | | |
| Indirect Cost Assessment | 202,527 | 224,959 | 216,768 | 248,149 | |
| Cash Funds | 202,527 | 224,959 | 216,768 | 248,149 | |
| | | | | | |
| **TOTAL - (5) State Board of Land Commissioners** | 4,182,278 | 5,681,182 | 4,664,478 | 4,801,909 | 2.9% |
| *FTE* | 37.0 | 37.0 | 40.0 | 40.0 | 0.0% |
| Cash Funds | 3,993,004 | 5,538,226 | 4,439,478 | 4,576,909 | 3.1% |
| Reappropriated Funds | 189,274 | 142,956 | 225,000 | 225,000 | 0.0% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (6) DIVISION OF PARKS AND WILDLIFE

This division manages Colorado's 43 State Parks, the State's wildlife resources, and various special purpose programs. Primary funding for the Division comes from parks passses and fees, hunting and fishing licenses, Great Outdoors Colorado Board grants, federal funds, severance tax funds, and various other cash funds.

### (A) Colorado Parks and Wildlife Operations

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| State Park Operations | 26,682,604 | 29,029,767 | 27,947,022 | 28,679,044 | |
| FTE | 245.7 | 238.6 | 255.1 | 255.1 | |
| Cash Funds | 26,058,964 | 27,940,310 | 27,505,281 | 28,234,238 | |
| Federal Funds | 623,640 | 1,089,457 | 441,741 | 444,806 | |
| Wildlife Operations | 73,561,014 | 72,352,021 | 79,233,596 | 80,797,076 | |
| FTE | 632.9 | 631.0 | 622.6 | 622.6 | |
| General Fund | 0 | 471,773 | 0 | 0 | |
| Cash Funds | 58,426,450 | 56,763,117 | 60,396,281 | 61,622,393 | |
| Federal Funds | 15,134,564 | 15,117,131 | 18,837,315 | 19,174,683 | |
| **SUBTOTAL - (A) Colorado Parks and Wildlife Operations** | 100,243,618 | 101,381,788 | 107,180,618 | 109,476,120 | 2.1% |
| *FTE* | 878.6 | 869.6 | 877.7 | 877.7 | 0.0% |
| General Fund | 0 | 471,773 | 0 | 0 | 0.0% |
| Cash Funds | 84,485,414 | 84,703,427 | 87,901,562 | 89,856,631 | 2.2% |
| Federal Funds | 15,758,204 | 16,206,588 | 19,279,056 | 19,619,489 | 1.8% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(B) Special Purpose** | | | | | |
| Snowmobile Program | 789,075 | 846,711 | 1,000,924 | 1,005,412 | |
| FTE | 1.1 | 1.3 | 1.3 | 1.3 | |
| Cash Funds | 789,075 | 846,711 | 1,000,924 | 1,005,412 | |
| River Outfitters Regulation | 100,114 | 98,200 | 143,996 | 145,991 | |
| FTE | 0.5 | 0.4 | 0.5 | 0.5 | |
| Cash Funds | 100,114 | 98,200 | 143,996 | 145,991 | |
| Off-highway Vehicle Program | 490,779 | 472,065 | 537,801 | 545,280 | |
| FTE | 3.5 | 3.2 | 3.0 | 3.0 | |
| Cash Funds | 490,779 | 472,065 | 537,801 | 545,280 | |
| Off-highway Vehicle Grants | 3,139,100 | 3,888,298 | 4,000,000 | 4,000,000 | |
| Cash Funds | 3,139,100 | 3,888,298 | 4,000,000 | 4,000,000 | |
| Federal Grants | 730,436 | 1,059,402 1.3 | 750,000 | 750,000 | |
| Federal Funds | 730,436 | 1,059,402 | 750,000 | 750,000 | |
| S.B. 03-290 Enterprise Fund | 256,041 | 178,753 | 200,000 | 200,000 | |
| Cash Funds | 256,041 | 178,753 | 200,000 | 200,000 | |
| Information Technology | 2,080,902 | 2,212,574 | 2,881,895 | 2,881,895 | |
| Cash Funds | 2,080,902 | 2,212,574 | 2,881,895 | 2,881,895 | |
| Natural Resource Protection | 602,327 | 0 | 600,000 | 600,000 | |
| Cash Funds | 602,327 | 0 | 150,000 | 150,000 | |
| Federal Funds | 0 | 0 | 450,000 | 450,000 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Trails Grants | 1,741,021 | 2,510,581 | 2,200,000 | 2,200,000 | |
| Cash Funds | 516,646 | 1,437,934 | 1,800,000 | 1,800,000 | |
| Federal Funds | 1,224,375 | 1,072,647 | 400,000 | 400,000 | |
| S.B. 08-226 Aquatic Nuisance Species | 4,050,783 | 4,322,261 | 3,866,639 | 3,879,355 | |
| FTE | 4.0 | 5.9 | 4.0 | 4.0 | |
| Cash Funds | 2,833,032 | 4,200,662 | 3,866,639 | 3,879,355 | |
| Federal Funds | 1,217,751 | 121,599 | 0 | 0 | |
| Game Damage Claims and Prevention | 1,209,936 | 1,025,038 | 1,282,500 | 1,282,500 | |
| Cash Funds | 1,209,936 | 1,025,038 | 1,282,500 | 1,282,500 | |
| Instream Flow Program | 296,027 | 296,027 | 296,027 | 296,027 | |
| Cash Funds | 296,027 | 296,027 | 296,027 | 296,027 | |
| Habitat Partnership Program | 1,707,530 | 2,119,123 | 2,500,000 | 2,500,000 | |
| Cash Funds | 1,707,530 | 2,119,123 | 2,500,000 | 2,500,000 | |
| Grants and Habitat Partnerships | 676,071 | 513,474 | 1,625,000 | 1,625,000 | |
| Cash Funds | 462,946 | 322,542 | 1,625,000 | 1,625,000 | |
| Federal Funds | 213,125 | 190,932 | 0 | 0 | |
| Asset Maintenance and Repairs | 2,751,913 | 3,162,085 | 2,606,880 | 2,606,880 | |
| Cash Funds | 2,751,913 | 3,162,085 | 2,606,880 | 2,606,880 | |
| Indirect Cost Assessment | 5,308,490 | 5,640,070 | 5,136,678 | 5,325,240 | |
| Cash Funds | 4,448,999 | 4,950,219 | 4,416,577 | 4,677,163 | |
| Federal Funds | 859,491 | 689,851 | 720,101 | 648,077 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (B) Special Purpose** | 25,930,545 | 28,344,662 | 29,628,340 | 29,843,580 | 0.7% |
| *FTE* | 9.1 | 12.1 | 8.8 | 8.8 | 0.0% |
| Cash Funds | 21,685,367 | 25,210,231 | 27,308,239 | 27,595,503 | 1.1% |
| Federal Funds | 4,245,178 | 3,134,431 | 2,320,101 | 2,248,077 | (3.1%) |
| **TOTAL - (6) Division of Parks and Wildlife** | 126,174,163 | 129,726,450 | 136,808,958 | 139,319,700 | 1.8% |
| *FTE* | 887.7 | 881.7 | 886.5 | 886.5 | 0.0% |
| General Fund | 0 | 471,773 | 0 | 0 | 0.0% |
| Cash Funds | 106,170,781 | 109,913,658 | 115,209,801 | 117,452,134 | 1.9% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |
| Federal Funds | 20,003,382 | 19,341,019 | 21,599,157 | 21,867,566 | 1.2% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

**(7) 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**

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Personal Services | 2,483,330 | 2,598,915 | 2,985,925 | 3,076,632 | |
| FTE | 26.8 | 27.2 | 30.0 | 30.0 | |
| Cash Funds | 2,187,303 | 2,302,888 | 2,694,338 | 2,785,045 | |
| Reappropriated Funds | 296,027 | 296,027 | 291,587 | 291,587 | |
| | | | | | |
| Operating Expenses | 472,046 | 467,950 | 472,894 | 472,894 | |
| Cash Funds | 472,046 | 467,950 | 472,894 | 472,894 | |
| | | | | | |
| River Decision Support Systems | 443,684 | 394,781 | 464,075 | 474,511 | |
| FTE | 4.0 | 3.0 | 4.0 | 4.0 | |
| Cash Funds | 443,684 | 394,781 | 464,075 | 474,511 | |
| | | | | | |
| **SUBTOTAL - (A) Administration** | 3,399,060 | 3,461,646 | 3,922,894 | 4,024,037 | 2.6% |
| *FTE* | 30.8 | 30.2 | 34.0 | 34.0 | 0.0% |
| Cash Funds | 3,103,033 | 3,165,619 | 3,631,307 | 3,732,450 | 2.8% |
| Reappropriated Funds | 296,027 | 296,027 | 291,587 | 291,587 | 0.0% |

**(B) Special Purpose**

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Intrastate Water Management and Development | 335,717 | 419,686 | 470,464 | 470,464 | |
| FTE | 0.0 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 335,717 | 419,686 | 470,464 | 470,464 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Federal Emergency Management Assistance | 124,840 | 144,559 | 149,019 | 153,373 | |
| FTE | 2.0 | 2.0 | 2.0 | 2.0 | |
| Cash Funds | 0 | 0 | 13,732 | 13,732 | |
| Federal Funds | 124,840 | 144,559 | 135,287 | 139,641 | |
| Weather Modification | 9,361 | 13,972 | 25,000 | 25,000 | |
| Cash Funds | 9,361 | 13,972 | 25,000 | 25,000 | |
| Water Conservation Program | 145,346 | 251,453 | 297,615 | 304,185 | |
| FTE | 2.1 | 3.5 | 4.0 | 4.0 | |
| Cash Funds | 145,346 | 251,453 | 297,615 | 304,185 | |
| Water Efficiency Grant Program | 747,075 | 413,069 | 598,788 | 598,788 | |
| FTE | 1.0 | 1.0 | 1.0 | 1.0 | |
| Cash Funds | 747,075 | 413,069 | 598,788 | 598,788 | |
| Severance Tax Fund | 1,267,157 | 1,264,801 | 1,275,500 | 1,275,500 | |
| Cash Funds | 1,267,157 | 1,264,801 | 1,275,500 | 1,275,500 | |
| Interbasin Compacts | 853,911 | 938,298 | 1,141,167 | 1,147,968 | |
| FTE | 4.0 | 3.7 | 3.7 | 3.7 | |
| Cash Funds | 853,911 | 938,298 | 1,141,167 | 1,147,968 | |
| Platte River Basin Cooperative Agreement | 217,953 | 192,533 | 235,959 | 239,762 | |
| FTE | 1.0 | 1.0 | 1.0 | 1.0 | |
| Cash Funds | 217,953 | 192,533 | 235,959 | 239,762 | |
| S.B. 02-87 Colorado Watershed Protection Fund | 121,764 | 67,625 | 119,942 | 119,942 | |
| Cash Funds | 121,764 | 67,625 | 119,942 | 119,942 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Water Construction Fund Bill | 27,975,000 | 32,040,000 | 5,050,000 | 0 | |
| Cash Funds | 27,975,000 | 32,040,000 | 5,050,000 | 0 | |
| H.B. 12-1278 South Platte Alluvial Aquifer Study | 390,117 | 395,293 | 0 | 0 | |
| General Fund | 0 | 0 | 0 | 0 | |
| Cash Funds | 390,117 | 395,293 | 0 | 0 | |
| Indirect Cost Assessment | 540,294 | 542,289 | 439,914 | 489,283 | |
| Cash Funds | 514,757 | 491,158 | 408,801 | 448,704 | |
| Federal Funds | 25,537 | 51,131 | 31,113 | 40,579 | |
| **SUBTOTAL - (B) Special Purpose** | 32,728,535 | 36,683,578 | 9,803,368 | 4,824,265 | (50.8%) |
| *FTE* | 10.1 | 11.2 | 11.7 | 11.7 | (0.0%) |
| General Fund | 0 | 0 | 0 | 0 | 0.0% |
| Cash Funds | 32,578,158 | 36,487,888 | 9,636,968 | 4,644,045 | (51.8%) |
| Federal Funds | 150,377 | 195,690 | 166,400 | 180,220 | 8.3% |
| **TOTAL - (7) Colorado Water Conservation Board** | 36,127,595 | 40,145,224 | 13,726,262 | 8,848,302 | (35.5%) |
| *FTE* | 40.9 | 41.4 | 45.7 | 45.7 | 0.0% |
| General Fund | 0 | 0 | 0 | 0 | 0.0% |
| Cash Funds | 35,681,191 | 39,653,507 | 13,268,275 | 8,376,495 | (36.9%) |
| Reappropriated Funds | 296,027 | 296,027 | 291,587 | 291,587 | 0.0% |
| Federal Funds | 150,377 | 195,690 | 166,400 | 180,220 | 8.3% |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (8) WATER RESOURCES DIVISION

This division is responsible for the supervision and control of water resources in the State. The division is funded primarily by the General Fund but also includes various cash funds deposited in the Water Resources Cash Fund, CWCB Construction funds, well inspection and satellite monitoring system funds, as well as some federal funds.

### (A) Division Operations

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Water Administration | 0 | 18,944,306 | 20,041,073 | 20,793,870 * | |
| FTE | 0.0 | 234.8 | 248.8 | 251.5 | |
| General Fund | 0 | 18,534,732 | 19,399,877 | 20,152,674 | |
| Cash Funds | 0 | 409,574 | 641,196 | 641,196 | |
| Reappropriated Funds | 0 | 0 | 0 | 0 | |
| | | | | | |
| Well Inspection | 0 | 190,045 | 371,956 | 379,038 | |
| FTE | 0.0 | 2.0 | 3.0 | 3.0 | |
| Cash Funds | 0 | 190,045 | 371,956 | 379,038 | |
| | | | | | |
| Satellite Monitoring System | 396,873 | 497,506 | 499,857 | 505,028 | |
| FTE | 1.1 | 1.3 | 2.0 | 2.0 | |
| General Fund | 194,968 | 194,967 | 194,968 | 194,968 | |
| Cash Funds | 201,905 | 302,539 | 304,889 | 310,060 | |

*This line item includes a decision item.

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Federal Grants | 271,018 | 258,308 | 194,260 | 194,260 | |
| FTE | 0.1 | 0.4 | 0.0 | 0.0 | |
| Federal Funds | 271,018 | 258,308 | 194,260 | 194,260 | |
| River Decision Support Systems | 206,232 | 206,232 | 206,232 | 211,208 | |
| FTE | 2.3 | 2.0 | 2.0 | 2.0 | |
| Cash Funds | 206,232 | 206,232 | 206,232 | 211,208 | |
| **SUBTOTAL - (A) Division Operations** | 874,123 | 20,096,397 | 21,313,378 | 22,083,404 | 3.6% |
| *FTE* | 3.5 | 240.5 | 255.8 | 258.5 | 1.1% |
| General Fund | 194,968 | 18,729,699 | 19,594,845 | 20,347,642 | 3.8% |
| Cash Funds | 408,137 | 1,108,390 | 1,524,273 | 1,541,502 | 1.1% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |
| Federal Funds | 271,018 | 258,308 | 194,260 | 194,260 | 0.0% |
| **(B) Special Purpose** | | | | | |
| Dam Emergency Repair | 0 | 50,000 | 50,000 | 50,000 | |
| Cash Funds | 0 | 50,000 | 50,000 | 50,000 | |
| H.B. 03-1334 Temporary Water Supply Agreements | 0 | 0 | 61,589 | 61,589 | |
| Cash Funds | 0 | 0 | 61,589 | 61,589 | |
| Indirect Cost Assessment | 27,682 | 36,285 | 50,763 | 74,677 | |
| Cash Funds | 25,120 | 25,379 | 45,966 | 66,494 | |
| Federal Funds | 2,562 | 10,906 | 4,797 | 8,183 | |
| CWCB Projects Bill | 0 | 340,744 | 330,000 | 0 | |
| Cash Funds | 0 | 340,744 | 330,000 | 0 | |

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (B) Special Purpose** | 27,682 | 427,029 | 492,352 | 186,266 | (62.2%) |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Cash Funds | 25,120 | 416,123 | 487,555 | 178,083 | (63.5%) |
| Federal Funds | 2,562 | 10,906 | 4,797 | 8,183 | 70.6% |
| | | | | | |
| **TOTAL - (8) Water Resources Division** | 20,529,528 | 20,523,426 | 21,805,730 | 22,269,670 | 2.1% |
| *FTE* | 240.2 | 240.5 | 255.8 | 258.5 | 1.1% |
| General Fund | 18,926,608 | 18,729,699 | 19,594,845 | 20,347,642 | 3.8% |
| Cash Funds | 1,328,273 | 1,524,513 | 2,011,828 | 1,719,585 | (14.5%) |
| Federal Funds | 274,647 | 269,214 | 199,057 | 202,443 | 1.7% |
| | | | | | |
| **TOTAL - Department of Natural Resources** | 245,463,632 | 263,261,350 | 256,122,267 | 246,476,800 | (3.8%) |
| *FTE* | 1,388.1 | 1,382.8 | 1,444.0 | 1,450.1 | 0.4% |
| General Fund | 23,694,267 | 25,098,484 | 26,226,310 | 26,425,027 | 0.8% |
| Cash Funds | 187,255,753 | 203,907,450 | 192,978,621 | 182,420,509 | (5.5%) |
| Reappropriated Funds | 7,650,444 | 8,234,876 | 8,026,022 | 8,668,345 | 8.0% |
| Federal Funds | 26,863,168 | 26,020,540 | 28,891,314 | 28,962,919 | 0.2% |

# Appendix B: Recent Legislation Affecting Department Budget

## 2013 Session Bills

**S.B. 13-181 (CWCB Construction Fund Projects):** Appropriates $32,340,000 cash funds from the Colorado Water Conservation Board (CWCB) Construction Fund to the Department of Natural Resources in FY 2013-14 for various water-related projects. Increases the transfers from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund for the Chatfield Reservoir Reallocation Project from thirteen million to sixty-two million over four fiscal years (FY 2012-13, FY 2013-14, and FY 2015-16). Transfers $2.0 million in FY 2013-14 from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund for the Windy Gap Reservoir Bypass project. Transfers $300,000 in FY 2013-14 from the CWCB Construction Fund to the Flood and Drought Response Fund. Clarifies that the Department of Natural Resources shall administer the Severance Tax Trust Fund. Changes the name of the Perpetual Base Account of the Severance Tax Trust Fund to the Severance Tax Perpetual Base Fund. Changes the name of the Operational Account of the Severance Tax Trust Fund to the Severance Tax Operational Fund.

**S.B. 13-188 (Landowner Preference Wildlife Hunting License):** Replaces the current set of landowner preference programs for hunting licenses with a single program. Defines the new program. For FY 2013-14 appropriates $51,800 cash funds from the Wildlife Cash Fund to the Division of Parks and Wildlife.

**S.B. 13-202 (Additional Inspections at Oil & Gas Facilities):** Requires the Colorado Oil and Gas Conservation Commission to report to the Joint Budget Committee and House and Senate committees of reference with jurisdiction over energy by February 1, 2014, on utilizing a risk-based strategy for inspecting oil and gas locations that targets operational phases that are most likely to experience spills, excess emissions, and other types of violations. Appropriates $100,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund to the Oil and Gas Conservation Commission to allow the Department to contract with an external entity to produce the report.

**S.B. 13-230 (Long Bill):** General appropriations act for FY 2013-14.

**S.B. 13-236 (Transfers of Money Related to Capital Construction):** Requires transfer to the Colorado Water Conservation Board Construction Fund any excess General Fund reserve for the fiscal year 2013-14 that is equal to the lesser of thirty million dollars or the total General Fund surplus. For additional information on S.B. 13-236, see the "Recent Legislation" section for Capital Construction.

**H.B. 13-1057 (Retain Avalanche Information Center in DNR):** Reverses provisions of H.B. 12-1355 that would have transferred the Colorado Avalanche Information Center (CAIC) to the Colorado School of Mines and retains the CAIC as a program within the Executive Director's

Office of the Department of Natural Resources. Creates a new cash fund for training and materials fees received by the CAIC.

**H.B. 13-1278 (Oil Spill Reporting):** Requires oil and gas operators to report all spills of one or more barrel of oil or exploration and production waste outside of berms or other secondary containment devices to the Colorado Oil and Gas Conservation Commission and to the entity with jurisdiction over emergency response for the well site within 24 hours of the discovery of the spill. Appropriates $10,417 cash funds from the Oil and Gas Conservation and Environmental Response Fund to the Oil and Gas Conservation Commission to support rulemaking hearings to implement the bill.

**H.B. 13-1283 (Species Conservation Trust Fund Projects):** Reduces from $6.6 million to $4.0 million the FY 2013-14 transfer of money from the Operational Account of the Severance Tax Trust Fund to the Capital Account of the Species Conservation Trust Fund (SCTF) to fund programs submitted by the executive director of the Department of Natural Resources. Appropriates $4,000,000 from the Species Conservation Trust Fund to the Department of Natural Resources in FY 2013-14 for programs to conserve native species that have been listed as threatened or endangered under state or federal law, or are candidate species or are likely to become candidate species as determined by the United States Fish and Wildlife Services.

## 2014 Session Bills

**S.B. 14-188 (Species Conservation Trust Fund Projects):** Transfers $6.5 million from the Severance Tax Operational Fund to the Species Conservation Trust Fund in FY 2014-15. Appropriates the same amount from the Species Conservation Trust Fund to the Department of Natural Resources for programs to conserve native species that have been 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. Reappropriates $163,944 of the authorized expenditures from the Species Conservation Trust Fund and 1.0 FTE to the Department of Law for legal expenses for Endangered Species Act litigation in FY 2014-15. Transfers $5.0 million between the Severance Tax Operational Fund and the Species Conservation Trust Fund annually beginning July 1, 2015 and ending July 1, 2018.

**H.B. 14-1242 (Supplemental Bill):** Supplemental appropriation to the Department of Natural Resources to modify FY 2013-14 appropriations included in the FY 2013-14 Long Bill (S.B. 13-230).

**H.B. 14-1333 (CWCB Construction Fund Projects):** Appropriates $5,380,000 cash funds from the Colorado Water Conservation Board (CWCB) Construction Fund to the Department of Natural Resources in FY 2014-15 for various water-related projects. Authorizes $131,199,000 in loans to special water districts from moneys available in the CWCB Construction Fund or the Severance Tax Perpetual Base Fund. Transfers $1,575,000 in FY 2014-15 from the Severance Tax Perpetual Base Fund to the CWCB Construction Fund for the Long Hollow Reservoir Construction project. Transfers $1,200,000 from the CWCB Construction Fund to the Litigation Fund. Transfers $500,000 in FY 2014-15 from the CWCB Construction Fund to the Flood and

Drought Response Fund. Extends CWCB spending authority for the Windy Gap Reservoir Bypass Channel Project through July 1, 2016.

**H.B. 14-1336 (Long Bill):** General appropriations act for FY 2014-15.

**H.B. 14-1356 (Increase OGCC Penalty Authority):** Increases the maximum daily penalty to $15,000 and repeals the maximum total penalty for violations of the Oil and Gas Conservation Act. Requires the Oil and Gas Conservation Commission to promulgate rules to determine the duration of a violation, publish a quarterly report on penalties assessed, and make an annual presentation on penalties to General Assembly committees of reference. Appropriates $80,425 cash funds from the Oil and Gas Conservation and Environmental Response Fund and 0.9 FTE to the Department of Natural Resources for expected increases in enforcement expenditures in FY 2014-15.

# Appendix C: Update on Long Bill Footnotes & Requests for Information

## Long Bill Footnotes

<u>1</u> **All Departments except Department of Corrections and Department of Human Services, Totals** -- It is the intent of the General Assembly that when each department applies the 2.5 percent salary survey increase reflected in the salary survey line item appropriations, each employee shall receive a base-building increase up to the range maximum, and that salary survey increase amounts over the range maximum shall not be base-building.

61 **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Mine Site Reclamation --** It is the intent of the General Assembly that these funds shall remain available until completion of the project or the close of FY 2016-17, whichever comes first. At project completion or the end of the three-year period, any unexpended balances shall revert to the Severance Tax Operational Fund, from which they were appropriated.

<u>Comment:</u> This footnote provides roll-forward authority at the end of the fiscal year.

62 **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Reclamation of Forfeited Mine Sites --** It is the intent of the General Assembly that the appropriation to this line item remain available until the completion of the project or the close of FY 2016-17, whichever comes first. At project completion or the end of the three-year period, any unexpended amount shall revert to the Severance Tax Operational Fund, from which this appropriation was made.

<u>Comment:</u> This footnote provides roll-forward authority at the end of the fiscal year.

<u>63</u> **Department of Natural Resources, Division of Reclamation, Mining, and Safety, Emergency Response Costs** -- It is the intent of the General Assembly that the purpose of increasing this line item appropriation is to fund all emergency response costs for the Division of Reclamation, Mining, and Safety.

<u>Comment:</u> This footnote sets forth the purpose, conditions, and limitations of the line item.

64 **Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response --** It is the intent of the General Assembly that this appropriation be expended in the event that there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this funding is for investigation, prevention, monitoring, and mitigation of circumstances caused by or

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 yet be meeting during the interim (and thus would have to wait for an interim supplemental, delaying the Department's ability to respond adequately).

65 **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 follow-up studies.

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

66 **Department of Natural Resources, Division of Parks and Wildlife, Parks and Outdoor Recreation, Special Purpose, Off-highway Vehicle Grants** -- The appropriation to this line item remains available until the completion of the project or the close of FY 2016-17, whichever comes first.

Comment: This footnote authorizes three years of spending authority in order to allow the Division enough time to select grant recipients and to account for weather events that may extend the project completion time to more than a year.

67 **Department of Natural Resources, Division of Parks and Wildlife, Wildlife, Special Purpose, Grants and Habitat Partnerships** -- The appropriation to this line item remains available until the completion of the project or the close of FY 2016-17, whichever comes first.

Comment: This footnote authorizes three years of spending authority in order to allow the Division enough time to select grant recipients and to account for weather events that may extend the project completion time to more than a year.

68 **Department of Natural Resources, Division of Parks and Wildlife, Wildlife, Special Purpose, Asset Maintenance and Repairs** -- The appropriation to this line item remains available until the completion of the project or the close of FY 2016-17, whichever comes first.

Comment: This footnote authorizes three years of spending authority in order to allow the Division enough time to select grant recipients and to account for weather events that may extend the project completion time to more than a year.

## Requests for Information

1 **Department of Natural Resources, Executive Director's Office, Administration, Integrated Resource Services --** The Department of Natural Resources is requested to provide a report, by November 1, 2014, listing the number of projects funded through the Integrated Resource Services line item and the cost of each project. The report should provide information for the most recent year actual expenditures, the current year estimated expenditures, and the request year estimated expenditures.

*Comment:* The Department complied with this request and reports that no expenditures were made from this line item in FY 2013-14. Additionally, the Department is not aware of any projects proposed for FY 2014-15 or FY 2015-16.

2 **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 complied with this request and reports that no expenditures were made from this line item in FY 2013-14.

3 **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 complied with this request and submitted a report describing seven studies supported by the Oil and Gas Conservation Commission through this line item in FY 2013-14. Expenditures totaled $162,948 cash funds from the Oil and Gas Conservation and Environmental Response Fund, which receives revenue from a mill levy on oil and gas production. The Department's response is attached as Appendix F.

4 **Department of Natural Resources, Division of Parks and Wildlife, Colorado Parks and Wildlife Operations** -- 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, 2014.

*Comment:* The Department complied with this request and provided the following tables detailing revenues and expenditures for the Division of Parks and Wildlife in FY 2013-14.

1313 Sherman Street, Suite 115
Denver, CO 80203

# JBC Request for Information #4

# Colorado Department of Natural Resources

# Division of Parks and Wildlife Revenue

Per JBC Request for Information #4, the Division of Parks and Wildlife is providing information on Parks and Outdoor Recreation and Wildlife sources of revenue as well as the expenditures of revenues by revenue type.

The report is contained in the following attachments and is for

FY 2013-14:

1) Summary of Parks and Wildlife revenue and expenditures

2) Expenditure detail by fund

**COLORADO DEPARTMENT OF NATURAL RESOURCES, DIVISION OF PARKS AND WILDLIFE**
**RFI#4: CPW Revenue and Expenditures**

| | Commission Report FY 13-14 Actuals All Parks Funds | Commission Report FY 13-14 Actuals All Wildlife Funds |
|---|---|---|
| Revenues | | |
| Licenses, Passes, Fees and Permits | 19,844,081 | 80,248,078 |
| Registrations | 8,526,903 | 0 |
| Federal and State Grants | 5,497,017 | 25,175,291 |
| Lottery and Great Outdoors Colorado | 26,311,827 | 5,285,059 |
| Sale of Goods, Services, and Assets | 1,730,769 | 1,023,806 |
| Donations | 50,436 | 827,985 |
| Interest Income | 451,737 | 576,093 |
| Other Revenues | 674,472 | 4,318,569 |
| General Fund and Severance Tax | 5,233,721 | 3,501,839 |
| Revenues Before Transfers | 68,320,962 | 120,956,721 |
| Intra-Agency, Inter-Fund Transfers | 14,903,503 | 5,372,993 |
| Total Revenues | 83,224,465 | 126,329,714 |
| Expenditures | | |
| Operating | | |
| Personal Services | 27,672,596 | 60,924,214 |
| Operating | 20,449,522 | 36,410,590 |
| Grants to Others | 6,451,100 | 6,978,500 |
| Payments to Other Agencies | 5,183,078 | 9,637,843 |
| Subtotal, Operating | 59,756,296 | 113,951,149 |
| Capital | | |
| Capital Equipment | 1,136,622 | 920,057 |
| Capital Improvements | 10,691,540 | 5,125,653 |
| Capital Acquisitions | 32,471 | 2,626,953 |
| Subtotal, Capital | 11,860,633 | 8,672,662 |
| Expenditures Before Transfers | 71,616,930 | 122,623,811 |
| Intra-Agency, Inter-Fund Transfers | 14,903,503 | 5,372,993 |
| Total Expenditures | 86,520,433 | 127,996,803 |
| Revenues Minus Expenditures | (3,295,967) | (1,667,090) |

**COLORADO DEPARTMENT OF NATURAL RESOURCES, DIVISION OF PARKS AND WILDLIFE**
**RFI#4: CPW Expenditures by Fund (Revenue Source)**

| **Parks Expenditures by Fund** | **Parks Stored Revolving Fund-16H** | **Parks Cash Fund-172** | **Snowmobile Recreation Fund-173** | **River Outfitters Fund-175** | **Off Highway Vehicles Fund-210** | **Parks Rec Emergency Fund-21H** | **Parks ANS Fund-22F** | **Parks GOCO Distribution Fund-426** | **Parks Lottery Distribution Fund-427** | **Natural Resources Foundation Fund-750** | **Other Agency Fund-900** | **Total Parks** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating | | | | | | | | | | | | |
| Personal Services | - | 24,086,320 | 100,965 | 73,465 | 391,916 | - | 2,210,592 | - | 809,319 | 19 | - | **27,672,596** |
| Operating | 178,753 | 14,111,215 | 660,502 | 37,746 | 168,332 | - | 361,580 | - | 4,889,991 | 41,403 | - | **20,449,522** |
| Grants to Others | - | 2,392,623 | - | - | 3,800,377 | - | - | 157,095 | 99,006 | 2,000 | - | **6,451,100** |
| Payments to Other Agencies | - | 5,181,078 | 2,000 | - | - | - | - | - | - | - | - | **5,183,078** |
| Subtotal, Operating | 178,753 | 45,771,235 | 763,467 | 111,211 | 4,360,625 | - | 2,572,172 | 157,095 | 5,798,317 | 43,422 | - | **59,756,296** |
| Capital | - | - | - | - | - | - | - | - | - | - | - | |
| Capital Equipment | - | 651,031 | 85,244 | - | 44,707 | - | 54,725 | - | 300,915 | - | - | **1,136,622** |
| Capital Improvements | - | 10,027,640 | - | - | - | - | - | 42,155 | 621,745 | - | - | **10,691,540** |
| Capital Acquisitions | - | 32,471 | - | - | - | - | - | - | - | - | - | **32,471** |
| Subtotal, Capital | - | 10,711,142 | 85,244 | - | 44,707 | - | 54,725 | 42,155 | 922,661 | - | - | **11,860,633** |
| Expenditures Before Transfers | 178,753 | 56,482,378 | 848,711 | 111,211 | 4,405,332 | - | 2,626,897 | 199,249 | 6,720,977 | 43,422 | - | **71,616,930** |
| Intra-Agency, Inter-Fund Transfers | 142,697 | 3,800,910 | 122,690 | - | 7,437 | - | 1,336 | 5,920,855 | 4,907,578 | - | - | **14,903,503** |
| **Total Expenditures** | **321,450** | **60,283,288** | **971,401** | **111,211** | **4,412,769** | **-** | **2,628,233** | **6,120,104** | **11,628,555** | **43,422** | **-** | **86,520,433** |

| **WIldlife Expenditures by Fund** | **Wildlife Species Conservation Operating Fund-12G** | **Wildlife Species Conservation Capital Fund-12H** | **Wildlife Cash Fund-410** | **Wildlife Nongame Check Off Fund-411** | **Wildlife Van Pool Revolving Fund-412** | **Wildlife Federal Aid Properties Income Fund-413** | **Wildlife Colorado Outdoors Revolving Fund-418** | **Wildlife Search & Rescue Fund-420** | **Wildlife Rocky Mountain Sheep & Goat License Fund-421** | **Wildlife Waterfowl Stamp Fund-422** | **Wildlife Habitat Parnership Cash Fund-423** | **Wildlife Aquatic Nuisance Species Fund-425** | **Wildlife Management Public Education Fund-428** | **Wildlife Great Outdoors Colorado (Fund-433** | **Wildlife Natural Resources Foundation Fund-750** | **Wildlife for Future Generations Trust Fund-761** | **Wildlife ARRA Funds-ARQ** | **Total Wildlife** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating | | | | | | | | | | | | | | | | | | |
| Personal Services | 583,215 | - | 58,594,639 | - | - | - | 211,920 | - | 143,060 | - | 214,546 | 1,131,307 | - | 38,028 | 7,500 | - | - | **60,924,214** |
| Operating | 489,443 | - | 32,150,072 | - | - | 29 | 229,696 | 4,818 | 390,506 | 70,746 | 1,225,313 | 312,289 | 1,027,126 | 276,101 | 40,646 | 193,806 | - | **36,410,590** |
| Grants to Others | 353,313 | - | 4,683,858 | - | - | - | - | - | 126,373 | 28,074 | 679,263 | 301,620 | - | 546,984 | 1,000 | 258,015 | - | **6,978,500** |
| Payments to Other Agencies | - | - | 9,637,843 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **9,637,843** |
| Subtotal, Operating | 1,425,971 | - | 105,066,413 | - | - | 29 | 441,616 | 4,818 | 659,938 | 98,819 | 2,119,123 | 1,745,215 | 1,027,126 | 861,113 | 49,146 | 451,821 | - | **113,951,148** |
| Capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Capital Equipment | - | - | 777,662 | - | - | 73,516 | - | - | - | - | - | 54,725 | - | 14,154 | - | - | - | **920,057** |
| Capital Improvements | - | - | 5,087,512 | - | - | - | - | - | - | - | - | - | - | 38,141 | - | - | - | **5,125,653** |
| Capital Acquisitions | - | - | 3,956,213 | - | - | - | - | - | - | - | - | - | - | (1,329,260) | - | - | - | **2,626,953** |
| Subtotal, Capital | - | - | 9,821,386 | - | - | 73,516 | - | - | - | - | - | 54,725 | - | (1,276,965) | - | - | - | **8,672,662** |
| Expenditures Before Transfers | 1,425,971 | - | 114,887,799 | - | - | 73,545 | 441,616 | 4,818 | 659,938 | 98,819 | 2,119,123 | 1,799,940 | 1,027,126 | (415,852) | 49,146 | 451,821 | - | **122,623,810** |
| Intra-Agency, Inter-Fund Transfers | - | - | 4,847,600 | 400,000 | - | - | - | - | - | - | 125,393 | - | - | - | - | - | - | **5,372,993** |
| **Total Expenditures** | **1,425,971** | **-** | **119,735,399** | **400,000** | **-** | **73,545** | **441,616** | **4,818** | **659,938** | **98,819** | **2,244,516** | **1,799,940** | **1,027,126** | **(415,852)** | **49,146** | **451,821** | **-** | **127,996,803** |

# Appendix D: Indirect Cost Assessment Methodology

**Description of Indirect Cost Assessment Methodology**

The Department of Natural Resources indirect cost assessment methodology is calculated based on two components: an "Indirect Cost Pool" and an "Indirect Cost Base".

The *Indirect Cost Pool* is comprised of approved Executive Director's Office (EDO) and other overhead FY 2013-14 actual costs, including statewide indirect costs, used to provide support to the entire department. The *Indirect Cost Base* is comprised of FY 2013-14 actual personal services costs by division. ***Table 1*** outlines which line items are included in the Department's Indirect Cost Pool. Of the Total Indirect Cost Pool, the Department subtracts $975,498 of non-recoverable indirect costs. This amount is associated with General Fund personal services costs not assessed in the Division of Water Resources (the majority of personal services costs in DWR are General Fund costs).

**Department of Natural Resources Indirect Cost Pool**

| Division | Line Item | FY 2013-14 Actual |
|---|---|---|
| **Executive Director's Office** | | |
| | Personal Services | $4,166,376 |
| | Operating Expenses | 177,579 |
| | Workers' Compensation | 94 |
| | Legal Services | 43,851 |
| | Purchase of Services from Computer Center | 1,369,892 |
| | Colorado State Network | 138,626 |
| | Management and Administration of OIT | 6,106 |
| | Payment to Risk Management and Property Funds | 16,403 |
| | Vehicle Lease Payments | 6,727 |
| | Information Technology Asset Maintenance | 19,123 |
| | Capitol Complex Leased Space | 199,814 |
| | COFRS Modernization | 67,437 |
| | Information Technology Security | 18,499 |
| | Audit Charges | 96,210 |
| | Equipment Use | 74,493 |
| | Statewide Indirect Cost Share | 1,717,704 |
| **Total Indirect Cost Pool** | | **$8,118,935** |
| | General Fund Personal Services (non-recoverable) | (975,498) |
| **Total Recoverable Indirect Cost Pool** | | **$7,143,437** |

The Department uses FY 2013-14 actual eligible personal services costs from cash funds and federal funds sources to calculate the *Indirect Cost Base*, which is used in determining the proportional allocation of the recoverable *Indirect Cost Pool* to divisions. ***Table 2*** summarizes the Department's Indirect Cost Base.[1]

| Department of Natural Resources Indirect Cost Base | |
|---|---|
| **Division** | **FY 2013-14 Actual (CF, FF)** |
| Reclamation, Mining, and Safety | $7,850,132 |
| CO Avalanche Information Center | 848,903 |
| Oil and Gas Conservation Commission | 8,675,888 |
| State Board of Land Commissioners | 4,137,929 |
| Division of Parks and Wildlife – Parks | 27,816,127 |
| Division of Parks and Wildlife – Wildlife | 61,459,218 |
| Colorado Water Conservation Board | 8,185,690 |
| Water Resources Division | 1,250,659 |
| **Total Indirect Cost Base** | **$120,224,546** |

### FY 2015-16 Indirect Cost Assessment Request

For FY 2015-16 the Department has requested $7,143,437 for indirect cost assessments. ***Table 3*** shows the FY 2015-16 Department indirect cost assessment based on the November 1 request for each division.

| Department of Natural Resources Indirect Cost Assessment Request | | | |
|---|---|---|---|
| **Division** | **Total** | **CF** | **FF** |
| Reclamation, Mining, and Safety | 460,615 | 202,127 | 258,488 |
| CO Avalanche Information Center | 25,620 | 25,620 | 0 |
| Oil and Gas Conservation Commission | 519,853 | 508,896 | 10,957 |
| State Board of Land Commissioners | 248,149 | 248,149 | 0 |
| Division of Parks and Wildlife – Parks | 1,666,947 | 1,637,466 | 29,481 |
| Division of Parks and Wildlife – Wildlife | 3,658,293 | 3,039,697 | 618,596 |
| Colorado Water Conservation Board | 489,283 | 448,704 | 40,579 |
| Water Resources Division | 74,677 | 66,494 | 8,183 |
| **Total FY 2015-16 Request** | **$7,143,437** | **$6,177,153** | **$966,284** |
| FY 2014-15 Indirect Cost Assessment | $7,481,252 | $6,545,835 | $935,417 |
| Difference (FY 16 - FY 15) | ($337,815) | ($368,682) | $30,867 |

[1] The Department does not have an *Indirect Cost Rate*.

# Appendix E: SMART Act Annual Performance Report

Pursuant to Section 2-7-205 (1) (b), C.R.S., the Department of Natural Resources is required to publish an Annual Performance Report by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. The report dated October 30, 2014 is attached for consideration by the Joint Budget Committee in prioritizing the Department's budget requests.

## Strategic Policy Initiatives

The Department of Natural Resources has identified several strategic policy initiatives for FY 2014-15 and beyond. For this evaluation report, the Department selected a few initiatives that best capture some of the Department's strategic and operational priorities and reflect the overall direction as identified by Department leadership. The initiatives also provide context for much of the day-to-day work, which is highlighted in the measures section of the report. Additional detail for these, and other, strategic policy initiatives is available in the Department's Performance Plan, which may be accessed here.

**Oil and Gas Regulation - Ensure the state's oil and gas resources are produced in an economically efficient manner that protects correlative rights and which holds operators to the highest standards in the nation for protecting public health, safety, welfare, the environment, and wildlife.**

Through its permitting, monitoring, enforcement, and restoration efforts, the Colorado Oil and Gas Conservation Commission (COGCC) seeks to encourage innovative technologies and practices that reduce environmental impacts. In FY 2013-14, the COGCC expanded its field presence, thereby improving inspection frequency to an average of once every 1.8 years. The COGCC is also taking steps to reduce median permit processing times to 30 days.

**State Land Board - Develop creative and responsible ways to deliver enhanced financial outcomes for eight public trusts managed by the State Land Board, with special emphasis on its largest trust, the School Trust.**

In FY 2014-15, the State Land Board anticipates producing $192 million for trust beneficiaries. In FY 2016-17, the State Land Board expects this revenue stream to decline to $158 million due to lower Oil and Gas royalty and bonus revenue.

**Outdoor Recreation - Connect people to Colorado's world class outdoor and natural resources through high quality recreational opportunities and settings.**

Hunting, fishing, and wildlife viewing generate approximately $2.5 billion in annual economic activity and support an estimated 33,800 jobs. Colorado State Parks' visitors account for another $571 million of economic impact. As a measure of Colorado's success in providing quality outdoor opportunities, the Department aims to issue 530,000 hunting licenses, sell 1,050,000 fishing licenses, and host 12,000,000 State Park visitors in FY 2014-15. By FY 2016-17, the Department projects to sell similar number of hunting and fishing licenses and host 12,250,000 state Park visitors.

**Water Supply – Meet current and future water supply needs of the State.**

The Statewide Water Supply Initiative from 2010 found that Colorado will need an additional 600,000 to 1,000,000 acre feet of water supply to meet projected municipal and industrial water supply needs by the year 2050. This strategic policy initiative supports the implementation of new projects and methods while maintaining existing infrastructure through partnerships as well as technical and financial resources. Associated outcome measures seek to establish draft actions in FY 2014-15 and finalize them in FY 2015-16, which will allow for a minimum of 600,000 acre-feet of projects to be implemented in the near term.

**Water Administration - Maximize the beneficial use of water in accordance with state water law, decrees of the court and interstate water compacts.**

This strategic policy initiative includes the maximizing the beneficial use of water within Colorado for Colorado users and achieving full compact compliance with interstate water compacts. The benchmark is to achieve 100 percent compliance with interstate water compacts in both FY 2014-15 as well as FY 2016-17.

## Operational Measures

**Major Program Area – Oil and Gas Conservation Commission**

**Process – Permits are processed within established time frames and lay out minimum performance standards for protection of the public, the environment, and wildlife**

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Median number of days to process permits | 29 | 32 | 52 | 30 | 30 |

**Process – Review of operator-submitted reports and inspection of oil and gas operations; also involves responding to citizen complaints and inquiries from the general public**

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Average inspection frequency (years) | 3.2 | 2.7 | 1.8 | 1.8 | 1.8 |

**Major Program Area – State Land Board**

**Process – Management of an endowment of "trust" land assets held in perpetual, intergenerational public trust for the financial support of Colorado's public schools and other public entities**

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Total revenue | $146,309,540 | $124,939,389 | $173,603,522 | $194,368,504 | $159,922,865 |
| Non-recurring revenue | $130,982,147 | $107,243,708 | $155,898,924 | $175,279,883 | $139,219,813 |
| Recurring revenue | $15,327,393 | $17,695,681 | $17,704,598 | $19,088,621 | $20,703,052 |

As illustrated in the revenue amounts, a high percentage of the State Land Board revenues are from "non-recurring" revenue streams. These revenue streams consist of bonus payments and royalties related to depleting minerals such as coal, oil and gas, and solid minerals. "Recurring" lease revenue consists of agricultural, commercial, recreational, renewable energy, water, and other contract revenue from right-of-ways and ecosystem services.

## Major Program Area – Colorado Parks and Wildlife

### Process – Operation of State Park System

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| State Park visitors | 12,233,271 | 11,501,520 | 11,948,406 | 12,000,000 | 12,250,000 |

### Process – Provide hunting recreation

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Number of hunting licenses issued | 535,893 | 537,371 | 553,826 | 530,000 | 530,000 |

### Process – Provide fishing recreation

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Number of fishing licenses issued | 1,050,721 | 1,049,557 | 1,085,445 | 1,050,000 | 1,050,000 |

## Major Program Area – Colorado Water Conservation Board

### Process – Facilitating planning and dialogue at the basin and statewide level, undertaking studies and analyses related to Colorado's water supplies and demands

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Water Project Loans: Number of new loans | 18 | 20 | 53 | 20 | 60 |
| Water Project Loans: Dollar value of new loans | $37,300,000 | $70,000,000 | $171,000,000 | $30,000,000 | $150,000,000 |

In FY 2014, the increase in the number of Water Project Loans provided was related to the CWCB Board-approved funding made available to communities and entities that were affected by the Colorado flooding disaster in September 2013.

### Major Program Area – Division of Water Resources

#### Process – Field staff work in each basin to ensure accurate water operations to assess water availability for well permit applications

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Number of water right and structure observations | 446,868 | 461,292 | 467,026 | 470,000 | 475,000 |

#### Process – Interstate Compact Enforcement

| Measure | FY12 Actual | FY13 Actual | FY14 Actual | 1-Year Goal | 3-Year Goal |
|---|---|---|---|---|---|
| Full compact compliance | 88.0% | 88.0% | 88.0% | 88.0% | 100% |

The observation count for the number of water right and structure reviews is not complete. DWR tracks this figure on a water year basis, which closes at the end of October. Data is added to the database through November, when DWR will have the correct number.

The benchmark for both FY 2014-15 and FY 2016-17 is 100 percent compact compliances. In this regard, Colorado is currently in full compliance with all U.S. Supreme Court Decrees, all agreements and eight out of its nine interstate water compacts. Colorado is not currently in compliance with the Republican River Compact, but is taking a number of actions to remedy the situation.

# Appendix F: Department Response to FY 2014-15 RFI #3 – Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies

## Department of Natural Resources – FY 2014-15 RFI #3
## Special Environmental Protection and Mitigation Studies Line Item
## Annual Report of Expenditures by the Colorado Oil & Gas Conservation Commission

| Special Study/ Project Name | Description of FY 2013-14 Activity | FY 2013-14 Expenditures |
|---|---|---|
| Rulison and Rio Blanco Environmental Monitoring *(ongoing project)* | **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.<br><br>In both project areas, oil and gas operators with active and planned operations are required to conduct extensive monitoring, sampling, and analysis. The OGCC contracts with a health physicist to assist in the oversight of oil and gas activities being conducted in this area by ensuring operators are in compliance with the radiological provisions of the approved Project Rulison Sampling and Analysis Plan (RSAP) and the Project Rio Blanco Sampling and Analysis Plan (RBSAP), as well as subsequent revisions to both.<br><br>The contract health physicist performed a desk audit of monitoring reports due from operators with facilities inside the buffer zone. In addition, meetings and conference calls were held between the OGCC, the health physicist, and the U.S. Department of Energy (DOE) to plan for anticipated FY 2014-15 revisions to the 2010 Rulison Sampling and Analysis Plan. | $19,050 |

| | | |
|---|---|---|
| | The OGCC and the health physicist reviewed DOE quarterly monitoring results made available in June 2013. The DOE monitors natural gas wells that are near the Rulison site for radionuclides associated with the detonation. Of the 13 wells sampled for gas and water, no analytical results exceeded the screening levels specified in the RSAP.<br><br>For Project Rio Blanco in FY 2013-14, no oversight by OGCC contractors was necessary. | |
| 3M-4M<br>*(ongoing project)* | 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.<br><br>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.<br><br>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.<br><br>In FY 2013-14, OGCC contractors provided the following services:<br>• Conducted routine operations and maintenance activities of all system locations;<br>• Reviewed gas quality measurements stored in all data loggers<br>• Collected weather station data; | $35,478 |

| | | |
|---|---|---|
| | • Rebuilt South Fork Texas Creek compressor and replaced methane sensor heater plate;<br>• Conducted a system wide field inspection tour;<br>• Manufactured and installed data collection system instrumentation;<br>• Collected well pressure measurements from a central data center; and<br>• Analyzed data and prepared the annual report.<br><br>To retrieve the FY 2013-14 Annual Report from the OGCC website, navigate online to Library / Area Reports/Data - San Juan Basin / 4M Project Reports. | |
| CSU Real-Time Ground Water Monitoring Network *(ongoing project)* | To detect whether hydraulic fracturing activity may be causing changes to groundwater quality, a team of researchers from the Center for Energy Water Sustainability (CEWS) at Colorado State University in Fort Collins has designed Colorado Water Watch (CWW), a real-time groundwater monitoring pilot program for the Laramie-Fox Hills Aquifer. The monitoring system is comprised of a network of four Weld County groundwater wells near oil and gas operations. Each well has sensors installed that are capable of detecting changes in groundwater quality due to natural or anthropogenic changes in water level or water quality.<br><br>CWW collects groundwater monitoring data in real time, and analyzes and reports it in real or near-real time, depending on whether the data requires further evaluation. The project is designed to bridge the gap between fears about public health impacts caused by oil and natural gas development and the assumption that industry environmental and health practices are reliable. The data is monitored, gathered, analyzed and reported by the research team and posted on the website to provide information to communities in the Denver-Julesburg (DJ) Basin.<br><br>CWW will continue building the monitoring network by identifying and installing more monitoring stations to obtain better groundwater monitoring | $29,923 |

| | | |
|---|---|---|
| | coverage of the DJ basin. The beta-version website was released to the public on September 24, 2014 (the URL is http://waterwatch.colostate.edu/) and is being evaluated for public response and its value regarding water quality transparency. | |
| Piceance Basin Evaluation of Fresh Water Supply and Migration *(new for FY 2013-14)* | Consistent with its mission to promote the responsible development of oil and gas resources, the OGCC has completed the first phase of a project to evaluate quality and quantity of potential groundwater resources in a limited single township area of the Rulison Field, which is part of the Piceance Basin in Western Colorado. In October 2013, the OGCC retained a consultant specializing in petrophysical log analysis and data modeling to begin an effort to evaluate the vertical distribution and migration potential of fresh water in the Wasatch Formation and Upper Mesa Verde Group. The study aims to validate surface casing setting depths, which are currently set much deeper than shallow groundwater supplies for well control purposes. Future phases of the project will target different parts of the basin to help validate data reviewed during the first phase and evaluate possible geospatial relationships.<br><br>In the course of the study, the consultant, Digital Formation, Inc., digitized geophysical logs from eight wells and performed several types of analysis to identify possible fresh water depths using a 10,000 part per million total dissolved solids threshold. Water quantity (or potential for supply) was evaluated using log data indicative of the mobility of the water. However, clay content of shales created uncertainty with the results, and additional phases of the project must be implemented to finish evaluating and validating results from other areas of the basin. The consultant completed its work during FY 2013-14 and issued a May 2014 report to the OGCC, summarizing key findings. The study suggested that fresh water zones in the Rulison Field have widely variable depths and do not present themselves uniformly in subsurface resistivity measurements. | $10,380 |

| | | |
|---|---|---|
| Naturally Occurring Radioactive Material Analysis *(new for FY 2013-14)* | In the October 2011 State Regulation of Oil And Gas (STRONGER) review of the OGCC, the review team recommended that the OGCC gather information on the occurrence and level of naturally occurring radioactive materials (NORM) in exploration and production waste. Therefore, due to the widespread practice of applying drill cuttings to pasture land, the OGCC commenced an evaluation of NORM in drill cuttings, in partnership with the Radioactive Materials Unit of the Colorado Department of Public Health and Environment (CDPHE).<br><br>The project, which is still underway in early FY 2014-15, seeks to verify that NORM levels in these drill cuttings do not pose a threat to human health or the environment. If elevated NORM levels are detected, the study could lead to additional chemical profiling requirements for operators prior to land application of drill cuttings, or it could lead to a change in disposal practices allowed under OGCC rules.<br><br>During FY 2013-14, OGCC staff collected and submitted for laboratory analysis 36 drill cutting samples from the Niobrara Formation in northern Weld County. In FY 2014-15, the OGCC will interpret the analytical results from those samples and review current oil and gas waste management practices in light of the industry's best practices for NORM management. Recommendations for ongoing NORM evaluation sampling will be included.<br><br>All sample and investigation results will be captured in the OGCC Environmental Database, with the final report posted to the OGCC's website in late November 2014. | $16,050 |
| Inventory and Assessment of Pit Facilities *(new for FY 2013-14)* | Many old oil and gas facilities have pits that are poorly documented in the OGCC's database, making it challenging for staff to monitor and apply the appropriate set of rules, which vary based on the regulatory standards in effect when they were constructed. Information, such as the type of pit (lined vs. unlined), purpose of pit, current ownership, exact location, and status (open or | $4,990 |

| | | |
|---|---|---|
| | closed), must be reliable for the OGCC to efficiently monitor for potential threats to the environment and enforce against rule violations.<br><br>To assess the feasibility and cost of a statewide inventory and assessment of pit facilities, the OGCC retained Pinyon Environmental, Inc. to compare field observations of pit facilities, in a limited area of the state, to the information contained about them in the database. The consultant also determined optimal methods for researching pit records and documented these methods and costs so that the OGCC could develop a plan for conducting this work in other areas of the state. | |
| Las Animas County Tert-Butyl Alcohol (TBA) Investigation *(new for FY 2013-14)* | Samples of groundwater from domestic wells, monitoring wells and coalbed methane wells collected by both OGCC and Environmental Protection Agency (EPA) staff between 2011 and 2013, as part of a national study of hydraulic fracturing's potential impact on drinking water resources, indicated the previously undocumented presence of tert-butyl alcohol (TBA) in Raton Basin aquifers. To help identify possible sources of this organic alcohol, the OGCC and CDPHE developed a sampling program to understand the spatial occurrence of TBA in a broader areal context than the EPA study, which focused only on two relatively small areas of the Raton Basin.<br><br>In all, 49 water samples were collected by OGCC staff during FY 2013-14. A final report on the findings is being prepared by OGCC staff and will be available on the OGCC's website by the end of CY 2014. In the meantime, results of the analysis are currently downloadable. From the OGCC's home page (the URL is http://cogcc.state.co.us/), go to Images, select "Projects" in the drop down menu labeled "Type," enter 2130 in the "Unique Identifier" field, and search. Select a hyperlink to download document. | $47,077 |
| **Total Expenditures** | | **$162,948** |

# Appendix G: Briefing Presentation Slides

*Slides used during the staff briefing to the Joint Budget Committee will be attached upon completion of the presentation.*

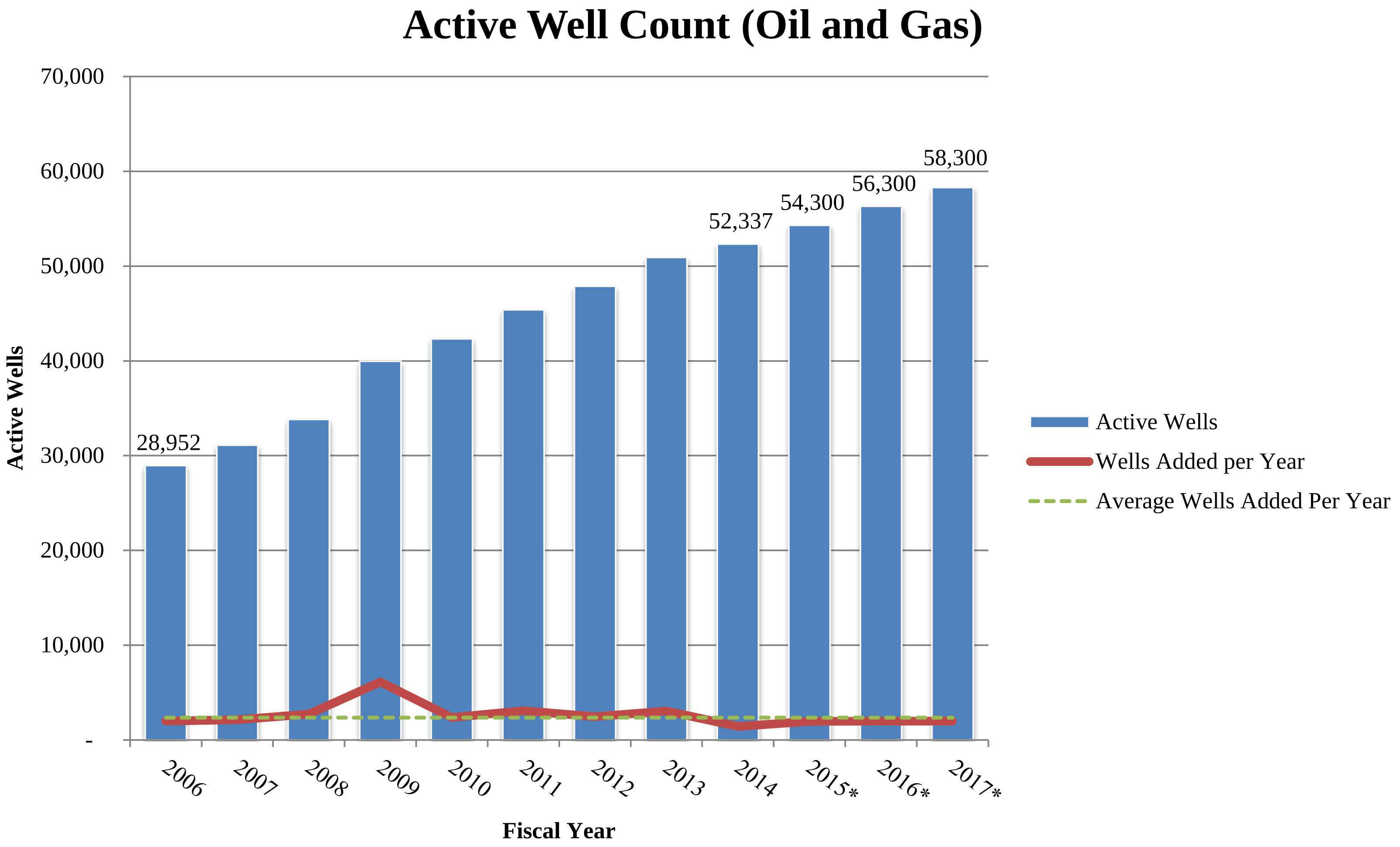
# JBC Staff FY 2015-16 Budget Briefing
# Department of Natural Resources

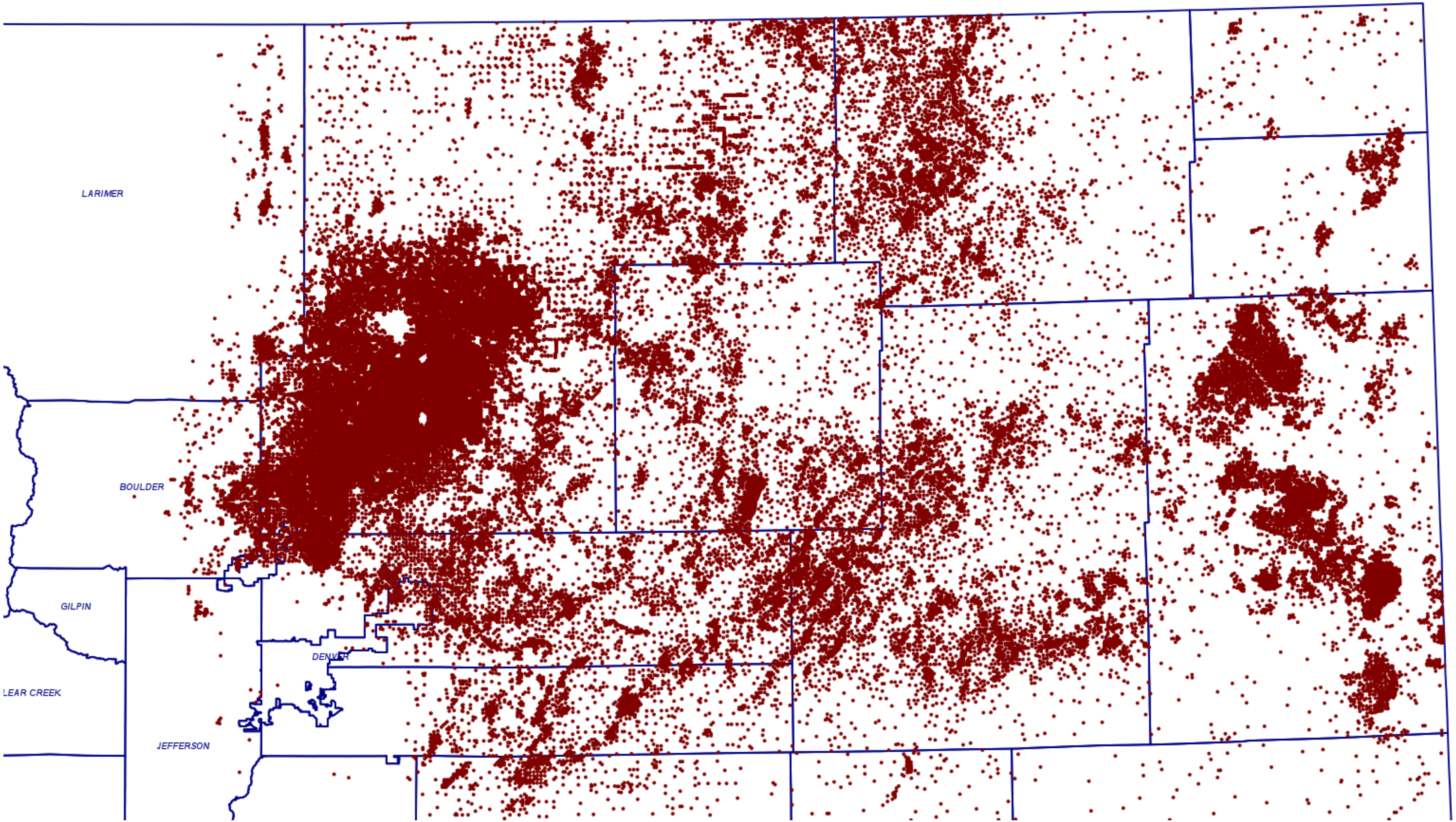
**(All Divisions)**

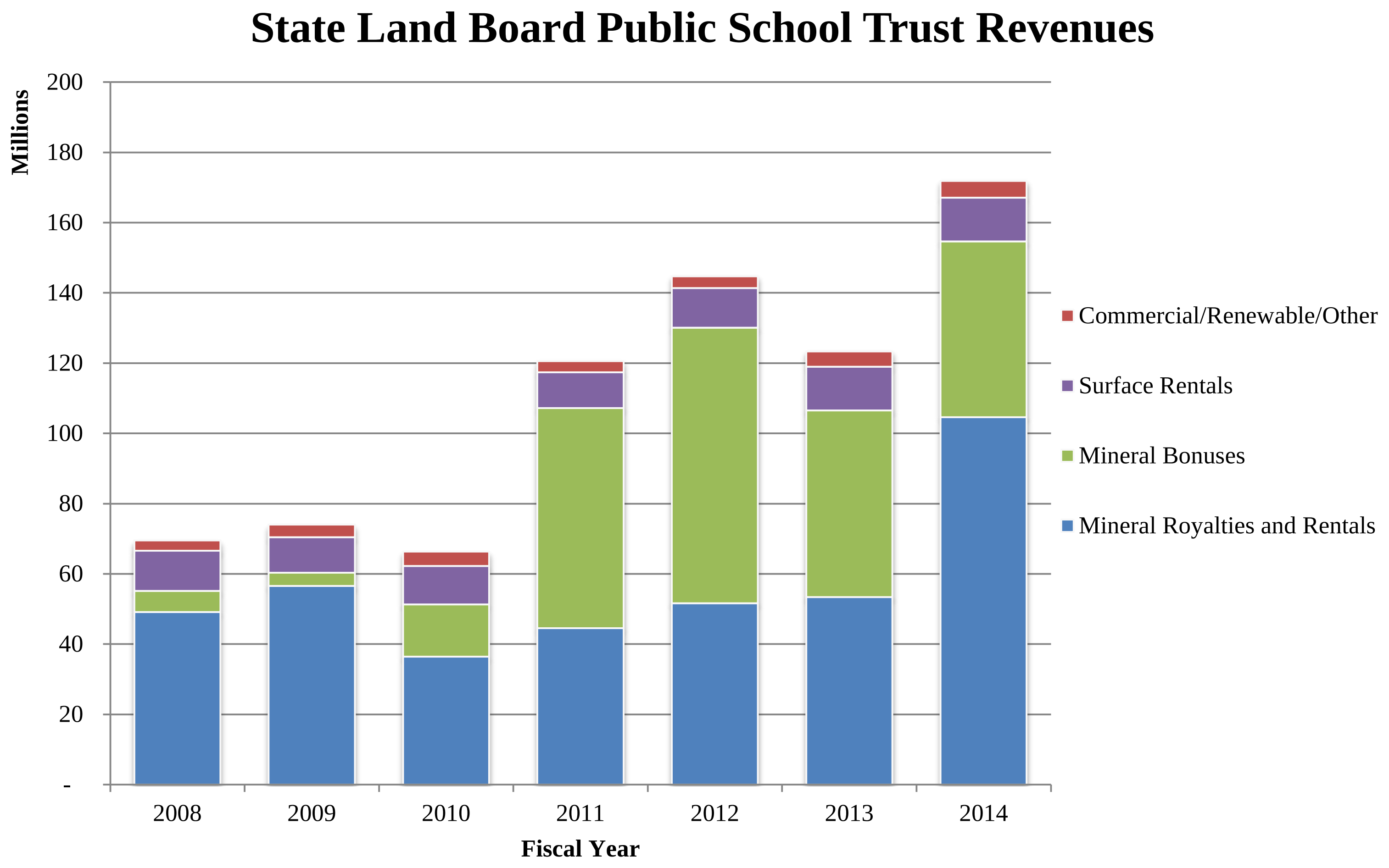
**Presented by:**

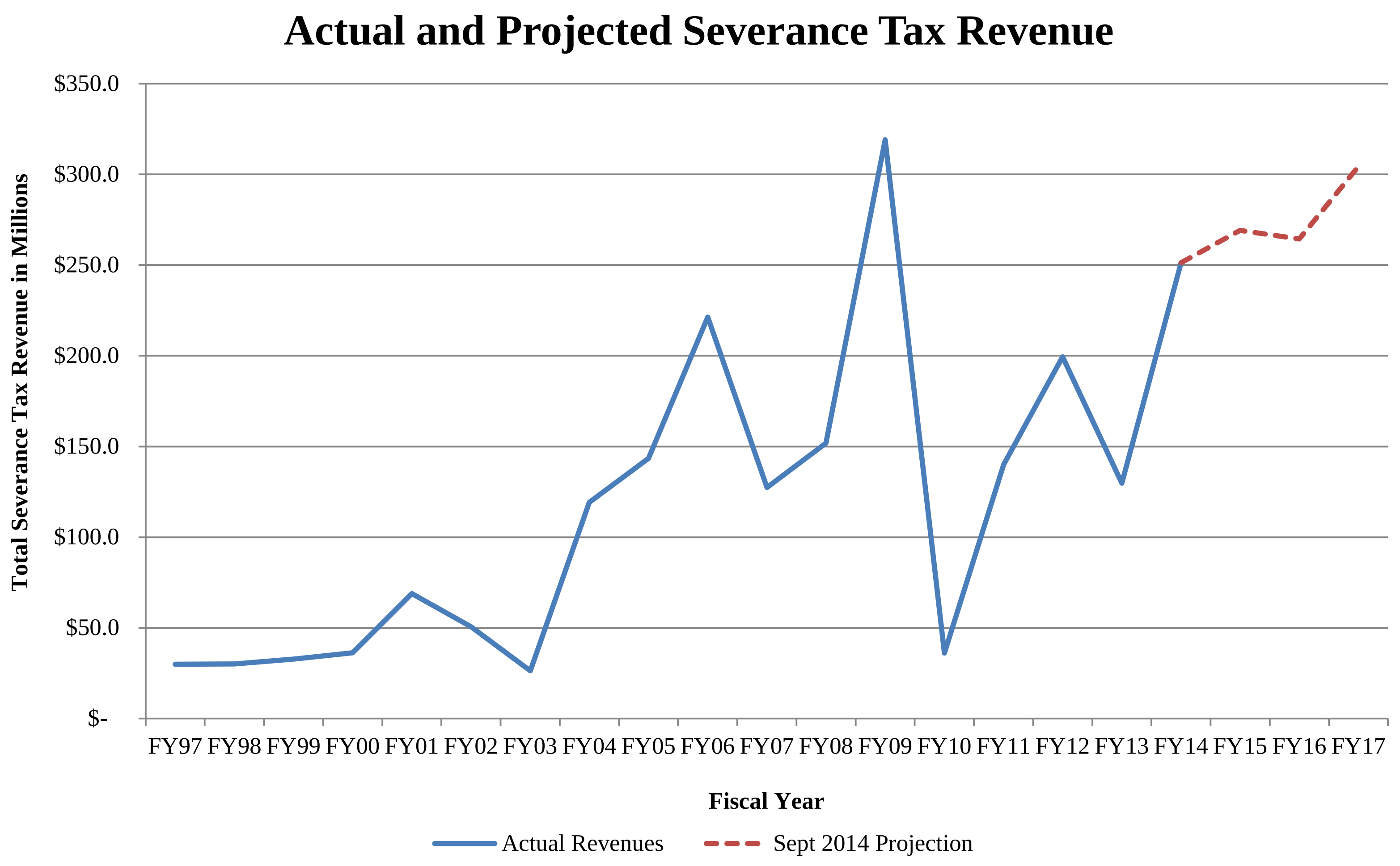
**Carly Jacobs, JBC Staff**

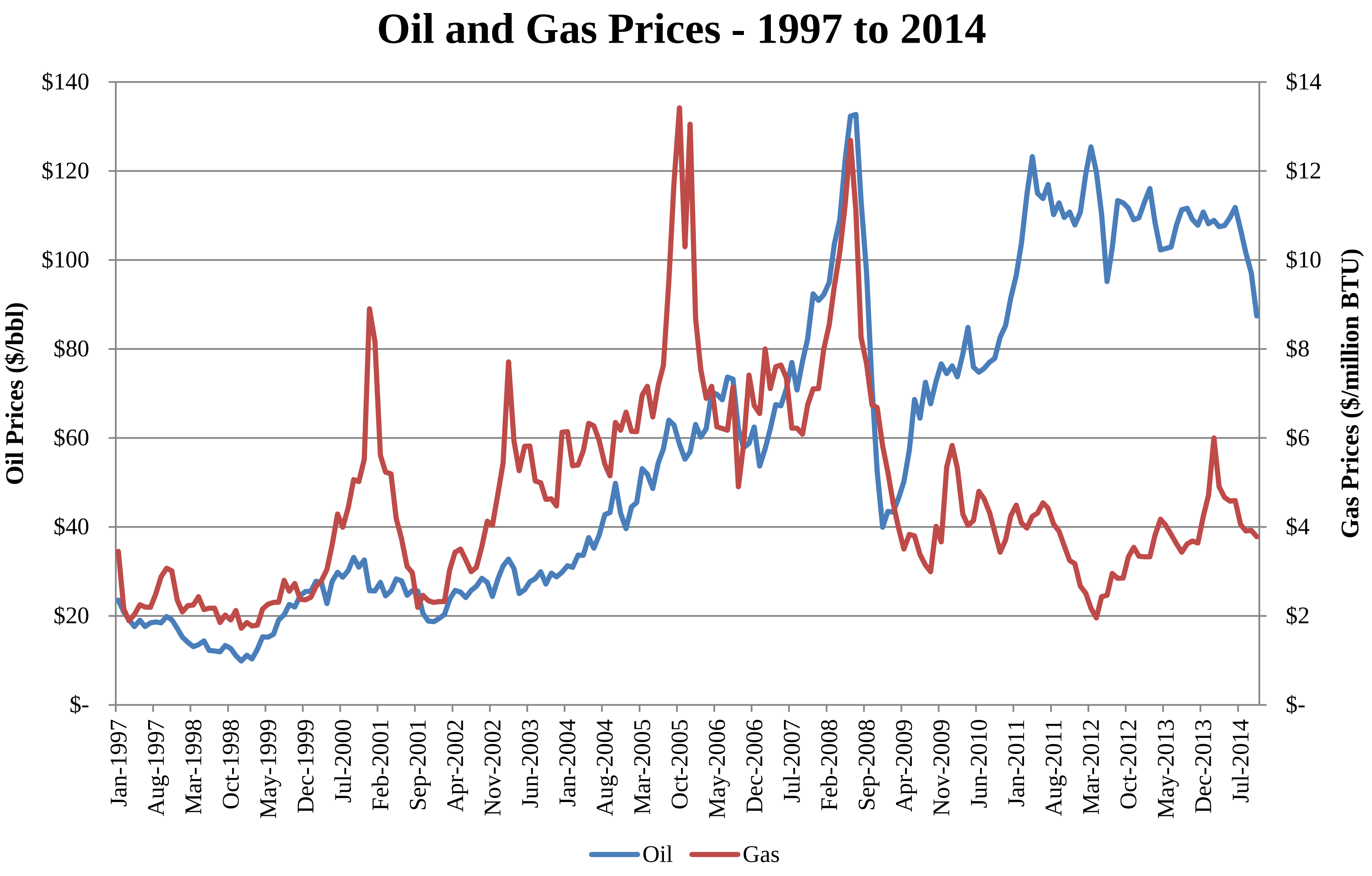
**December 17, 2014**

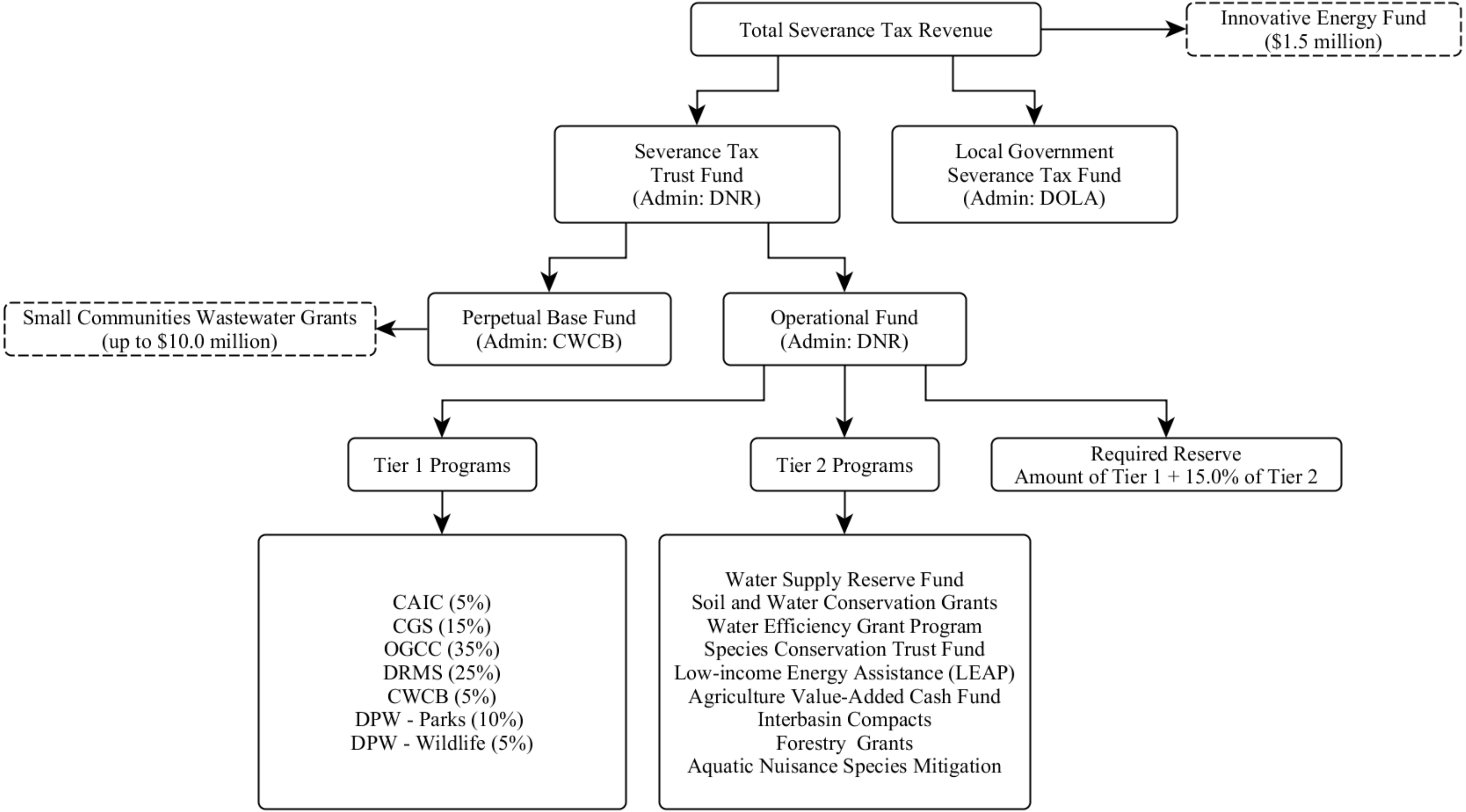

Active Well Count (Oil and Gas)
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
Active Wells
28,952
52,337
54,300
56,300
58,300
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015*
2016*
2017*
Fiscal Year
Active Wells
Wells Added per Year
Average Wells Added Per Year

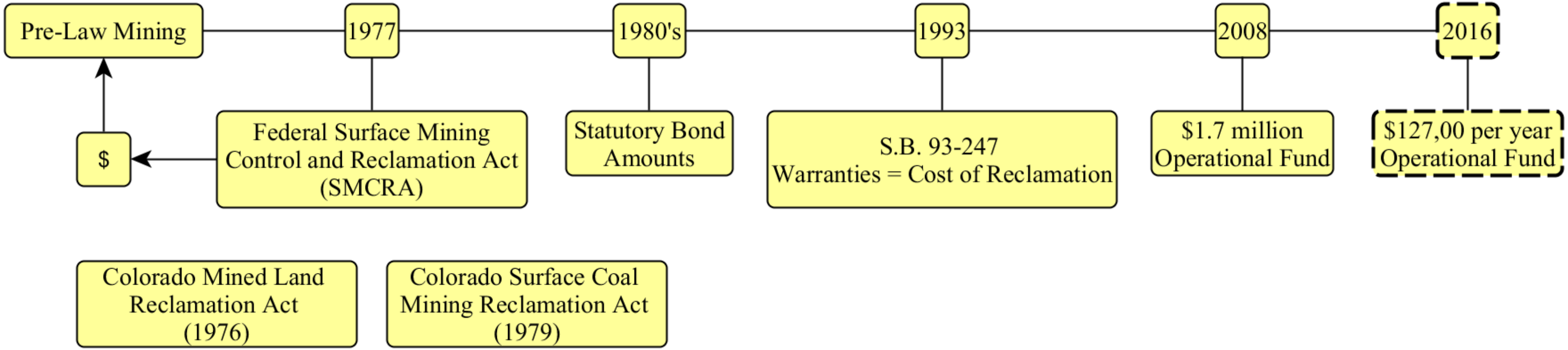

LARIMER
BOULDER
GILPIN
LEAR CREEK
JEFFERSON
DENVER


State Land Board Public School Trust Revenues
Millions
200
180
160
140
120
100
80
60
40
20
-
2008
2009
2010
2011
2012
2013
2014
Fiscal Year
Commercial/Renewable/Other
Surface Rentals
Mineral Bonuses
Mineral Royalties and Rentals

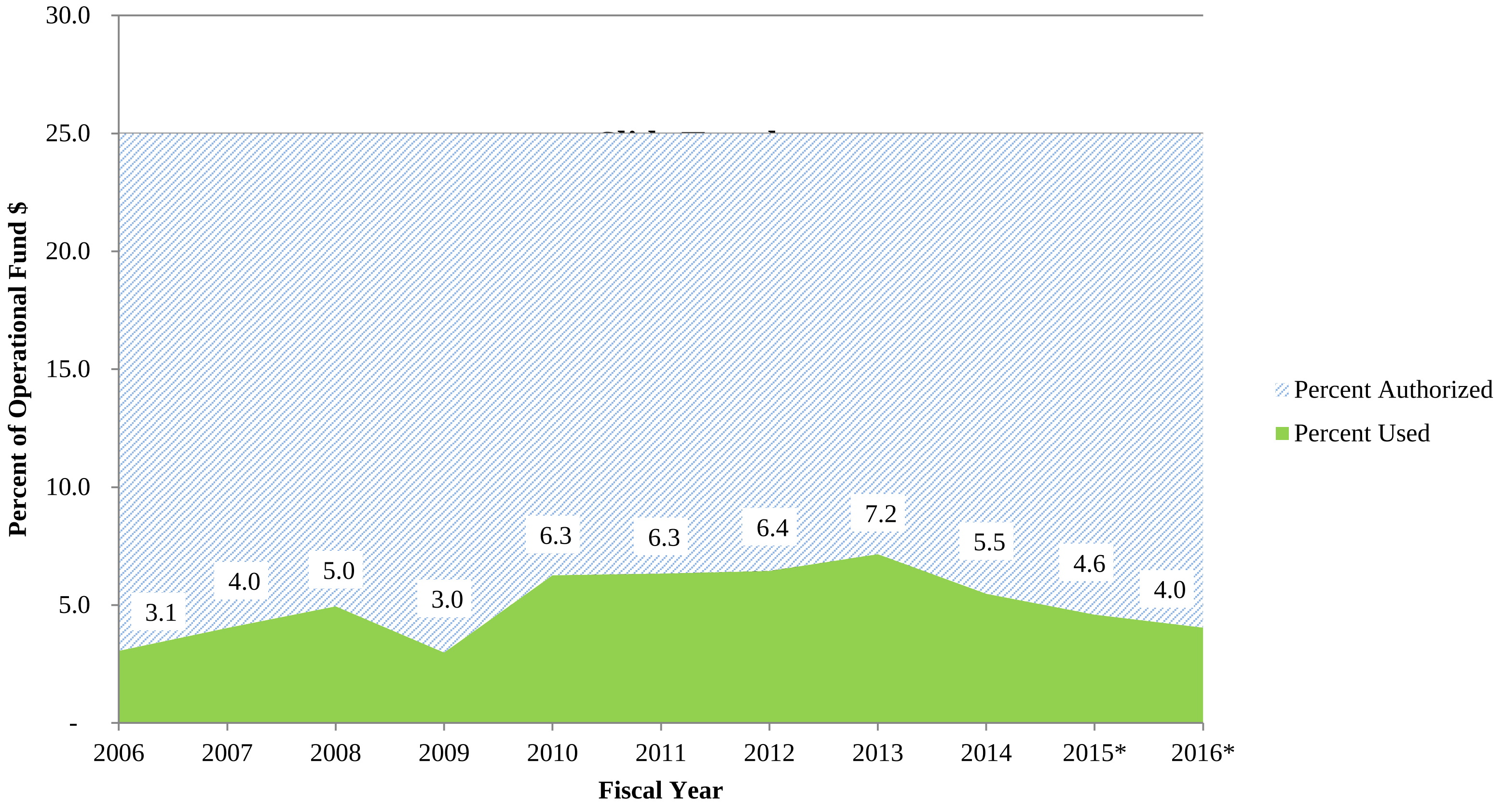

Actual and Projected Severance Tax Revenue
Total Severance Tax Revenue in Millions
$350.0
$300.0
$250.0
$200.0
$150.0
$100.0
$50.0
$-
FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17
Fiscal Year
Actual Revenues
Sept 2014 Projection

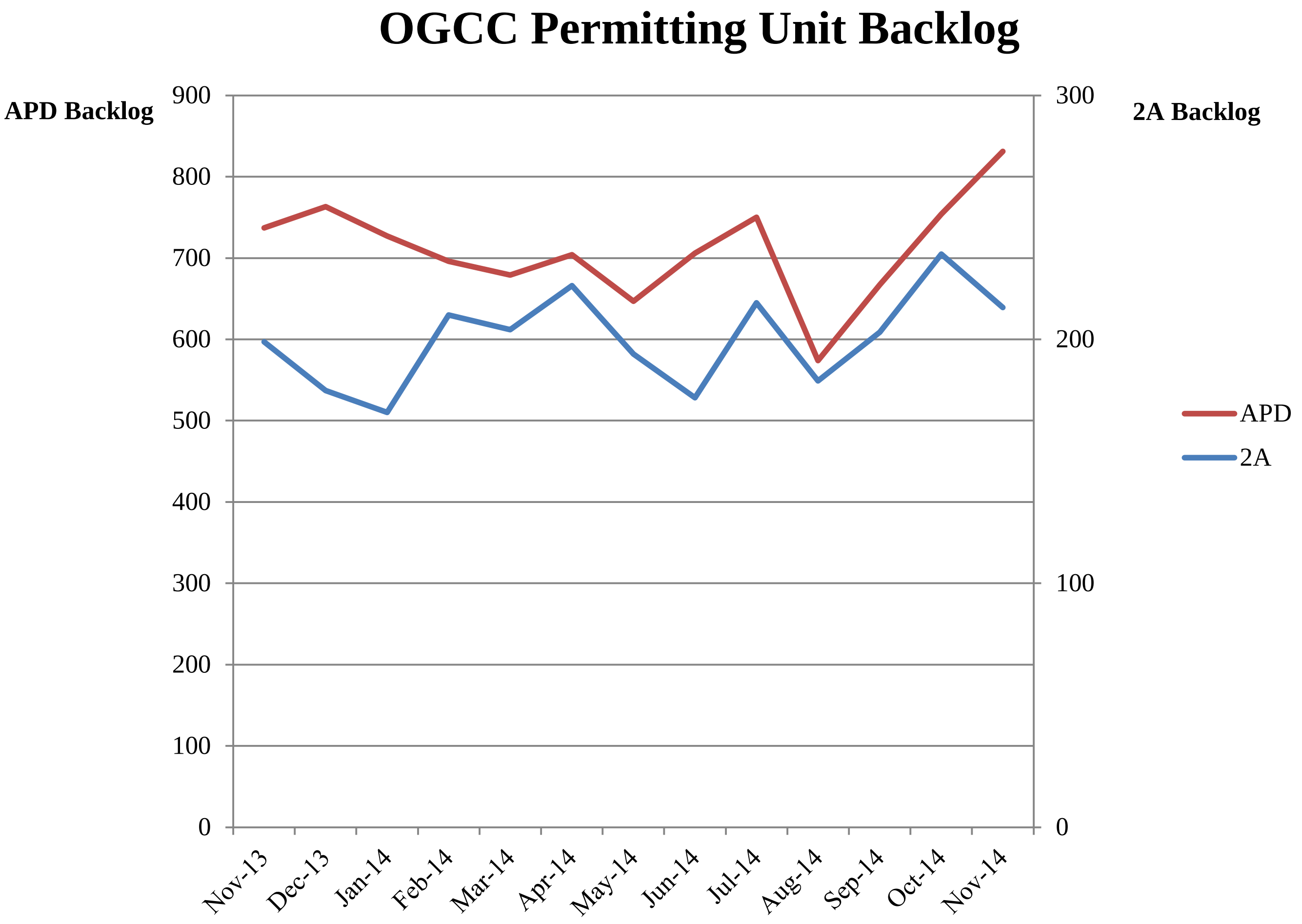

Oil and Gas Prices - 1997 to 2014
Oil Prices ($/bbl)
Gas Prices ($/million BTU)
$140
$120
$100
$80
$60
$40
$20
$-
$14
$12
$10
$8
$6
$4
$2
$-
Jan-1997
Aug-1997
Mar-1998
Oct-1998
May-1999
Dec-1999
Jul-2000
Feb-2001
Sep-2001
Apr-2002
Nov-2002
Jun-2003
Jan-2004
Aug-2004
Mar-2005
Oct-2005
May-2006
Dec-2006
Jul-2007
Feb-2008
Sep-2008
Apr-2009
Nov-2009
Jun-2010
Jan-2011
Aug-2011
Mar-2012
Oct-2012
May-2013
Dec-2013
Jul-2014
Oil
Gas

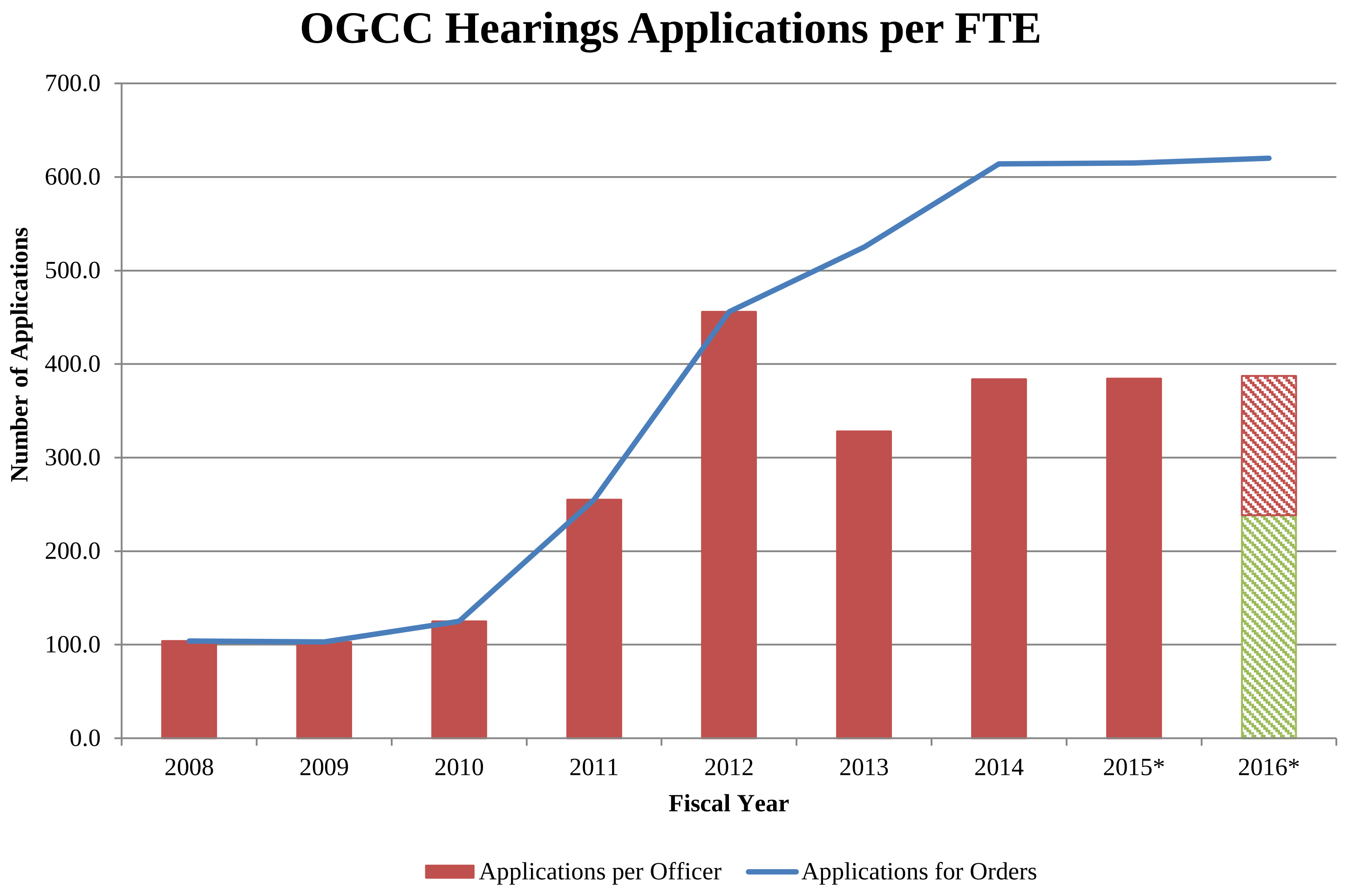

Total Severance Tax Revenue
Innovative Energy Fund
($1.5 million)
Severance Tax
Trust Fund
(Admin: DNR)
Local Government
Severance Tax Fund
(Admin: DOLA)
Small Communities Wastewater Grants
(up to $10.0 million)
Perpetual Base Fund
(Admin: CWCB)
Operational Fund
(Admin: DNR)
Tier 1 Programs
Tier 2 Programs
Required Reserve
Amount of Tier 1 + 15.0% of Tier 2
CAIC (5%)
CGS (15%)
OGCC (35%)
DRMS (25%)
CWCB (5%)
DPW - Parks (10%)
DPW - Wildlife (5%)
Water Supply Reserve Fund
Soil and Water Conservation Grants
Water Efficiency Grant Program
Species Conservation Trust Fund
Low-income Energy Assistance (LEAP)
Agriculture Value-Added Cash Fund
Interbasin Compacts
Forestry Grants
Aquatic Nuisance Species Mitigation


Pre-Law Mining
1977
1980's
1993
2008
2016
$
Federal Surface Mining Control and Reclamation Act (SMCRA)
Statutory Bond Amounts
S.B. 93-247
Warranties = Cost of Reclamation
$1.7 million Operational Fund
$127,00 per year Operational Fund
Colorado Mined Land Reclamation Act (1976)
Colorado Surface Coal Mining Reclamation Act (1979)

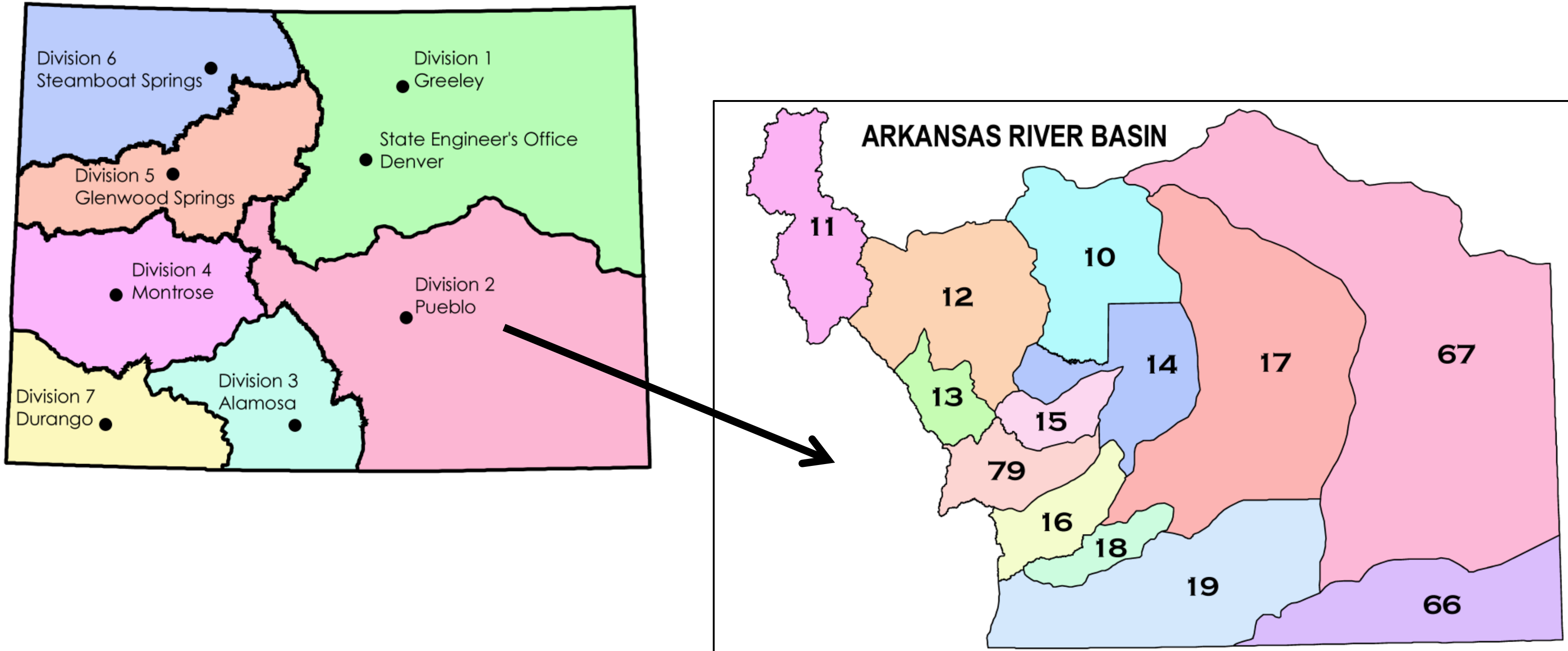
# Authorized vs. Actual DRMS Operational Fund Expenditures



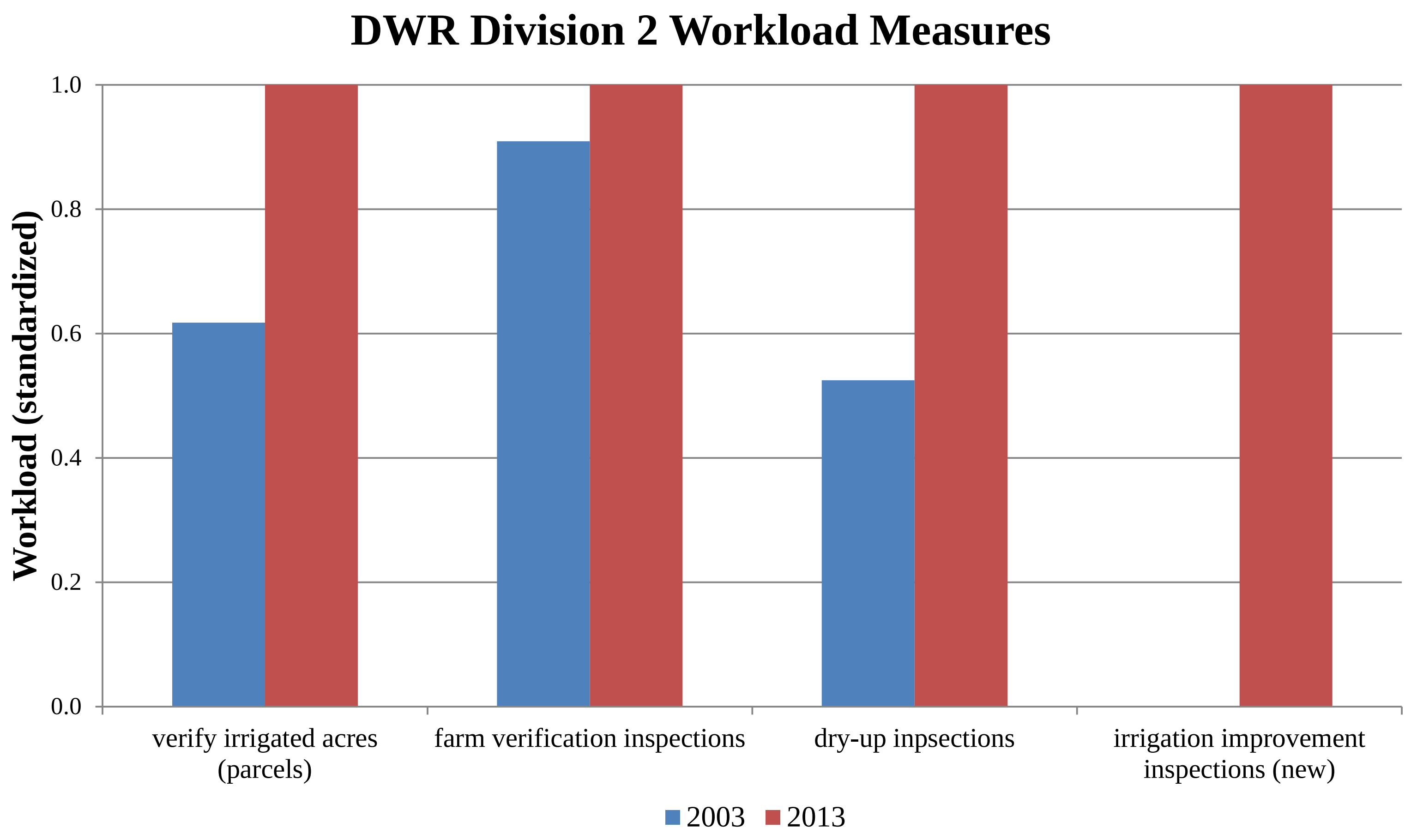

OGCC Permitting Unit Backlog
APD Backlog
2A Backlog
900
800
700
600
500
400
300
200
100
0
300
200
100
0
Nov-13
Dec-13
Jan-14
Feb-14
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
APD
2A

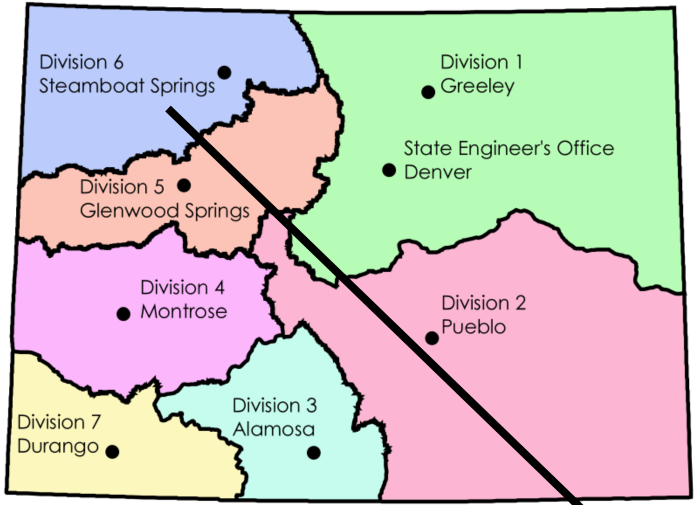


OGCC Hearings Applications per FTE
700.0
600.0
500.0
400.0
300.0
200.0
100.0
0.0
Number of Applications
2008
2009
2010
2011
2012
2013
2014
2015*
2016*
Fiscal Year
Applications per Officer
Applications for Orders

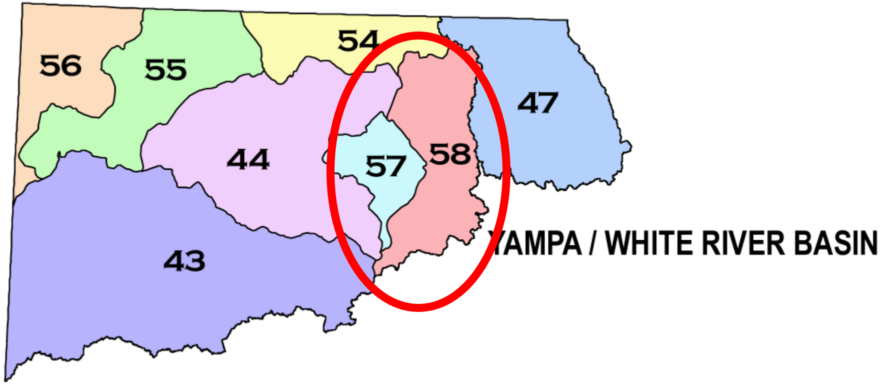


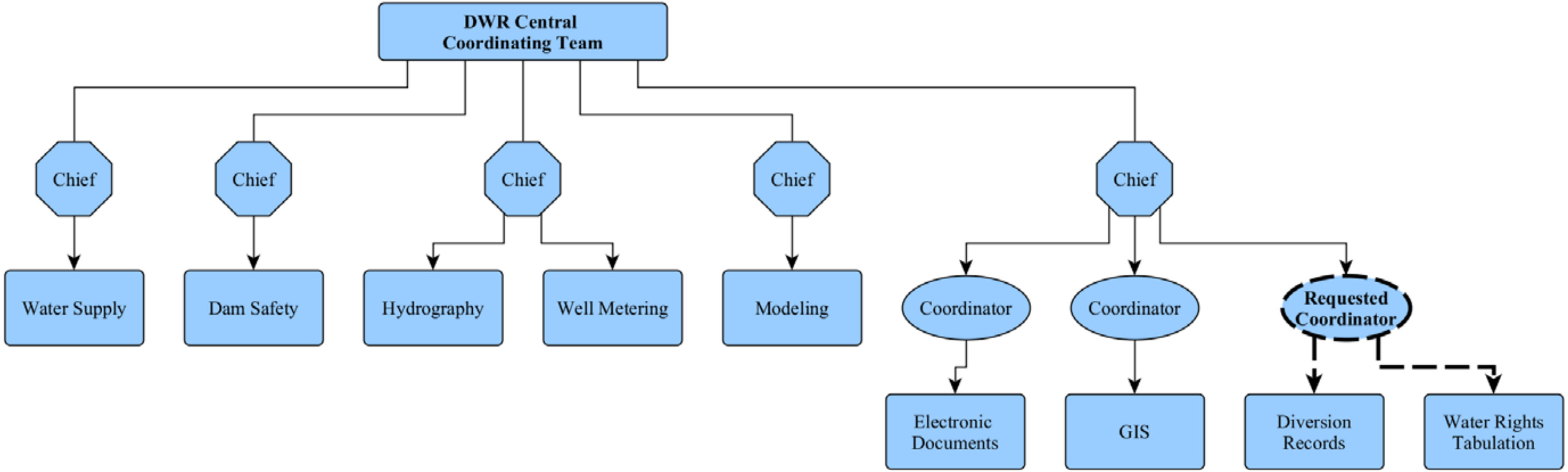

| District | District Name | District | District Name |
|---|---|---|---|
| 10 | Fountain Creek | 17 | Arkansas: Fowler to Las Animas |
| 11 | Arkansas: Headwaters to Salida | 18 | Apishapa River |
| 12 | Arkansas: Salida to Portland | 19 | Purgatoire River |
| 13 | Wet Mountain Valley | 66 | Cimarron River Basin |
| 14 | Arkansas: Portland to Fowler | 67 | Arkansas: Las Animas to Stateline |
| 15 | Saint Charles | 79 | Huerfano River |
| 16 | Cucharas River | | |


DWR Division 2 Workload Measures
Workload (standardized)
1.0
0.8
0.6
0.4
0.2
0.0
verify irrigated acres (parcels)
farm verification inspections
dry-up inpsections
irrigation improvement inspections (new)
2003
2013




| District | District Name |
|---|---|
| 43 | White River Basin |
| 44 | Lower Yampa River |
| 47 | North Platte River Basin |
| 54 | Slater / Timberlake Creeks |
| 55 | Little Snake River |
| 56 | Green River Basin |
| 57 | Middle Yampa River |
| 58 | Upper Yampa River |




DWR Central
Coordinating Team
Chief
Chief
Chief
Chief
Chief
Water Supply
Dam Safety
Hydrography
Well Metering
Modeling
Coordinator
Coordinator
Requested
Coordinator
Electronic
Documents
GIS
Diversion
Records
Water Rights
Tabulation