DEPARTMENT OF NATURAL RESOURCES
(Executive Director's Office, Division of Parks and Wildlife,
Colorado Water Conservation Board, and Water Resources Division)
FY 2014-15 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, December 02, 2013
9:30 am-Noon

9:30-9:50 INTRODUCTIONS AND OPENING COMMENTS

9:50-10:10 FLOOD RESPONSE AND ASSESSMENT

1. Please provide a listing of the 13 dams that were identified as safety concerns following the September 2013 floods.

As presented to the special legislative Flood Disaster Study Committee on November 5, 2013, the National Oceanic and Atmospheric Administration (NOAA) identified areas in the South Platte and Arkansas River basins where the amount of precipitation received during the period from September 9 to September 16 had an annual exceedance probability of less than one in one thousand. In response to this "thousand year" precipitation event, the dam safety team, under the direction of the State Engineer and Chief of Dam Safety, identified 207 dams located within the perimeter of the storm event that warranted immediate safety inspections. Given the emergency timetable, the limited FTE resources of the Dam Safety Team, and encouragement from the Governor to utilize volunteered resources, the division coordinated the inspections using more than one hundred volunteer, licensed dam safety engineers.

The results of the inspections, completed by the organized volunteers 21 days after the precipitation event, indicated that 131 dams were deemed safe for normal operation, 63 dams were damaged, but safe for operation, 13 dams had conditions that warranted, in the opinion of the volunteers, an immediate evaluation by the dam safety team, and 0 dams represented an urgent concern regarding potential failure. None of the 13 dams identified by the organized volunteer inspectors represented an immediate safety concern. The 13 dams that required immediate evaluation were reviewed by the dam safety team; the results of which are summarized in the table on the next page, and a map of the dam locations is provided in ***Appendix A****.*

Also, for purposes of review, there are three public hazard classifications based on the estimated consequences should the dam fail; the hazard class does not reflect the condition of the dam. The failure of a high hazard dam would likely result in the loss of life; significant hazard dams would result in significant damage to property or infrastructure; and low hazard dams would have low levels of property damage.

The list of 13 dams included one high hazard dam, Baseline Reservoir, located near Boulder and the epicenter of the precipitation event, which received over 18 inches of rain during the seven day period. That volume of rain caused the downstream side of the earthen *embankment to become water logged, and the embankment began to lose the ability to impound the water behind the dam. The condition was exacerbated by uncontrolled flow from South Boulder Creek into the reservoir. Normally, the offstream reservoir diverts water from South Boulder Creek through an inlet ditch. Because of the flood, debris caused the stream to overflow, uncontrolled, into the inlet ditch forcing water into the reservoir. Both conditions were mitigated the evening of September 13 and the morning of September 14. The damage has been repaired, and the dam has resumed normal operations.*

Two significant hazard dams were damaged by the flooding. Repairs have already been made to Coal Ridge Waste Dam #1, which is also known as Sand Hills Lake. This reservoir is located approximately two miles northwest of Fort Lupton and is associated with tail water from Coal Ridge Ditch. Tail water is also sometimes referred to as "waste water," hence the name, "Coal Ridge Waste Dam." The reservoir has nothing to do with any kind of contaminated water. The owner of this dam installed a monitoring hole in the dam last year to help monitor the stability of the dam. The precipitation event caused the soil around the monitoring hole casing to further subside. The area was recompacted and marked for ongoing inspections to make sure the repairs were adequate. Upper Gates Reservoir dam is the other significant hazard dam impacted by the flooding. Upper Gates Reservoir dam is located on Redstone Creek, approximately nine miles west of Fort Collins. This dam experienced severe erosion of the spillway due to the flooding and has been issued a zero storage restriction. The reservoir has been drained.

The remaining ten dams are all low hazard structures, eight of which are in the same condition they were prior to the flooding. Further review by the dam safety team found the dams safe for normal operation. Watson Lake, located adjacent to the Poudre River approximately five miles northwest of Fort Collins, received damage to the inlet and minor damage to the dam due to overtopping. A damage repair plan is being prepared by the owner. Currie dam on the Currie Ranch located on Gordon Creek approximately 17 miles northwest of Fort Collins suffered some spillway erosion that has been temporarily repaired. A permanent repair design is being prepared for review.

DAM ID	DAM NAME	HAZARD CLASS	DESIGN REVIEW BY SEO REQUIRED (CRS 37-87-105(1))	STATUS (as of 11/25/13)
060318	BASELINE - NORTHWEST	High	Yes	Instability due to soaked soil conditions and uncontrolled inflow; dam is stabilized and is safe.
020118	COAL RIDGE WASTE DAM #1	Significant	Yes	Small sinkhole near location of monitoring hole installed last year repaired and area being monitored; dam is safe.

040227	UPPER GATES	Significant	Yes	Severe spillway damage from flood; zero storage restriction is in place until damage is repaired; the reservoir has been drained.
030334	WATSON LAKE	Low	Yes	Damage from overtopping. Owner is preparing design to repair damage; dam is safe and operable
030530	CURRIE	Low	Yes	Spillway erosion has been temporarily repaired and dam is safe. Owner is preparing design to permanently repair.
050212	LITTLE GEM	Low	Yes	Condition is the same as before the flood.
060307	LAKE MANCHESTER	Low	Yes	Condition is the same as before the flood.
120202	PARK CENTER L & W #10	Low	Yes	Condition is the same as before the flood.
030521	WEBB	Low	No	Condition is the same as before the flood.
020131	GERMAN #1	Low	No	Condition is the same as before the flood.
020136	GERMAN #8 AND 9	Low	No	Condition is the same as before the flood.
020324	H.A. SMITH	Low	No	Condition is the same as before the flood.
020333	THOMPSON	Low	No	Condition is the same as before the flood.

2. Please provide an overview of the funding that has been awarded from all CWCB loan and grant programs that have been made available for flood recovery. Include the total amount of funding available, source of funding, number of applicants that have received awards and amount of the award, and applications received in excess of available funding.

   Funding for flood recovery has been made available via several CWCB loan and grant programs. The various programs include the:

- *Severance Tax Perpetual Base Fund*
- *Water Supply Reserve Fund*
- *Disaster Emergency Fund (via the Governor's Office)*
- *Watershed Restoration Program*
- *Flood and Drought Response Fund*

Severance Tax Perpetual Base Fund

Below is a list of emergency flood loans that have been provided from the Severance Tax Perpetual Base Fund. Initially, a total of $40.0 million was made available by the CWCB Board, and approximately $23.5 million remains available for emergency flood loan applicants. The chart below is separated by month for loans provided to loan recipients in October and November of 2013. A total of $16.5 million in loans have been approved to date, including $12.3 million approved at the October 21, 2013 special CWCB Board meeting and $4.2 million approved at the November 19-20, 2013 CWCB Board meeting. The approved loan recipients will be assessed a one percent loan administration fee and will pay no interest or payments for 36 months. All applicants received funds, excluding one who provided incomplete information on the application. This loan request, with complete information, will be presented again in December of 2013 at a special CWCB Board Meeting.

CWCB Emergency Flood Loans

Severance Tax Pepetual Base Fund

Date Approved	Loan Recipient	Loan Amount	County
10/21/13	Highland Ditch Company	$ 1,999,800	Boulder
10/21/13	Left Hand Ditch Company	$ 3,276,056	Boulder
10/21/13	Rough and Ready Irrigating Ditch Company	$ 1,843,250	Boulder
10/21/13	Oligarchy Irrigation Company	$ 1,262,500	Boulder
10/21/13	Big Thompson and Platte River Ditch Company	$ 808,000	Larimer
10/21/13	Boulder and Larimer County Irrigating and Manufacturing	$ 202,000	Boulder / Larimer
10/21/13	Ish Reservoir Company	$ 207,050	Boulder
10/21/13	Consolidated Home Supply Ditch and Reservoir Company	$ 1,616,000	Larimer
10/21/13	North Poudre Irrigation Company	$ 481,770	Larimer
10/21/13	Church Ditch Water Authority	$ 606,000	Jefferson
	October Request	**$ 12,302,426**	
11/20/13	Union Ditch Company	$ 202,000	Weld
11/20/13	Davidson Ditch and Reservoir Company	$ 37,370	Boulder
11/20/13	Beeman Irrigating Ditch and Milling Company	$ 2,020,000	Weld
11/20/13	Consolidated Home Supply Ditch and Reservoir Company	$ 448,440	Larimer
11/20/13	Butte Irrigating and Milling Company	$ 277,750	Boulder
11/20/13	Green Ditch Company	$ 530,250	Boulder
11/20/13	City of Evans	$ 722,150	Weld
	November Request	**$ 4,237,960**	
	Total Authorized to Date	**$ 16,540,386**	

Water Supply Reserve Fund

On September 25, 2013, the CWCB approved a $1.65 Water Supply Reserve Fund grant (including $1.5 million from the Statewide Account and $0.15 million from the South Platte Basin Account) to be used for flood recovery purposes with Northern Colorado Water Conservancy District Water (NCWCD) acting as the Program Sponsor to administer the grant funds in accordance with CWCB criteria and subject to review by CWCB. On October 21, 2013, the CWCB approved an additional $150,000 from the Metro Basin Roundtable Account. Previous WSRA Emergency Flood Recovery Assessment, Design and Recovery grant funds of $1.7 million out of $1.8 million were approved by Northern Water during their first two week funding cycle. A total of 67 applications, affecting 83 water providers, benefitted from the collaboration between CWCB and NCWCD. (Please refer to ***Appendix B*** *for a list of the Grant Recipients and Grant Amount awarded.)*

Due to the continuing need for flood recovery efforts, the CWCB Board approved an additional grant in the amount of $755,000 (from the Statewide Account) on November 20, 2013 for additional distribution by NCWCD. Funds from the Water Supply Reserve Fund originate from the Operational Account of the Severance Tax Trust Fund.

Disaster Emergency Fund and the Watershed Restoration Program

The Governor issued Executive Order D 2013-028, which extended Executive Orders D 2013-026 and D 2013-027. These Executive Orders made available additional resources and extended the declaration of disaster emergency due to flooding in 16 counties in the State of Colorado. The Disaster Emergency Fund is funded from various funds in the Governor's Office. An Interagency Agreement (IGA) will be entered into between the Division of Homeland Security and Emergency Management (DHSEM) and the Colorado Water Conservation Board (CWCB) for $1.9 million. The $1.9 million in funds from the Disaster Emergency Fund will be transferred to the CWCB Watershed Restoration Program Fund and will be administered by the Board. The funds are being made available for the purpose of enhancing homeland security and emergency management related prevention, protection, mitigation, response and recovery capabilities throughout the State. As of this date, the first application period has closed, and it is anticipated that additional grants will begin to be awarded in the next week. Future additional application cycles will take place every other week until the money is spent.

Typically, the Watershed Restoration Program is funded from the annual CWCB Construction Fund Projects Bill in the range of $250,000 to $500,000, with the 2014 Project Bill request being $500,000. These funds are available to eligible applicants for the purpose of master planning associated with long-term flood recovery.

To date, the Watershed Restoration Program has provided the following funding in FY 2013-14 for flood related events:

Vendor: *Wildland Restoration Volunteers*
Purpose: *To begin flood recovery efforts on the Big Thompson River*
Amount: *$20,000*

Vendor: *Town of Jamestown*
Purpose: *To hire a hydrologist who is helping Jamestown staff write a Request for Proposal (RFP) for master planning to begin stabilizing emergency areas.*
Amount: *$5,000*

An additional four applications for funds from the Disaster Emergency Fund and Watershed Restoration Program funds have been received and are in the process of being reviewed by CWCB staff:

Applicant	Amount
Fountain Creek Watershed Flood Control District	$175,000
Town of Estes Park	$94,000
Wildlands Restoration Volunteers	$250,000
Boulder County	$1,000,000
Total	**$1,519,000**

Flood and Drought Response Fund
The Flood and Drought Response Fund is funded via the annual CWCB Construction Fund Projects Bill. Currently, there is approximately $150,000 available to help with recovery needs. These funds are utilized to fulfill programmatic needs as well for both drought and flood operations.

To date, the Flood and Drought Response Fund has provided the following funding in FY 2013-14 for flood related events:

Vendor: *Ayres Associates*
Purpose: *Aerial photography of the flood event for flood documentation*
Amount: *$25,000*

Vendor: *Town of Jamestown*
Purpose: *To provide flood assistance to help the town council members prioritize flood destruction repairs*
Amount: *$25,000*

One other request is currently being considered, but no other grants have been provided as of this date.

10:10-10:30 WATER RESOURCES DIVISION REQUESTS AND FUNDING STRUCTURE

3. Please identify any functions that the Chief of Water Information position would be assigned that overlap with the current responsibilities of John Stulp in his role as Special Policy Advisor. Also, include details on how these two positions would collaborate.

   John Stulp's role as the Special Policy Advisor to the Governor for Water is a cabinet level position. He also serves as the Chairperson of the Interbasin Compact Committee where he works with various basin roundtables. Pursuant to Section 37-75-103 CRS (2007), his role as the Director of Compact Negotiations states that he "shall act as the overseer and caretaker of the compact negotiations process. The Director of Compact Negotiations shall have the following responsibilities:
   (a) Provide support and assistance to applicable local stakeholders in the formation of permanent basin roundtables established pursuant to section 37-75-104;
   (b) Oversee and direct the expenditure of moneys appropriated pursuant to this article; and
   (c) Serve as the chairperson of the Interbasin Compact Committee and oversee implementation of the interbasin compact committee's responsibilities consistent with section 37-75-105, including the timely completion and referral of the interbasin compact charter."

   There is no overlap or collaboration between these two positions. The position requested is a technical position designed to facilitate the coordination of DWR's business information, data collection needs and business processes to make that information available to the public as well as other government agencies. The DWR position is required to coordinate the data collection, data needs, and records requirements of the seven water divisions and other subject matter expert teams to ensure that the information is consistent across the state. This position will act much like the Chief of Hydrography or Chief of Dam Safety, within DWR, that coordinate a distributed staff to assure collection and distribution of consistent water information. John Stulp's position, as explained above, advises the Governor on statewide water policy and works with various stakeholders to develop and facilitate water policy solutions statewide.

4. Please explain the groundwater management subdistricts in the Rio Grande Basin in relationship to the San Luis Valley. Will the entire San Luis Valley be encompassed in the subdistrict process? How is the aquifer managed in the subdistrict plan when it spans more than one subdistrict area?

   - *GROUNDWATER MANAGEMENT SUBDISTRICTS: Pumping by high capacity wells located in the Rio Grande basin, the heart of which is the San Luis Valley, may cause injurious depletions to surface water streams. Groundwater Management Subdistricts are organizations that can provide 'group coverage' for those injurious depletions. The geographical boundary of a subdistrict is based on the location of the wells included in that subdistrict. Due to the complex hydrogeology of the basin, groundwater use in one area can affect multiple streams, both inside and outside the physical boundary of a subdistrict. A Groundwater Management Subdistrict will* *represent many groundwater users and replace water for that group to multiple streams, both inside and outside the geographical boundary of the subdistrict.*

- *SUBDISTRICTS: The first subdistrict (Subdistrict No. 1) in the Rio Grande basin began operations in 2012. It represents roughly 3,000 wells and is coordinating the replacement needs for all of those users. It is anticipated that six additional subdistricts will be formed encompassing the majority of the San Luis Valley and the majority of the high capacity groundwater users. Outside of the San Luis Valley the geology is less complex and users in the adjacent, mountainous regions will be able to use standard, individual augmentation plans to remedy injurious stream depletions.*

- *AQUIFER MANAGEMENT: The Rio Grande basin has a confined aquifer that underlies the majority of the San Luis Valley. While confined pumping can be far reaching, pumping impacts tend to be somewhat localized. For example, pumping in Saguache Creek area should mostly impact Saguache Creek and perhaps San Luis Creek. Pumping in the Conejos should mostly impact the Conejos River system and lower Rio Grande. For efficiency the large confined aquifer has been divided into areas that represent the surface inflows, ditch service areas, and groundwater source/use to allow for users with common infrastructure and sources to work together and remedy the impacts that occur from their groundwater use. For example, pumping in the Conejos area is principally confined aquifer pumping, and the majority of pumping impacts occur within or near the area where the pumping occurs. Sources for replacement water are from the Conejos streams and Conejos ditch systems. Therefore, the Conejos area users can more efficiently remedy depletions from their local usage.*

5. Provide a history of fee increases for all fees in the Division of Water Resources, include fee increases that occurred before 2003.

   Approximately 95% ($562,000 out of $592,000) of DWR's cash revenues in FY 2012-13 were associated with well permitting fees. These figures do not include the CWCB revenue transfer. Because well permitting fees are the main source for DWR's cash revenues, the history provided chronicles the fee increases within the well permitting program. Also, this answer will focus on well permit fees because the JBC Staff Briefing issue from which this question arose focused on options for changing how well permit fees are used to fund certain DWR operations. If requested, the Department can provide a history of fee increases for the remaining fees in the Division of Water Resources.

   1957 – Senate Bill 57-113 required that existing uses (wells) be registered within three years (May 1, 1960) and that applications be accompanied by a filing fee of $5.00. Applications for new or increased supply wells required a filing fee of $25.00. All fees were deposited into the "ground water cash fund."

   1961 – Senate Bill 61-233 increased the filing fee for existing wells from $5.00 to $10.00.

1963 – Senate Bill 63-039 directed all monies that were collected by filing fees to be credited to the General Fund (and not the ground water cash fund).

1965 - Senate Bill 65-036 repealed/replaced the 1957 Act - filing fees for new and replacement non-exempt permit applications were still $25.00 and $10.00, respectively.

1977 - Senate Bill 77-287 established the requirement that ground water be diverted and placed to beneficial use prior to the well permit expiration date still. Further, a $30 filing fee was required for filing late evidence of beneficial use.

1987 - Senate Bill 87-200 increased permit fees for the first time since 1965. The filing fee for a non-exempt permit application was raised to $60.00, whether new or replacement and the same $60.00 fee was specified for extensions of those well permits. An important part of this bill was that it re-created the Ground Water Management Cash Fund in which the $35 of additional revenue per permit is deposited for DWR funding.

2003 - Senate Bill 03-181 increased permit fees to $440 (sunset back to $60 in FY 2006-07). Of the total, $35 of the permit fee still goes to the Ground Water Management Cash Fund and $25 to the General Fund. Senate Bill 03-045 created a well inspection fee of $40 per permit which is deposited in the Well Inspection Cash Fund and is exclusively used to finance the well inspection program.

10:30-11:00 SEVERANCE TAX TRUST FUND

6. Please provide a response to the following:

    a. Would the Department be favorable to holding Severance Tax Operational Funds, in excess of statutory obligations, in reserve to augment future year disbursements when statutory requirements are not met based on available revenue?
    b. Can this be accomplished within existing statutory authority?

Yes, excess reserves in the Operational Account of the Severance Tax Trust Fund should be retained in the Account to help offset revenue volatility inherent in the revenue stream. Leaving excess revenues in the Operational Account has generally been the practice over the last years and has been accomplished under existing statutes. The only exception is that there were two transfers of excess revenue to the General Fund during the recent economic downturn. There are several critical reasons that excess revenue should be retained in the Operational Account. In addition to significant revenue volatility, there is a structural imbalance whereby annual authorized expenditures are higher than revenue in an "average" year. Defining an "average" severance tax year is very difficult given variations in both the revenue stream and given changes in spending from year to year. However, the below chart will help to illustrate some of the challenges inherent in trying to manage the Operational Account.

Year	Tier 1 Approp.	Tier 2 Auth.	General Fund Transfers	Total Spending	Actual Revenue	Surplus / Shortfall
FY 2012-13	$13.9	$35.7	$0.0	$49.6	$32.6	-$17.0
FY 2011-12	$13.7	$25.3	$4.0	$43.0	$50.1	+$7.1
FY 2010-11	$16.3	$31.7	$0.0	$48.0	$35.5	-$12.5
FY 2009-10	$14.0	$19.4	$11.0	$44.3	$10.2	-$34.1
FY 2008-09	$12.0	$47.0	$0.0	$59.0	$81.2	$22.2
FY 2007-08	$11.3	$23.1	$0.0	$34.4	$39.5	$5.0
FY 2006-07	$9.8	$35.5	$0.0	$45.2	$33.3	-$11.9

Note #1: In contrast to FY 2012-13's shortfall of $17.0 million, the net operating loss of the Operational Account in FY 2012-13 was only $6.7 million because the $35.7 million in authorized Tier 2 expenditures was actually reduced by over $10.0 million, thereby lowering the shortfall.

A key point in this table is that spending exceeded revenue in four of the last seven years. While this alone might justify keeping the reserve, it is also worth pointing out that the chart under-represents the shortfall in some ways. Tier 2 expenditures were significantly reduced in FY 2011-12, FY 2010-11, and FY 2009-10 to help reduce the projected imbalance (and to allow for transfers to augment General Fund revenues). FY 2011-12, for example, shows as a surplus year, but this surplus was achieved by reducing the Low Income Energy Assistance distribution by $6.5 million and by reducing the Water Supply Reserve Account distribution by $3.0 million. So, even in this particular "surplus" year, full funding of all Tier 1 appropriations and Tier 2 authorizations (at their long term, higher levels) would have resulted in a shortfall.

Keeping moneys in excess of the reserve requirements in the Operational Account helps smoothen the incredible volatility of the severance tax revenue stream. In FY 2008-09, the Operational Account earned a record of $81.2 million in revenues. Including a healthy excess that rolled from FY 2007-08, the Operational Account finished FY 2008-09 with $48.3 million in excess of reserve requirements. This excess was essential to surviving the next year's revenue bust, where expenditures exceeded revenues by $34.1 million. In fact, by the end of FY 2010-11, the Operational Account had been spent down to below its Tier 2 reserve requirement (both because of the $34.1 million and $12.5 million operating deficits shown in the table as well as increase in the required reserve as baseline spending was increased). Had the General Assembly determined that the $48.3 million excess in FY 2008-09 was unjustifiable (it was roughly a full year's worth of Tier 1 and Tier 2 spending) and spent some of this $48.3 million on other purposes, proportional reductions to Tier 2 would have been needed in FY 2010-11. By leaving the excess in the Operational Account, it ended up being spent for its originally intended purposes in future *years when revenues were lower than expenditures. This year-to-year buffer happens under current statute precisely because there is no cap on the size of the Operational Account and there is no automatic mechanism to sweep excess Account moneys.*

Moving forward, the Department believes long term Operational Account spending will be in the neighborhood of $49 million per year. This figure includes $13.0 million in Tier 1 spending, $13.0 million for Low Income Energy Assistance Programs, $10.0 million for the Water Supply Reserve Account program, $4.0 to $5.0 million per year for Species Conservation Trust Fund projects, $4.0 million for Aquatic Invasive Species control, $2.5 million for support of forestry grants and forestry programs, and about $2.0 million for miscellaneous other programs including agricultural programs and several small water programs. In contrast, revenues over the last seven years (as shown above) have only averaged $40.3 million. Again, this structural imbalance merits a conservative approach that leaves excess revenues in the Operational Account to help sustain the fund through these averages and below average revenue years.

7. Does the Department have any information on the Roan Plateau leases? Have severance revenues been affected by revenues related to the Roan Plateau? Would the State be obligated to repay $52 million to the Department of the Interior if drilling is not allowed?

The U.S. Bureau of Land Management's (BLM) plan for the Roan Plateau has been embroiled in controversy for well over a decade, including five years of ongoing litigation. The BLM began developing a Resource Management Plan for the Roan Plateau in 2000. The final plan, released in 2008, allowed for the leasing of 40,000 acres of federally owned oil and gas resources beneath the top of the Plateau. In accordance with this plan, the rights to develop the 19 parcels atop the Roan Plateau were auctioned in 2008, generating a one-time net of $57.7 million in bonus payments and initial rentals [Note #1]. The State of Colorado received roughly 49 percent of the amount generated by leasing the top of the Roan (approximately $28.0 million) as a one-time "bonus payment." To be clear, this $28.0 million was federal mineral lease revenue received by the State, not severance tax revenue. This money was received by the State of Colorado in November 2008 and allocated according to the statutory Federal Mineral Lease cascade in place at that time. When and if development occurs, Colorado will receive both severance taxes on the produced resources as well as 49 percent of the federal royalties collected on the production.

Shortly after the 2008 lease sale, conservation and wildlife groups challenged the BLM's plan allowing leasing of the Roan Plateau in federal district court. In 2012, the federal district judge ruled that the BLM had improperly failed to analyze certain alternatives in its 2008 plan, invalidated the BLM's final decision, and remanded the matter to the BLM. The current owner of the parcels atop the Plateau, Bill Barrett Corp (BBC), has appealed this ruling to the Tenth Circuit Court of Appeals. This lawsuit has effectively blocked development of the oil and gas resources beneath the Roan Plateau. Because no production has occurred, the State has not collected any severance tax from Roan Plateau production, nor has it collected any federal mineral lease revenue outside of its share of the initial bonus payment.

Should some or all of the leases atop the Plateau be cancelled by BLM or relinquished by BBC, the U.S. Department of the Interior (DOI) would be required, under the federal Mineral Leasing

Act, to refund to BBC the initial bonus payments paid for the leases. In doing so, DOI would seek to recover the portion of the bonus amounts disbursed to the State of Colorado in 2008. To date, conversations with DOI have contemplated neither the State making a lump-sum repayment nor the State seeking to retrieve amounts disbursed to local governments or others. Instead, it is likely that some or all of the State's liability for Roan bonus payments would be offset from future quarterly FML payments received by the State. In other words, the State's FML revenue going forward would be reduced by some amount until the State has repaid the entire amount it received from the Roan bonus payments being refunded. The period over which such repayment debits would be made is uncertain. To put this potential $28.0 million debt into perspective, the average FML revenue over the last five years has been approximately $213 million, of which the State has received 49%, or about $104 million in an average year.

[Note #1] In addition to the 19 parcels on top of the Roan Plateau, the BLM leased 12 parcels totaling 14,322 acres at the bottom of the Plateau, generating an additional $56.2 million in bonus payments, of which the State of Colorado received 49 percent (approximately $27.5 million). It is not contemplated that the leases at the bottom of the Plateau would be cancelled or relinquished, so the revenue received by the State for these leases is not currently at issue.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

   The Department is not aware of any legislation that it has not implemented or partially implemented. However, in reviewing information for this question, the Department has flagged two areas that could either be considered obsolete and/or not implemented.

   - *Powers of the Executive Director: The enabling statutes of the Department include a section that defines the powers and duties of the Executive Director, and 24-33-102 (5) states that "The executive director has the power and duty to develop, encourage, promote, and implement programs for the prevention, abatement, and control of litter within the state of Colorado. The executive director may enter into such contracts as may be appropriate for the implementation of any such program." Though the Department does take steps to control litter on the properties it owns or controls, it has not undertaken a statewide program of litter abatement. There are numerous litter control programs in the State, including those run by local governments and the Colorado Department of Transportation, but the DNR Executive Director has not consulted on those programs.*
   - *Requirements of the Division of Reclamation, Mining, and Safety: Additionally, the Department has identified three sections of law related to the regulation of mining that could be considered "not implemented."*

Statutory Citation	Description	Partially or Not Implemented	Why not Fully Implemented **OBSOLETE STATUTES**
34-21-101 (1)(j)	Office of active and inactive mines – reporting on annual mining industry activity	Not implemented	Operators are not required to submit the required mining information to the Division of Reclamation, Mining and Safety to enable the division to produce the report described in this statute; therefore the Division Director (Commissioner of Mines) has not produced the report since the 1980's. Currently, the University of Colorado's Leeds School of Business discusses the mining economy in their annual "Colorado Business Economic Outlook" report.

Statutory Citation	Description	Partially or Not Implemented	Why not Fully Implemented **OBSOLETE STATUTES**
34-22-102(1)(e)	Certification of belt examiners, cable splicers or lamp and gas attendants.	Not implemented	The certification of these specific job positions has been consolidated under the mine foreman, fireboss or other coal mine employees, which continue to be certified through the state's Coal Mine Board of Examiners.
34-24-103 (5) (a-b)	Diesel permits	Not implemented	Federal permit regulations supersede state statutes on diesel equipment permits. The U.S. Department of Labor, Mine Safety and Health Administration issued regulatory requirements on manufacturers of the equipment to comply with exhaust emission standards and instituted a federal permitting process. The state permits are no longer required.

2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?

   The Department of Natural Resources has three outstanding recommendations identified in the "Annual Report of Audit Recommendations Not Fully Implemented." Of these recommendations, two are considered a significant deficiency related to financial statements and one is in regard to a cash fund that in not incompliance with its target reserve.

   The State Land Board (SLB) had two audit findings that are not fully implemented. The SLB put implementation plans in place after the original findings were reported to the division. The implementation plans are on schedule to be completed by the end of the calendar year. The parts that are still in process are as follows.

   FY 2011-12 State Audit Recommendation No. 13 (a) & (c). The State Land Board committed to developing a plan for building and reconciling asset information in COFRS by December 31st, 2013. The SLB is on track to develop a plan by December 31st. Fully implementing the plan may take a year given the sheer complexity and length of time of the State Land Board's ownership. The SLB has over 15,000 current assets but does not know the value of these assets when they were received or the specific date when the SLB received each property.

Detailed land transaction records only go back about 20 years. In order to estimate land values for the 120 years before the detailed records, the SLB needs to know when it received each asset and from whom it was received. The SLB is developing a database (GIS data layer) using BLM, State Land Board records, and county records to gather the date of donation/acquisition and originator. Ultimately, value at donation or acquisition will need to be based on an estimation process.

FY 12 State Audit Recommendation No. 14 (c). The State Land Board and the Department of Natural Resources are working on a number of commercial property contracts and contract processing and approvals issues. Final steps to resolve these issues will be taken within the next month.

The recommendation related to cash fund reserves is in regard to the Oil and Gas Conservation Commission's Oil and Gas Conservation and Emergency Response Fund. This fund has a requirement that "the two-year average of the unobligated portion of the fund does not exceed four million dollars." This fund has exceeded its target for the last three years. The Oil and Gas Conservation Commission periodically evaluates future spending requirements and revenue projections, which can fluctuate considerably depending on oil and gas commodity prices and production estimates. Given extensive commitments by the Fund to air quality studies performed by the Colorado Department of Public Health and Environment, and added inspection staffing with significant one-time field equipment and operating costs, the Oil and Gas Conservation Commission anticipates a decreasing uncommitted fee reserve balance under current commodity prices that impact levy revenues. Furthermore, the OGCC is considering 2014 legislation that would increase the cap on the Uncommitted Fee Reserve Balance from $4 million to $6 million.

3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?

The Department of Natural Resources does not have a department-wide policy on paying annual licensing fees for its employees. Generally speaking, the Department has identified two major job classes that require periodic licensing or certification.

- *The first job class is that of Professional Engineer. The Department has many positions that require applicants to be licensed engineers. Though the positions often don't have a formal requirement to maintain their license, anyone who represents themselves as a professional engineer is legally obligated to maintain their license. The license fee is $62 every two years and generally the Department does not pay this fee though there are a couple of exceptions. In order to maintain their license, which is the common practice among these employees, the individual employee must pay this fee.*

- *The second major job class that requires certification is that of peace officer, including both game wardens and parks' officers. The Department will pay for new employees to get POST certified, if they are not currently. Further, the Department will pay to maintain the certification of its peace officers. The Parks Cash Fund and the Wildlife Cash Fund pay for these certifications.*

Lastly, admission to the Colorado Bar is preferred but not required for positions in Oil and Gas Conservation Commission's hearings and enforcement unit. These positions are not required to maintain their status with the Bar, and the Department does not pay any fees associated with these positions.

4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?

   The Department of Natural Resources does not have a department-wide policy on paying for continuing education for its employees. Generally speaking, the Department does pay for employees to attend conferences that may qualify as continuing education. Decisions about paying to send employees to these conferences are determined on a case-by-case basis, and the deciding factor is what the benefit to the State would be of the employee attending. The Department does not usually consider whether continuing education credits will be earned, and does not track those instances where a conference may coincidently qualify as continuing education. Additionally, the Department does offer some limited tuition reimbursement to employees and this reimbursement is also determined on a case-by-case basis

5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?

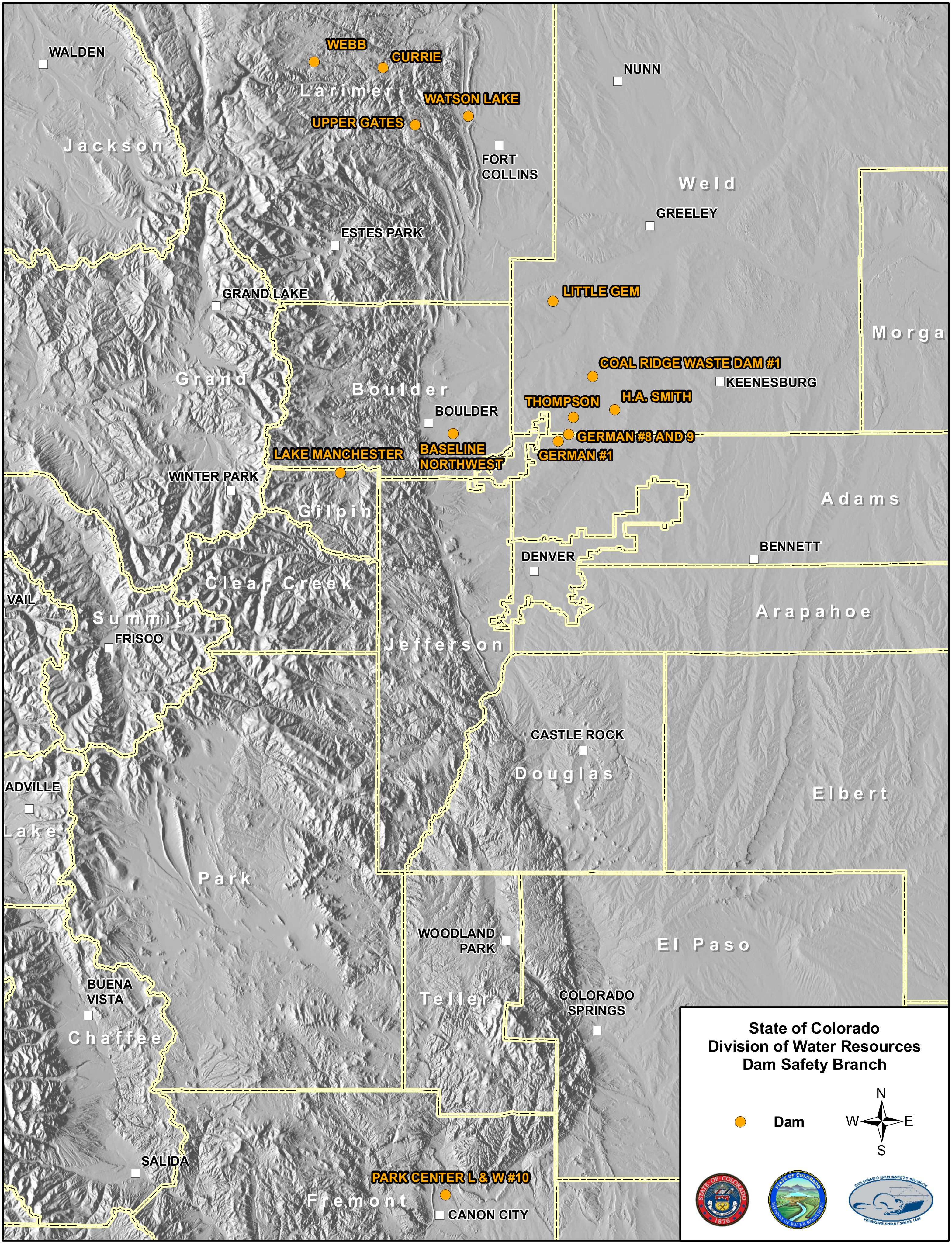
   Though the Department does have anecdotal evidence of this being an issue, the Department does not track reasons for a job being turned down. However, in an effort to quantify this issue, the Department looked at all people hired between July 1st 2012 and November 1st 2013. During this time frame 106 positions were filled. Of those 106 positions, hiring managers indicated that approximately ten people turned down job offers while citing "pay rates" as part of the reason.

   In addition, when trying to advertise jobs in the engineering and science classifications the Department has approached some candidates with the experience necessary for the position. These experienced personnel have indicated that even the top of the range for the position is too low to consider applying.

6. What is the turnover rate for staff in the department?

The Department of Personnel will be responding with a statewide look at turnover rates. Based on data provided by the Department of Personnel, the Department of Natural Resources had a turnover rate of 6.4% in FY 2012-13. The six job classes with the highest number of separations are shown below.

Class & Separations				
Class	**Class Title**	**Separations**	**Employees in Class**	**Turnover Rate**
H6U3	WILDLIFE MANAGER III	12	195	6.2%
I3B4	PHY SCI RES/SCIENTIST III	8	26	30.8%
H6G8	MANAGEMENT	7	30	23.3%
G3A4	ADMIN ASSISTANT III	6	78	7.7%
H6G3	GENERAL PROFESSIONAL III	6	56	10.7%
I2C5	PROFESSIONAL ENGINEER II	6	41	14.6%
	Top Classes Total	**45**	**426**	**10.6%**
	Department Total	**97**	**1,511**	**6.4%**



State of Colorado
Division of Water Resources
Dam Safety Branch

Dam

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Appendix B

Colorado Water Conservation Board - Northern Colorado Water Conservancy District
Water Supply Reserve Fund Flood Loans

Grant Recipient	Grant Amount
Osborne & Caywood Ditch Co.	$25,000
Boulder & Larimer County I&M Ditch Co.	$50,000
Left Hand Ditch Co.	$20,000
Big Elk Meadows Association	$20,000
South Flat Ditch	$20,000
Bonus Ditch	$25,000
Beeman Irrigating Ditch and Milling Company	$25,000
Lupton Bottom Ditch Company	$20,000
Oligarchy Irrigation Company	$25,000
Rough and Ready Irrigating Ditch Company	$50,000
Davidson Ditch & Reservoir Company	$22,250
Reorganized Farmers Ditch Company	$2,500
McGinn Ditch Company	$15,000
Beckwith Ditch	$9,375
Niwot Ditch Company	$50,000
Louden Irrigating Canal and Reservoir Co.	$25,000
Supply Irrigating Ditch Company	$25,000
Proctor Water Company	$20,000
Bijou Irrigation District (A)	$40,000
Highland Ditch Company	$25,000
Logan Mill Ranch Tree Farm	$7,500
Fort Morgan Reservoir & Irrigation Company	$20,000
South Flat Reservoir (unincorporated)	$20,000
Golden's Drain (unincorporated)	$9,375
Lower Platte and Beaver Canal Company	$25,000
Jackson Lake Reservoir & Irrigation Company	$20,000
George Rist Ditch Company	$25,000
Denio and Taylor Mill Ditch Company	$25,000
Denver View Reservoir & Irrigation Company	$15,000
Riverside Reservoir & Land Co.	$20,000
The Last Chance Ditch Company	$20,000
Delta Ditch Company	$20,000
Greeley & Loveland Irrigation Company	$20,000
Farmers High Line Canal and Reservoir Co.	$25,000
City of Louisville	$25,000
Rural Ditch Company	$20,000
Tremont Mutual Ditch Company	$14,175
Dave Miller Mutual Ditch Com.	$12,426
South Side Ditch Company	$25,000
Upper Platte and Beaver Canal	$50,000
Arthur Irrigation Company	$2,500
Consolidated Home Supply Ditch and Res. Co.	$25,000
Springdale Ditch Company	$11,018
Donald Culver Cattle Operations	$24,000
Swede Ditch Co.	$50,000
Green Ditch Company	$25,000
Bravo Ditch Company	$11,694
Butte Irrigating and Milling Company	$20,000
Lower Latham Ditch Company	$25,000
Dry Creek #2 Ditch Company	$15,000
Big Thompson Ditch and Manufacturing Company	$20,000
Silver Lake Ditch and Reservoir Company	$20,000
Whitney Irrigation Company	$18,750
South Platte Ditch Co.	$20,000
Town of Erie	$25,000
Section #3 Ditch aka Godfrey Ditch	$10,500
Larimer & weld Irrigation Company	$23,150
Spring Valley Mutual Water Association	$20,000
The Handy Ditch	$25,000
The Farmers Reservoir and Irrigation Company	$25,000
McCarty Ditch	$16,050
Boulder County	$175,000
City of Boulder	$20,000
Boulder and White Rock Ditch and Res. Complany	$25,000
Boulder and Weld County Ditch Company	$20,000
Culver Lateral Ditch Company	$20,000
Total	**$1,625,263**

DEPARTMENT OF NATURAL RESOURCES
(Executive Director's Office, Division of Parks and Wildlife,
Colorado Water Conservation Board, and Water Resources Division)
FY 2014-15 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, December 02, 2013
9:30 am-Noon

9:30-9:50 INTRODUCTIONS AND OPENING COMMENTS

9:50-10:10 FLOOD RESPONSE AND ASSESSMENT

1. Please provide a listing of the 13 dams that were identified as safety concerns following the September 2013 floods.

2. Please provide an overview of the funding that has been awarded from all CWCB loan and grant programs that have been made available for flood recovery. Include the total amount of funding available, source of funding, number of applicants that have received awards and amount of the award, and applications received in excess of available funding.

10:10-10:30 WATER RESOURCES DIVISION REQUESTS AND FUNDING STRUCTURE

3. Please identify any functions that the Chief of Water Information position would be assigned that overlap with the current responsibilities of John Stulp in his role as Special Policy Advisor. Also, include details on how these two positions would collaborate.

4. Please explain the groundwater management subdistricts in the Rio Grande Basin in relationship to the San Luis Valley. Will the entire San Luis Valley be encompassed in the subdistrict process? How is the aquifer managed in the subdistrict plan when it spans more than one subdistrict area?

5. Provide a history of fee increases for all fees in the Division of Water Resources, include fee increases that occurred before 2003.

10:30-11:00 SEVERANCE TAX TRUST FUND

6. Please provide a response to the following:

    a. Would the Department be favorable to holding Severance Tax Operational Funds, in excess of statutory obligations, in reserve to augment future year disbursements when statutory requirements are not met based on available revenue?
    b. Can this be accomplished within existing statutory authority?

7. Does the Department have any information on the Roan Plateau leases? Have severance revenues been affected by revenues related to the Roan Plateau? Would the State be obligated to repay $52 million to the Department of the Interior if drilling is not allowed?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.
2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?
   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf
3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?
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5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?
6. What is the turnover rate for staff in the department?