

Severance Tax Trust Fund									
Operational Account									
February 10, 2009 (S.B. 96-170)									
	Allowable %	Actual FY 06-07	Actual FY 07-08	Appropriation FY 08-09	Request FY 09-10	Estimated FY 10-11	Estimated FY 11-12		
FUND STATUS									
Beginning Balance		50,851,612	40,012,876	46,588,101	40,709,430	17,686,838	10,845,834		
Revenue		33,312,271	39,457,043	59,499,000 (est.)	16,110,000 (est.)	36,732,250 (est.)	46,931,000 (est.)		
Revenue Public School Energy Eff (39-29-109.5)		0	(89,098)	TBD	TBD	TBD	TBD		
Total Available for Appropriation		84,163,883	79,390,823	103,087,101	56,819,430	56,422,088	57,776,834		
APPROPRIATION/REQUEST									
Geological Survey	20.0%	2,291,469	2,187,478	2,383,115	2,699,288	3,057,407	3,463,039	6.0%	
Oil & Gas Conservation	40.0%	2,117,279	2,300,213	3,285,326	3,087,509	3,161,582	3,288,540	5.6%	
Minerals and Geology	2.5%	3,392,282	3,925,306	4,303,196	4,266,845	4,191,232	4,136,347	7.2%	
Water Conservation	5.0%	898,679	1,292,890	1,319,250	1,011,160	1,311,140	1,311,140	2.3%	
Colorado State Parks (S.B. 08-013)	5.0%	0	0	1,984,058	1,234,058	1,234,058	1,234,058	2.2%	
Colorado Division of Wildlife	5.0%	0	0	1,519,927	1,589,144	1,589,144	1,589,144	2.1%	
TOTAL		8,669,679	9,715,887	14,764,872 (est.)	13,827,894 (est.)	14,524,953 (est.)	14,972,289 (est.)	2.7%	
Roll-Forwards				747,210					
ARKS River Settlement (SB 05-226)		1,403,272	0	0	0	0	0		
CWCOS Litigation Fund (Sect. 17 of HB 05-1313)		146,000	0	0	0	0	0		
Underground Water Storage (S.B. 06-183)		0	0	0	0	0	0		
Tier 2 Programs									
(a) Water Supply Reserve Account (S.B. 06-179)		10,000,000	6,000,000	2,900,000	4,000,000	6,425,416	6,417,909		
(b) Soil Conserv Districts Matching Grants (HB 06-1382)		450,000	800,000	800,000	0	289,144	0		
(c) Water Efficiency Grants (HB 05-1254 / SB 07-008)		0	0	0	0	0	0		
S.B. 07-008 Contingent Transfer		8,800,000	12,000,000	13,500,000	8,500,000	7,067,858	8,343,281		
(d) & (e) Species Cons Trust Fund (Note #3)		11,000,000	2,000,000	2,000,000	2,900,000	414,482	413,998		
(f) LEAP - HB 06-1200		2,133,000	500,000	500,000	3,225,341	1,927,625	2,375,373		
(g) CO Renewable Energy Auth / Clean Coal (H.B. 06-1182)		500,000	1,626,835	1,145,087	Included above	Included above	Included above		
(h) Agriculture Value-Added Cash Fund (HB 06-1322)		547,056	Included above	Included above	0	0	0		
(i) Interbasin Compacts (H.B. 05-1177 / H.B. 06-1400)		500,000	150,000	500,000	3,200,000	1,927,625	2,375,373		
(j) DMC - Fund AML Program (S.B. 05-190)		500,000	0	1,000,000	0	0	0		
(k) CO Water Research Inst (SB 06-183/HB 07-1096/HB 07-1097)		0	0	1,000,000	0	0	0		
(l) Forestry Grants / Bark Beetle (S.B. 08-071)		0	0	1,000,000	0	0	0		
(m) Tamarisk Control Grants (H.B. 08-1346)		0	0	5,966,638	0	2,574,025	2,965,969		
(n) Aquatic Invasive Species (S.B. 08-226)		0	0	0	0	0	0		
Actual Expenditures		44,151,007	32,792,722	62,377,671	39,129,592	41,576,255	38,045,951		
Ending Balance after Appr/Exp		40,012,876	46,588,101	40,709,430	17,689,838	14,945,834	19,730,883		
2 Yr Reserve / 1 Yr Reserve Starting FY 08-09		18,043,156	10,540,441	14,784,872	13,827,984	14,524,563	14,972,288		
LEAP Reserve / 15% Reserve Starting FY 09-09		12,000,000	3,489,167	7,029,838	3,785,241	6,390,161	5,272,661		
Total Reserve Requirement		30,043,156	14,009,598	21,794,710	17,623,225	20,914,724	20,244,929		
Balance after Reserve		9,969,720	32,578,504	18,914,720	66,614	(10,668,899)	(12,014,046)		
FY 2008-09 Introduced / Proposed Legislation									
Species Conservation Trust Fund Legislation		0	0	0	0	0	0		
Water Supply Reserve Account - Reauthorization @ \$10.0 million per Year		0	0	0	0	4,000,000	10,000,000		
Wray Hatchery @ 50% Wildlife Cash & 50% STAX		0	0	0	0	0	0		
Carbon Sequestration		0	0	0	0	0	0		
Reauthorize Agriculture Value-Added Program		0	0	0	0	0	0		
Forest Health Initiative		66,956,522	32,792,722	62,377,671	39,129,592	45,576,255	48,045,951		
TOTAL SPENDING		66,956,522	46,588,101	21,794,710	17,689,838	10,845,834	9,730,883		
Ending Cash Balance with Legislation		0	0	0	0	0	0		
Total Reserve Requirement w/ Legislation		32,578,504	18,914,720	66,614	(10,668,899)	(12,014,046)			

Note 1: These percentages represent the amount of funding received in comparison to the allowable amount under S.B. 96-170 (Sect. 39-29-109, CRS)

Analysis of Proposed Cuts Under DNR Balancing Plan

	Baseline FY 2009-10 Request	Proposed FY 09-10 Funding	\$ Change	% Change	Notes:
Tier I					
Geological Survey	\$2,704,988	\$2,704,988	\$0	N/A	
Oil & Gas Conservation	\$3,072,038	\$3,072,038	\$0	N/A	
Minerals and Geology	\$4,595,384	\$4,253,384	-\$342,000	-7.4%	Temporarily suspend reclamation of forfeited mine sites.
Water Conservation	\$1,319,250	\$1,019,250	-\$300,000	-22.7%	Temporarily reduce Severance Tax Grant Program by \$300,000 (roughly 25% reduction).
Colorado State Parks (S.B. 08-013)	\$1,234,056	\$1,234,056	\$0	N/A	
Colorado Division of Wildlife	\$1,569,144	\$1,569,144	\$0	N/A	
Tier II					
(a) Water Supply Reserve Account (S.B. 08-179)	\$10,000,000	\$4,000,000	-\$6,000,000	-60.0%	
(b) Soil Conserv Districts Matching Grants (HB 08-1393)	\$450,000	\$225,000	-\$225,000	-50.0%	
(c) Water Efficiency Grants (HB 05-1254 / SB 07-008)	\$0	\$0	\$0	N/A	
S.B. 07-008 Contingent Transfer	\$1,000,000	\$500,000	-\$500,000	-50.0%	
(d) B. (e) Species Conservation Trust Fund (Note #3)	\$9,000,000	\$6,498,070	-\$2,501,930	-27.8%	
(f) LEAP - HB 08-1200	\$13,000,000	\$6,500,000	-\$6,500,000	-50.0%	
(g) CO Renewable Energy Auth / Clean Coal (H.B. 08-1322)	\$0	\$0	\$0	N/A	
(h) Agriculture Value-Added Cash Fund (HB 08-1322)*	\$500,000	\$250,000	-\$250,000	-50.0%	
(i) Inhabitant Compact (H.B. 05-1177 / H.B. 08-1400)	\$1,145,087	\$322,534	-\$822,554	-71.8%	
(j) CO Water Research Inst (SB 06-183/HB 07-1096/HB 08-1405)	\$0	\$0	\$0	N/A	
(k) Forestry Grants / Bark Beetle (S.B. 08-071)*	\$3,000,000	\$3,000,000	\$0	0.0%	
(l) Tamarisk Control Grants (H.B. 08-1346)	\$0	\$0	\$0	N/A	
(m) Aquatic Invasive Species (S.B. 08-226)	\$4,006,005	\$4,006,005	\$0	0.0%	

* Baseline request includes funding proposed through a 2009 Special Bill.

As the Department of Natural Resources was developing its budget during the Fall of 2008, the Department was planning to spend \$14.5 million for Tier I programs (core spending for FTE and programs within six divisions of the Department of Natural Resources), \$39.5 million for Tier II programs (the lower priority and/or non-natural resource spending programs funded out of Operational Account), and \$12.0 million for new legislation. This \$66.0 million in planned spending was sharply in contrast to the projected \$16.1 million which will flow into the Operational Account in FY 2009-10 according to the most recent Legislative Council Staff forecast. The Office of State Planning and Budgeting is also forecasting a significant reduction in state severance tax revenues, with a projected \$27.2 million flowing into the Operational Account in FY 2009-10. Under both forecasts, spending from the Operational Account will need to be significantly reduced. Under statute, balancing of spending from the Operational Account will automatically occur through proportional reductions to Tier II programs. Under the Legislative Council Staff forecast, spending will need to be reduced by 56 percent. Under the OSPB forecast, spending will need to be reduced by 33 percent. This paper will outline a proposal by the Department of Natural Resources to balance spending to the lower of the two economic forecasts.

TIER I SPENDING:

The Department of Natural Resources is proposing two cuts to its Tier I spending plan as follows:

Forfeited Mine Site Reclamation

The Division of Reclamation, Mining, and Safety has identified thirty-five mine sites that have been abandoned due to mine operator bankruptcy. Although the State holds a reclamation bond for these sites, the bond was posted in the early years of the program when statutes capped the bond amounts. As such, additional state funding is needed to fully reclaim these sites, remove hazardous materials, and restore environmental degradation. Under this program, the Division was to have received \$342,000 per year for five years, starting in FY 2008-09, to clean up the thirty-five sites. Due to the significant shortfall in revenue, the Department is proposing to zero out funding for this program in FY 2009-10 (although work on projects funded in FY 2008-09 will likely continue into FY 2009-10).

Severance Tax Projects

This program funds short term projects and studies, as approved by the Colorado Water Conservation Board. Examples of items funded from this line item include groundwater studies, water supply planning, educational information, water project feasibility studies, water conservation planning, and flood protection planning/projects. While this line item has been funded at \$1,275,000 for the last several years, the Department proposes a one-time reduction to this line item of \$300,000 in FY 2009-10.

TIER II SPENDING:

Current law would require a cut of over fifty percent to Tier II programs if such cuts were not to be backfilled with the fifteen percent reserve created for all Tier II programs. It is important to note that backfilling of the proportional reductions makes budget balancing in future years more difficult because the fifteen percent reserve (roughly \$6.0 million in size) must be re-capitalized. Given these facts, the Department is proposing a baseline cut of fifty percent to most Tier II programs in FY 2009-10 (with a few exceptions, which are discussed below). This plan will balance FY 2009-10 spending from the Operational Account with projected revenues. Reflecting the fact that not all Tier II programs are of equal priority, this plan will propose program cuts ranging from zero percent (no cuts at all) to one hundred percent (program to be temporarily eliminated). Reflecting the overall health of the Account, the baseline cut applied to most programs is fifty percent.

Water Supply Reserve Account

The Water Supply Reserve Account is used to issue grants and loans for water supply projects, environmental projects, water supply studies, and environmental studies. The projects funded under this program must be approved by the Basin Roundtables established as part of the Interbasin Compact Committee program. This program will be reduced from \$10.0 million per year to \$4.0 million in FY 2009-10. This program would also be reduced by \$3.0 million in FY 2008-09 to allow additional moneys to remain unspent in the Account at the end of FY 2008-09.

Soil Conservation Districts Matching Grants

This program is administered by the Department of Agriculture. This grant program provides administrative and operating assistance to the Colorado's 77 conservation districts. The proposal would be to reduce this program by fifty percent, thereby reducing the operating support provided to the soil conservation districts.

Water Efficiency Grants

The Water Efficiency Grant program provides funds for water conservation and drought plans, water conservation plan implementation, public outreach, and public education. Under current law, this program is authorized to receive a \$1,000,000 transfer in FY 2009-10. Of this amount, roughly \$500,000 will be used for water efficiency grants, \$100,000 will be used for administrative costs and staffing, and \$400,000 will remain in the program's cash fund to provide funding for the program in FY 2009-10 and beyond. The proposal here is twofold. First, the transfer to the Water Efficiency Cash Fund would be cut in half to \$500,000 in FY 2009-10. Second, through the CWCBC Projects Bill, funding for the 1.0 FTE (\$75,000) would be moved to the CWCBC Construction Fund. This would allow a full \$500,000 in water efficiency grants to be made in FY 2009-10, would provide for all programs costs to

be fully paid, but would not provide any "banking" of moneys for FY 2010-11 and beyond. Since this program has no other revenue sources, program funding for future years will have to be addressed next year.

Species Conservation Trust Fund

The purpose of the fund is to assist in the conservation of native species that are, or may be, listed as "threatened or endangered" by the United States or Colorado. This bill typically funds wildlife research, fish conservation, the natural areas program, grouse conservation, and payments toward Colorado's obligation on the Platte River Recovery Program (Colorado's remaining obligation is about \$10.0 million). Under current law, \$9.0 million will flow from the Operational Account to the Species Conservation Trust Fund in FY 2009-10. While the Department has been contemplating legislation in the range of \$12.0 million to \$15.0 million in total, due to revenue constraints the Department is now proposing a transfer of 6.6 million for species conservation purposes. Much of the reduction will be taken by less aggressively paying off the State's obligation on the Platte River Recovery program, but reductions to other conservation programs will also be taken.

Low Income Energy Assistance Program (LEAP)

This program is administered by the Department of Human Services and the Governor's Energy Office. This program offers direct utility bill payment assistance as well as energy efficiency programs (weatherization) for low-income households. State funding for this program would be cut in half, from \$13.0 million under current law to \$6.5 million under the proposal. Some of the impacts of this cut may be minimized by the potential increase in federal low income energy assistance funding.

Agriculture Value-Added Cash Fund

This program is administered by the Department of Agriculture. This program promotes agriculture energy related projects and research, including biofuels development, biomass conversion, and wind and solar energy. While this \$500,000 per year program is currently scheduled to sunset at the end of FY 2008-09, the balancing plan would fund this program at half its normal amount (\$250,000) for FY 2009-10. This would reduce the number of projects and/or the amount of project assistance that could be provided under this program in FY 2009-10, but would allow the program to be reauthorized and potentially be fully funded in future years.

Interbasin Compacts

The funding for this program goes to support the interbasin roundtable process through contracting and staff support. This process is based upon the premise that Coloradans must work together to address the water needs within our entire state. The Interbasin Compact process creates a framework to encourage dialogue on water, broaden the range of stakeholders actively participating in the state's water decisions, and creates a locally driven process where limited decision-making power rests with those living in a particular river

basin. The proposal here is twofold. First, through the CWCB Projects Bill, \$500,000 related to funding of 4.0 FTE and basic Interbasin Compact Committee operations would be moved such that these critical expenses would be funded through the CWCB Construction Fund (a significantly more stable funding source from which to fund core operating expenses). Under this proposal, roughly \$650,000 in program expenses would continue to be funded out of the Operational Account. This \$650,000 provided for technical support of water roundtables through needs assessments and other studies provided by contractors. Under the proposal, the technical assistance funding would be reduced from roughly \$650,000 to roughly \$325,000 in FY 2009-10.

Forestry Grants / Bark Beetle

This program is administered by the State Forest Service, with some assistance from the Department of Natural Resources. This funding is used on cost share project that focus on improving the health of forests. For FY 2009-10, as part of a Governor's Initiative, legislation has been introduced which would increase the amount of funding for this purpose from the current level of \$1.0 million per year to \$3.0 million per year. While the current program has focused on Watershed Restoration projects, the funding increase will also allow the program to expand into areas such as wildfire preparedness, risk mitigation, providing technical assistance to local communities, and providing incentives for businesses to utilize beetle infested timber.

Aquatic Invasive Species

This funding goes to State Parks and the Division of Wildlife to try and stop the spread of aquatic nuisance species (ANS) like Zebra Mussels. For FY 2009-10, the baseline budget for this purpose is roughly \$4.0 million. This funding will provide for an educational campaign to inform boaters of the ANS problem and the associated precautions necessary to stop the spread of these species, as well as to fund boat inspections and boat washing at certain waters of the state. Unfortunately, when the budget for this program was developed, there was one confirmed case of zebra mussels in the State (at Pueblo Reservoir). Since that time, six additional waters have been found to be infected with zebra mussels. As such, the cost of containment is higher. To stop, or at least slow, the spread of zebra mussels, the Department believes it is important to avoid proportional reductions to this program. As such, this program will remain funded at \$4.0 million in FY 2009-10.

Department of Natural Resources
 Schedule 10
 FY 2009-10 Budget Request
 November 1 Budget Submission

Priority	Number	Division	Request	FTE	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Decision Items									
1	DI-1	Oil and Gas Conservation Commission	Administrative Support Staff and Contract Funding	4.0	\$246,154	\$0	\$246,154	\$0	\$0
2	DI-2	Colorado Geological Survey	Highway Avalanche Forecasting	0.0	\$34,456	\$0	\$0	\$40,456	(\$6,000)
3	DI-3	Executive Director's Office	Capitol Complex Leased Space Funding Mix	0.0	(\$28,332)	\$11,929	(\$40,261)	\$0	\$0
4	DI-4	Colorado Water Conservation Board	Contract Coordinator	1.0	\$74,011	\$0	\$74,011	\$0	\$0
5	DI-5	Colorado Geological Survey	Ground Water Resource Characterization for Climate Change Planning	0.0	\$148,044	\$0	\$148,044	\$0	\$0
6	DI-6	Colorado Water Conservation Board	Colorado River Specialist	1.0	\$101,825	\$0	\$101,825	\$0	\$0
7	DI-7	Executive Director's Office	Increased Funding for Leased Space	0.0	\$36,520	\$34,668	\$1,685	\$0	\$167
8	BA-1	Executive Director's Office	Increased Funding for Leased Space	0.0	\$41,999	\$24,758	\$17,241	\$0	\$0
9	DI-8	Colorado Water Conservation Board	Decision Support System Staff and Operation	2.0	\$175,690	\$0	\$175,690	\$0	\$0
10	DI-9	Colorado Water Conservation Board	Legal Protection and Acquisitions Specialist and Legal Assistant	1.5	\$0	\$0	\$0	\$0	\$0
11	DI-10	Reclamation, Mining, and Safety	Abandoned Mine Reclamation Fund Balance	0.0	\$20,000	\$0	\$20,000	\$0	\$0
12	DI-11	Colorado Water Conservation Board	Vehicle Leased Space	0.0	\$0	\$0	\$0	\$0	\$0
13	DI-12	Water Resources	Satellite Monitoring System	0.0	\$30,000	\$0	\$30,000	\$0	\$0
14	DI-13	Colorado Geological Survey	Additional Field Vehicle	0.0	\$1,084	\$0	\$1,084	\$0	\$0
Total - Decision Items				9.5	\$881,451	\$71,355	\$775,473	\$40,456	(\$5,833)
Base Reduction Items									
1	BR-1	Water Resources	Online Water Information	-2.0	(\$84,000)	\$0	(\$84,000)	\$0	\$0
Total - Base Reduction Items				-2.0	(\$84,000)	\$0	(\$84,000)	\$0	\$0
Non-Prioritized Items									
N/A	NP-1	Statewide	Postage Increase and Mail Equipment Upgrade	0.0	\$96,396	\$12,127	\$82,833	\$670	\$766
N/A	NP-2	Statewide	Statewide Fleet Operating	0.0	\$1,545,396	\$318,831	\$1,202,233	\$4,030	\$20,302
N/A	NP-3	Statewide	Statewide Vehicle Lease Payments	0.0	(\$7,023)	\$35,868	(\$19,563)	\$0	(\$23,328)
N/A	NP-4	Statewide	Statewide Workers Compensation Adj	0.0	\$1,811	\$47,939	(\$66,351)	\$17,797	\$2,426
Total Non Prioritized Items				0.0	\$1,636,580	\$414,765	\$1,199,152	\$22,497	\$166
Grand Total November 1, 2008				7.5	\$2,434,031	\$486,120	\$1,890,625	\$62,953	(\$5,667)

Department of Natural Resources
 Summary of Proposed 10.0% Reductions
 FY 2009-10
 January 23, 2009

Priority	Yes or No		Enter One	Division	Title	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	Other Department(s) Affected
	Corresponding FY 2008-09 Impact -- Yes or No?	One Time or Base/Ongoing?										
1	YES	Ongoing		DNR-Wide	Cellular Phones Cost Reduction	(\$106,645)	(\$25,602)	(\$78,946)		(\$2,097)		
2	NO	Ongoing		DNR-Wide	End Department Participation in Colorado State Fair	(\$75,773)	(\$19,959)	(\$46,179)		(\$9,635)		AG
3	YES	Ongoing		EDO	Reduce EDSYS Contract	(\$7,415)	(\$7,415)					
4	YES	Ongoing		PARKS	VOIP	(\$14,804)	(\$14,804)					
5	YES	Ongoing		PARKS	Legal Services Reduction / Refinance	\$0	(\$50,000)	\$50,000				LAW
6	YES	Ongoing		PARKS	Field Uniforms & Supplies	(\$48,000)	(\$48,000)					
7	YES	Ongoing		PARKS	Ruggedized Laptops	(\$25,000)	(\$25,000)					
8	YES	3 Years		DWR	Increase DWR Cash Fees	\$158,932	(\$3,154,575)	\$3,154,575	\$158,932			
9	YES	Ongoing		PARKS	Accounting Temps	(\$5,000)	(\$5,000)					
10	YES	Ongoing		PARKS	Director's Office Operating and Travel	(\$15,000)	(\$15,000)					
11	YES	Ongoing		PARKS	Trails Program Operating	(\$12,000)	(\$12,000)					
Total - Reductions						(\$150,705)	(\$3,377,355)	\$3,079,450	\$158,932	(\$11,732)	0.0	