DEPARTMENT OF NATURAL RESOURCES
FY 2011-12 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 14, 2010
1:30 pm – 5:00 pm

1:30-1:40 INTRODUCTIONS AND OPENING COMMENTS

1:40-2:00 COMMON HEARING QUESTIONS

1. **Please identify your department's three most effective programs and your department's three least effective programs, and explain why you identified them as such. How do your most effective programs further the department's goals? What recommendations would you would make to increase the effectiveness of the three least effective programs?**

   On the following pages, the Department has written short fact sheets Outdoor Recreation (Most Effective); Water Administration (Most Effective); Colorado Avalanche Information Center (Most Effective); Water Supply (Least Effective); Public Education Advisory Council (Least Effective); 4 State Parks (Least Effective). The factsheet attempt to provide all of the information requested in the JBC's Common Question #1 and #2.

2. **For the three most effective and the three least effective programs identified above, please provide the following information:**

   a. **A statement listing any other state, federal, or local agencies that administer similar or cooperating programs, and outline the interaction among such agencies for each program;**

   b. **A statement of the statutory authority for these programs and a description of the need for these programs;**

   c. **A description of the activities which are intended to accomplish each objective of the programs, as well as, quantified measures of effectiveness and efficiency of performance of such activities;**

   d. **A ranking of the activities necessary to achieve the objectives of each program by priority of the activities; and**

   e. **The level of effort required to accomplish each activity associated with these programs in terms of funds and personnel.**

Department of Natural Resources – Most Effective Programs
Outdoor Recreation

1A – Why Identified As Most Effective - Tourism is an important part of Colorado's economy. Colorado's beautiful mountain and prairie landscapes, lakes and reservoirs, and other abundant natural resources offer a wealth of world class outdoor recreation opportunities. The Department of Natural Resources is proud to play a role in this regard and has listed these programs as most effective given their roles in helping to bolster Colorado's tourism industry. Two particular sub-programs come to mind as part of the larger Outdoor Recreation Program, including:

- **Hunting and Fishing**: Colorado has some of the best hunting and fishing opportunities in the United States. A significant number of sportsmen come to Colorado to hunt the State's deer and elk as well as to fish in our Gold Medal trout streams. Other people come to Colorado for the many watchable wildlife opportunities in this beautiful state. These three activities are an important part of Colorado's tourism economy. BBC Research & Consulting studied the impact of these activities and found the following: (1) hunters and fishers spend an estimated $1.0 billion on trip expenses and sport equipment (with an estimated economic impact of $1.8 billion if you count secondary impacts); (2) hunting and fishing support an estimated 21,000 full-time jobs in Colorado; (3) non-residents contribute about 18% or $186 million of the trip and equipment expenditures; (4) wildlife watching activities contribute roughly $703 million toward Colorado's economy ($1.2 billion if you count secondary impacts) and support an additional 12,800 jobs in Colorado, and; (5) 59 percent of the economic activity associated with watchable wildlife comes from non-Colorado residents. [Source: BBC Research & Consulting, September 26, 2008 "The Economic Impacts of Hunting, Fishing, and Wildlife Watching in Colorado].

- **State Parks**: Each year twelve million visitors to Colorado State Parks spend roughly $571 million in local communities as part of their parks visit. Non-local visitors (people who travel 50+ miles to visit a state park) generate about 70% of the economic impact ($396 million toward local economies). [Source: Corona Research, Inc's 2009 report titled "Colorado State Parks Marketing Assessment: Visitor Spending Analysis, 2008-2009"].

IB – How Does Program Further the Department's Goals – One of the Department goals per the 2010 Strategic Plan is to - *manage and conserve healthy and sustainable wildlife populations for the benefit of current and future Coloradans*. In order to meet this goal DOW funds research projects, game management, education as well as protecting species of concern or at risk and threatened and endangered species. Having a healthy and sustainable wildlife population benefits local communities statewide as noted in the response above.

The sale of entrance passes and collection of user fees at generates a little over one-quarter of State Parks' revenue stream. These revenues help pay a significant portion of the cost of maintaining the state park system. Additionally, the outdoor recreation opportunities on State Parks provide the basis for eligibility to receive GOCO, lottery, and significant federal funds. The outdoor recreation program at State Parks serves over 12 million visitors per year.

2A – Other Similar / Cooperating Programs – The Colorado Division of Wildlife is the sole agency responsible for managing Colorado's wildlife. However, federal "Pittman-Robertson" and "Dingell-Johnson" moneys administered by the U.S. Fish and Wildlife Service provided assistance in managing Colorado's hunting and fishing programs.

The federal government is a major landholder in Colorado, owning roughly 35% of the total land. Much of these federal lands are opened to the public for outdoor recreation. In addition to Colorado's four National Parks (Rocky Mountain National Park, Mesa Verde, Great Sand Dunes, and the Black Canyon of the Gunnison National Park), there are a number of national recreation areas, national wildlife areas, and national forests which offer recreational opportunities. Local governments also own various land parcels and open spaces, also offering boating, hiking, and other outdoor recreational opportunities.

2B – Statutory Authority & Statement of Need – The State Park system is authorized in Sections 33-10-101 to 33-13-116, C.R.S., as well as Section 33-60-101, et seq. The Division of Wildlife's hunting and fishing programs are authorized in Sections 33-1-101 et seq. and 33-5-101 et seq.

State Parks attracts over 12 million visitors per year to Colorado's 42 state parks, offering diverse and high quality outdoor recreation to both residents and tourists. In addition to maintaining some priceless properties and natural resources as a legacy for future generations, the Division manages 4,376 campsites, 42 cabins and yurts, and 225,620 acres for outdoor recreation purposes.

The mission of the Colorado Division of Wildlife is to perpetuate the wildlife resources of the State and to provide people with the opportunity to enjoy that wildlife. The Division's Fishing program provides high quality game and non-game fish for stocking the state lakes, reservoirs, and streams, and also provides for the preservation and recovery of Colorado's native fish species, and manages the Division's Aquatic Nuisance Species prevention program. The Fishing program serves approximately 690,000 anglers each year. Colorado offers outstanding and diverse hunting opportunities and hunter education. Big game opportunities include deer, elk, moose, bear, pronghorn, bighorn sheep, mountain lion, and mountain goat. Small game opportunities and also abundant and include multiple species of duck, quail, pheasant, and other small game. Nearly 290,000 hunters participate in the Division's Hunting program each year

2C/D – Program Activities and Priorities - The Division of Parks and Outdoor Recreation's four most important goals and objectives, as well as quantifiable performance measures, are contained on pages 118 through 122 of the Department's FY 2011-12 Budget Request.

The Division of Wildlife's five most important goals, as well as quantifiable performance measures, are contained on pages 140 through 145 of the Department's FY 2011-12 Budget Request.

2E – Level of Effort - In FY 2010-11, it will cost $29.8 million to operate Colorado's state park system, including 255.7 FTE. In addition to these FTE, as many as 742 seasonal employees are required to operate the state park system during the busy summer season.

In FY 2010-11, the Division of Wildlife will spend $14.8 million, including 65.06 FTE, operating its Fishing Program, which includes the operation of state fish hatcheries as well as the purchasing of fish private hatcheries

In FY 2011-12, the Division of Wildlife will spend $14.0 million, including 98.17 FTE, operating its Hunting Program, which includes management and research of all game species.

In addition, the Division will spend $13.3 million, and 139.14 FTE, providing customer service, education, and law enforcement through wildlife officers in the field. These figures do not include the costs of the licensing program, which is a separate function.

Department of Natural Resources – Most Effective Programs
Water Administration

1A – Why Identified As Most Effective – The Division of Water Resources is responsible for the supervision and management of surface and ground water resources in Colorado and for delivery of water to downstream states per interstate compact obligations. Water administration is the Division of Water Resources' principal duty, requiring daily oversight of the priority system that distributes water to farmers, industries, municipalities, recreational interests, downstream states, and other users. Water administration is conducted within a regulatory environment in which limited water supplies are distributed in time, amount, and location to adjudicated water rights based upon their respective water right priorities and available water supplies.

Water arising in Colorado is used to irrigate approximately three million acres, supporting a seven billion dollar agricultural economy, and to provide water for over five million citizens. Colorado water is also supplied to downstream states per interstate compacts. However, water is a limited natural resource and the demand for it always exceeds available supplies. Therefore, water administration must be performed in the most effective and efficient manner possible to maximize the beneficial use of this resource with minimal waste.

The water administration program is effective because the Division of Water Resources equitably, efficiently, and effectively administers the complex priority system of water rights in Colorado to maximize water use and reuse, to protect the vested property rights of water rights holders, and to meet Colorado's compact obligations. Satellite based technology has vastly improved the manner in which the Division administers and distributes water, promoting cost effectiveness and timely management decisions. The Division maintains a comprehensive system of remote-sensing equipment that is housed in river gauging stations to provide near-instantaneous stream flow information via satellite relay. The electronic access to current stream flow data allows staff to monitor fluctuating water supply conditions remotely. This access reduces the necessity of frequent site visits and associated travel expenses to conduct stream flow measurements. It also creates an environment in which rapid water allocation decisions can be made to maximize the beneficial use of water in Colorado and decrease the likelihood for interstate compact violations.

IB – How Does Program Further the Department's Goals – The Department's goal is to maximize the beneficial use of available water resources in Colorado and to comply, and ensure other states' compliance, with interstate compacts. Interstate compacts are congressionally approved legal contracts that are ratified by each state to equitably apportion water supplies among the states who share an interstate river. The State Engineer is vested with responsibility for administration of interstate compacts on behalf of Colorado. The Department's goal is accomplished through effective water administration and enforcement of all applicable laws. Through the water administration program the Division of Water Resources assures that Colorado's senior water right holders, who rely on water for their livelihoods, are protected from out-of-priority water diversions and that Colorado maximizes its use of allocated water while maintaining compliance with its interstate water compacts.

2A – Other Similar / Cooperating Programs – The Division of Water Resources is the sole agency responsible for enforcing water laws and administering water to comply with Colorado's interstate compacts.

2B – Statutory Authority & Statement of Need – The Division of Water Resources is authorized to administer water pursuant to the Colorado Constitution Article XVI, Sections 5 and 6; and the Colorado Revised Statutes, Sections 24-72-201, et seq., 37-80 through 37-92, et seq., and 37-61 through 37-69, et seq. Under these laws, the Division of Water Resources administers approximately 150,000 water rights, 1,900 dams, 560 stream gauging stations in Colorado, nine interstate compacts, two U.S. Supreme Court decrees, and one treaty with the Republic of Mexico. Water administration is critical to ensure the fiscal welfare of Colorado citizens and businesses; economic values will be lost without an orderly, equitable, and enforceable water administration system. Absent administration, water users with junior water rights will divert water that they are not entitled to, causing economic harm to senior water right owners. Further, Colorado would fail to meet its interstate compact obligations, which subjects the State to extensive interstate litigation and sanctions imposed by the U.S. Supreme Court that may include barring diversion of water within the State of Colorado, monetary compensation, or a combination thereof. Such an occurrence would devastate economic interests in Colorado, as well as adversely impacting state budgets.

Several state and national media sources regard the Division of Water Resources' staff as experts on a variety of water topics, including water administration, aquifer recharge, rain water harvesting, and dam and national levy safety. International guests from France, Germany, South

Korea, China, and Australia have come to Colorado to meet with the State Engineer and his staff to gain perspective on how Colorado administers water.

2C/D – Program Activities and Priorities – The individual activities, goals, and objectives of the Division of Water Resources are inextricably intertwined with each other and all contribute to the health, safety, and welfare of Colorado citizens; one program cannot operate without the other. Activities and goals include water administration effectiveness and enforcement, public information and assistance, and conservation of water resources. Quantifiable performance measures of effectiveness and efficiency of these program goals are contained on pages 132 through 136 of the Department's FY 2011-12 Budget Request. Goals include: (1) optimizing the availability of water supplies in time, place, and amount by successive reuse of water (measured by the ratio of water diverted and stored in Colorado compared to the water existing the State); (2) ensuring the effective distribution and compliance with applicable water laws (measured by the percent of formal regulatory orders issued by DWR compared to the total number of surface and ground water structures actively diverting water); (3) providing current and historical hydrologic information to the public (measured by customer satisfaction), and; (4) reducing demand on water supplies through conservation programs (measured by the total number of acres retired from water conservation programs).

2E – Level of Effort – In FY 2010-11, it will cost $24.8 million and 252.1 FTE to fulfill all water administration duties of the Division of Water Resources. In addition to these FTE, several part-time temporary employees are required to assist field staff during the height of water season in the spring and summer.

Due to the increasingly complex legal framework under which the Division of Water Resources administers water rights, the workload of the Division has increased considerably in recent years. Unfortunately, staffing has been reduced due to the budget crisis and has not kept pace with this growing workload. The Division of Water Resources has partially mitigated the detrimental effect of staff reductions by a staffing reorganization and utilizing technology to increase staff efficiency and effectiveness.

Department of Natural Resources – Most Effective Programs
Colorado Avalanche Information Center

1A – Why Identified As Most Effective – Avalanches are one of the most dangerous natural hazards in Colorado. However, in part due to the success of the Colorado Avalanche Information Center (CAIC), the number of avalanche fatalities per 100,000 people has been generally declining in Colorado. Furthermore, Colorado's transportation system and winter recreation industry are heavily affected by avalanche conditions, which can cause large economic losses if unaddressed. The CAIC, a program of the Colorado Geological Survey, provides accurate and current information on avalanche conditions throughout the state to support avalanche hazard mitigation along state and federal highways, ski area and guiding operations, and private recreational use. The CAIC also provides education on snow, mountain weather, and avalanches to groups ranging from elementary schools, to college students and working professionals. Arguably, CAIC is the largest comprehensive and coordinated avalanche forecasting center in the world.

The CAIC is made up of four sub-programs:

- **Mountain Weather Forecasting –** The CAIC issues a 36-hour weather forecast twice a day for ten backcountry forecast zones. The forecasts are for mountainous areas at 11,000 feet. The CAIC also issues a 36-hour point forecast for seven mountain passes once a day for the Colorado Department of Transportation (CDOT) avalanche hazard mitigation program.
- **Highway Avalanche Forecasting:** The CAIC issues avalanche forecasts for27 road corridors. The forecasts are application-specific for highway maintenance operations. CAIC staff makes recommendations on the timing and location of road closures and avalanche hazard mitigation missions. CDOT managers use these products to conduct highway operations. During mitigation missions, CAIC staff accompanies CDOT staff and make recommendations on the type and location of explosive placement. They also record explosive use and avalanche occurrence.
- **Backcountry Forecasting**: The CAIC issues avalanche forecasts for 10 backcountry zones once a day and update these products as conditions warrant. The staff conducts field work to observe and document snow, weather, and avalanche conditions in these areas. The forecast products summarize conditions and avalanche potential for a 24-hour period. The products are available on a website, seven telephone hotlines, Twitter, and various radio and television stations. The CAIC also issues Avalanche Watches, Avalanche Warning, and Special Avalanche Bulletins through the National Weather Service Warning System. These products are disseminated through the National Weather Service systems and delivered directly to public safety organizations and media outlets.

- **Avalanche Education**: The CAIC staff trains user groups on avalanche safety for a variety of applications. The trainings typically include: the science of snow, weather and avalanches; avalanche terrain recognition; snow stability assessment; avalanche rescue; route selection and safe travel techniques; avalanche hazard mitigation techniques. Audiences range from youth groups and schools to recreational groups, college courses, professional groups, and work-place safety applications.

1B – How Does Program Further the Department's Goals – The CAIC protects people and property by reducing or eliminating short and long-term risks from avalanches. Avalanches not only take lives and destroy property; they damage local and regional economies. Local communities and regional industries all suffer serious economic losses when avalanches close transportation corridors causing lost visitor days and increased transportation costs. Colorado's Ski Industry, CDOT, and others use the CAIC forecasting, online tools, and maps to avoid or reduce their vulnerability and losses to avalanche hazards. CAIC also increases public safety through extensive educational programs and educational aids readily available to the public.

2A – Other Similar / Cooperating Programs – The CAIC is a unique program in the United States and arguably the largest coordinated avalanche forecasting group in the world. It is a statewide group focused on avalanche safety. The CAIC works closely with the Colorado Department of Transportation, the National Weather Service, the USDA-Forest Service, Colorado Mountain College, ski areas, guiding services, local governments, search and rescue groups, and private avalanche schools.

The CAIC's director (Ethan Greene) is the main author of *Snow, Weather, and Avalanches: Observation Guidelines for Avalanche Programs in the United States* (American Avalanche Association, 2010), which is the industry standard for data collection and used as an operational tool and textbook for training programs and college classes. Ethan was a member of a working group formed by the *International Association for Cryospheric Sciences* that recently revised *The International Classification for Seasonal Snow on the Ground* (UNESCO, 2009). He was part of the second portion of a project funded by the Canadian Rescue Secretariat entitled Avalanche Decision Framework for Amateur Recreationalists (ADFAR2), which produced a new avalanche danger scale now used by all forecasting groups in North America. Mark Mueller, (CAIC forecaster for Wolf and Monarch Passes) is the Executive Director of the American Avalanche Association (AAA), an organization of avalanche professionals in the United States. Brian Lazar (CAIC Deputy Director) is the Executive Director of the American Institute for Avalanche Research and Education, a non-profit group that provides avalanche education curricula to public and private avalanche schools. Brad Sawtell (CAIC forecaster for the Vail/Summit County and Sawatch backcountry forecast zones) represents Certified Avalanche Instructors on the AAA's Governing Board.

The CAIC's work and collaboration stretch across the country and to international partners. Spencer Logan (CAIC forecaster in Boulder) maintains the national database of avalanche accidents that contains over 100 years of records. The CAIC is currently collaborating with the WSL-Swiss Federal Institute (WSL stands for "Wald, Schnee und Landschaft" or Forests, Snow, and Land in German) for Snow and Avalanche Research on using numerical snow cover models for avalanche forecasting. The CAIC is forming a partnership with the Canadian Avalanche Center to exchange techniques and forecasting tools. Avalanche forecasters and public safety officials from Norway, Switzerland, France, Italy, Andorra, Uzbekistan, New Zealand, Chile, Argentina, and Japan have visited the CAIC or enquired about tools or techniques in recent years.

2B – Statutory Authority & Statement of Need – The Colorado Avalanche Information Center is authorized in Section 34-1-101(2), C.R.S (2010). Colorado's population has risen 38% since 1990 and more folks are participating in backcountry activities; however, the number of avalanche deaths per 100,000 population has decreased. Four other states that have similar topography, Alaska, Utah, Montana, and Wyoming, have all experienced a dramatic increase in avalanche deaths per 100,000. As the population continues to increase each year, the CAIC attempts to keep this measured outcome on a downward trend. CDOT and local governments use CAIC avalanche forecasting information to reduce the costs of avalanche mitigation and road closures; thereby reducing maintenance costs and economic losses from transportation delays. The Ski and Recreation Industries, backcountry rescue teams, guides, commuting workers, and local businesses rely on CAIC forecasting, online tools, and maps to access and manage their vulnerability and losses to avalanche hazards.

The purpose of the CAIC is to minimize the economic and human impact of snow avalanches on recreation, tourism, commerce, industry and the citizens of Colorado. Since 1950, avalanches have killed more people in Colorado than any other state. Since 1995, avalanches have killed more people in Colorado than any natural hazard, and in the United States, Colorado accounts for one-third of all avalanche deaths.

2C/D – Program Activities and Priorities - The CAIC's main quantifiable performance measure is contained on Pages 94 and 95 of the Department's FY 2011-12 Budget Request. This measure tracks the number of avalanche deaths per 100,000 population per year. The CAIC benchmark is to reduce avalanche deaths to less than 0.122 deaths per 100,000 Coloradoans.

2E – Level of Effort - In FY 2010-11, it will cost approximately $768,000 to operate the CAIC, including 7.7 FTE divided between ten permanent part-time state employees. In addition to these FTE, four seasonal employees are required to assist in forecasting and education during the winter avalanche season. Approximately 50% of the funding to run the CAIC comes from a contract and intergovernmental agreement with CDOT. About half of the backcountry program or 25% of the total budget comes from Severance Tax. The remaining 25% comes from education courses, small grants, local governments, fund raising events, and private donations.

Department of Natural Resources – Least Effective Programs
Water Supply

1A – Why Identified As Least Effective - In planning for Colorado's future water supply needs, the Colorado Water Conservation Board (CWCB) has estimated that the total municipal and industrial water needs of the State will grow by between 600,000 and 1,000,000 acre feet by the year 2050. In large part, this growth in demand for water reflects estimates that Colorado's population will roughly double by the year 2050. There are a wide variety of projects and activities that, if successfully implemented, have the ability to meet a portion of this growth in the demand for water by municipal and industrial sources. Depending on the success of these planned projects and activities, there will still be a "gap" between estimated water demand and the supply of water provided by both current water supplies plus water that would be provided by local water providers' projects and plans. This gap is estimated at 200,000 to 600,000 acre feet of water in 2050.

One of the Department's seven major objectives, as contained in the FY 2011-12 DNR Strategic Plan, is to increase water storage to meet long term water supply needs. Since 1971, the CWCB has authorized 417 water projects. These water projects have added additional water storage, helped Colorado meet interstate water compacts, helped Colorado use the water it has more efficiently, and provided water for endangered species protection. In part due to the State's long term budget problems, however, the CWCB has been unable to allocate the financial resources it would otherwise have had towards water projects over the last two years. As such, the CWCB has only been involved in 1,276 acre feet of additional water storage being added over the course of FY 2008-09 and FY 2009-10.

IB – How Does Program Further the Department's Goals – The CWCB Loan Program, operated through the CWCB's Finance Section, is the primary program aimed at meeting the Department's water supply goals. The Loan Program offers low interest loans to local water providers and agricultural entities to support locally driven water projects. In many cases, the Loan Program is the only viable option for small municipalities, water districts, ditch or canal companies, and reservoir companies to obtain project funding, given the financial structure of the borrowers and their available collateral. Hundreds of water projects throughout the State have taken advantage of the Loan Program to make critical improvements to their water systems, helping the CWCB meet the overall objective of meeting Colorado's water supply needs.
The CWCB Loan Program also has additional benefits. Many of the water supply projects funded through the Loan Program provide water for instream flows purposes and/or for interstate water compact compliance purposes. For example, the CWCB loaned $60 million to build a pipeline to deliver water to the Kansas-Colorado state line, which will be essential in helping Colorado comply with the Republican River Compact.

2A – Other Similar / Cooperating Programs – The Colorado Water Resources and Power Development Authority is an independent government authority that may issue loans of up to $500 million per borrower per project.

2B – Statutory Authority & Statement of Need – The powers and duties of the Colorado Water

Conservation Board are broadly laid out in Title 37, Article 60, Colorado Revised Statutes. More specifically, the CWCB Construction Fund is created under 37-60-121, C.R.S. and the Perpetual Base Account is created under Section 39-29-109 (2)(a).

A primary objective of the Colorado Water Conservation Board and the Department of Natural Resources is to help Colorado plan for its water supply future. Local water projects and plans alone will not meet the significant growth in municipal and industrial water demand projects by the year 2050. As such, the CWCB provides financial resources to assist in implementing critical water supply projects. As noted previously, many smaller projects and small water providers that may not otherwise get off the ground are funded through this program. By proactively and comprehensively addressing Colorado's future water supply needs, CWCB hopes to reduce the overall cost of providing water for the State's needs and hopes to reduce the reliance on drying up agricultural lands as the default way of providing additional water supply for municipal and industrial needs.

2C/D – Program Activities and Priorities – Before receiving loan moneys, a project sponsor must show that the project is technically and economically feasible. Projects are then review by CWCB Staff, who make recommendations to the Board on project feasibility and the loan request. The CWCB generally prioritizes small water projects, projects by small water providers, and other projects that have no alternative sources of financing. The single most important measure of the program's effectiveness is the amount of additional water supply added by the Loan Program. As noted earlier, Colorado has only added 1,276 acre feet of additional water storage over the last two fiscal years.

Another related measure is the amount of incremental miles of streams where CWCB actively manages water rights to leave water in the stream for purposes of improving wildlife habitat. Miles under management by CWCB can be added through water projects funded by the Loan Program, but generally are either donated to the State or acquired by the State. Acquisition can involve either the purchase of a more senior water right or the filing of a junior water right. Over the last two actual years, CWCB has added 190 miles of instream flow protection, for a total of 8,901 miles of protection.

The CWCB currently has a "Loan Prospect List" which identifies roughly $125,000,000 of projects that are in the pipeline and could likely be implemented in the next several years if project financing can be secured. Helping to implement these projects are the "activities" that will be necessary for CWCB to meet its water supply objectives. One particularly large and important project in this regard is the Chatfield Reservoir Reallocation Project. The project will look at re-assigning storage space in Chatfield Reservoir that is currently used for flood control purposes. If successful, the project would use Chatfield's storage space for both flood control and meeting municipal, industrial, agricultural, and recreational uses. In this regard, the project has the potential to provide water for agriculture and up to 32,000 homes, which will help to reduce consumption of non-tributary groundwater in the Metro Denver area. The CWCB is actively working on this project with the federal government, state agencies, a large number of local water providers, interest groups, and the public.

2E – Level of Effort - In FY 2010-11, it will cost approximately $810,000 and 7.0 FTE to operate the CWCB Finance Section. This dollar figure includes personal service and operating costs. In a typical year, the CWCB spends between $20.0 to $50.0 million in loans and grants in support of water projects.

Department of Natural Resources – Least Effective Programs
Wildlife Management Public Education Advisory Council (PEAC)
& Wildlife Management Education Fund

1A – Why Identified As Least Effective - The Public Education Advisory Council and Wildlife Management Education fund was created through HB98-1409 in response to ballot initiatives that restricted hunting in Colorado and the desire of sportsmen to avoid future restrictions on hunting by educating the public on the benefits provided to them by hunting in Colorado. The Council has been very effective in educating the public on this topic, and the program is identified as least effective only because at the present time there are no ballot initiatives on the horizon that suggest such a campaign is necessary and that the Council has fulfilled the intent for which it was established. PEAC is codified in Section 33-4-120. C.R.S. that created the Wildlife Management Public Education Advisory Council (PEAC), and provided for a surcharge of $0.75 per fishing and hunting license sold to promote the positive role that hunters and fishermen play in wildlife management. This legislation was promoted primarily by hunters concerned about the passage of Amendment 14 which banned trapping, and Amendment 10 which banned spring bear hunting and the use of bait and hounds for bear hunting. Anticipating further attempts to ban hunting or fishing, hunters advocated for the creation of PEAC , including a funding mechanism to educate the public in hopes that an informed public would not support similar efforts in the future. This 9-person Council, appointed by the Director of the Division of Wildlife (DOW), is comprised of east and west slope hunters and anglers, a local county and a local municipal representative from a county and a city, respectively, that benefits from these activities, a person knowledgeable about marketing, a DOW representative, and an agricultural producer. The Council has a FY 2010-11 budget of approximately $1.1 million dollars, the majority of which is spent on a media campaign to educate Colorado citizens about the positive role that hunting and fishing play in wildlife management.

IB – How Does Program Further the Department's Goals – Hunting is the primary mechanism used to control big game populations and predators in Colorado. Additionally, the sale of non-resident deer and elk licenses make up roughly two-thirds of DOW's revenue stream. In this regard, hunting license revenue not only fully pays for the cost of the DOW's hunting program, but it also helps to fund programs to protect threatened and endangered species, as well as other species which are or may become imperiled. To the extent that the PEAC efforts to inform voters successfully deters ballot initiatives that would restrict hunting, the program is supportive of both the DOW's revenue stream and their ability to manage wildlife in accordance with the capacity of the habitat and social tolerance. The PEAC program supports the Department's Goal to "Protect the Diversity of Colorado's Wildlife (DNR-1) through minimizing the Number of species on the "Species of Greatest Conservation Need" list.

2A – Other Similar / Cooperating Programs – DOW has a variety of programs related to Information and Education, including Colorado Outdoors, a bi-monthly magazine, DOW Insider (an e-mail messaging system), press releases, video releases, as well as the individual contributions of DOW officers and biologists in local communities that touch on the positive role that hunters and anglers play in wildlife management. At the time the PEAC program was created, sportsmen were not satisfied with the results/outcomes of these efforts and sought an additional dedicated program and funding source sufficient to buy T.V. time.

2B – Statutory Authority & Statement of Need – The PEAC program and associated license surcharge are authorized in Sections 33-4-102 and 33-1-112, C.R.S. The need for this program is to educate voters about the positive role sportsmen play in wildlife management in Colorado and to protect against ballot initiatives put forward by anti-hunting groups that would further erode hunting options and the Division's ability to manage wildlife . The PEAC Council has evaluated the effectiveness of the media campaigns each year through a pre and post-campaign survey of public perceptions about the role that sportsmen play in wildlife management. The survey results show that all facets of the media campaign have been well received by the public, and the campaign has raised public awareness. Following the most recent campaign, 68% of likely voters surveyed recalled seeing the messages. The percentage of survey respondents that recall Colorado sportsmen and their role increased by 13 percentage points, and 64% of likely voters are now aware that "fees from hunting and fishing licenses" are more significant to funding wildlife management than "taxes. Directly related to the goals of this program, 75% of Colorado voters support hunting with current or less regulation than exists today.

The campaign and program have been effective; the relevant question to determine whether this has been an efficient expenditure of public funds is the "shelf life" of public opinion. Will public opinion be swayed a year or two from now - or ten years hence - when and if the next ballot initiative comes along, or could PEAC be as effective suspending efforts temporarily until such time as the need is more urgent? Alternatively, the PEAC campaign does provide relatively inexpensive insurance (at $0.75 per license purchaser) and there may be a value in consistent repeated messaging over time.

2C/D – Program Activities and Priorities – PEAC has employed a variety of media strategies to communicate its statutorily mandated message, and to evaluate effectiveness of its campaign. Based on 2009 expenditures as a measure of priorities, expenditures included TV spots ($587,000), internet messaging ($71,000), billboards ($45,000), radio spots ($26,000), and research on effectiveness ($70,000).

2E – Level of Effort – PEAC expenditures increased to about $1.1 million in FY 2009-10 and FY 2010-11. Expenditures will decline to approximately $862,000 in future years to match the current revenue stream as carryover funds from the program ramp-up are exhausted.

Department of Natural Resources – Least Effective Programs
Four State Parks (Bonny Lake, Paonia, Sweitzer, and Harvey Gap)

1A – Why Identified As Least Effective - As part of comprehensive approach to insuring long term financial sustainability of the State Park System, the Parks Board recently undertook an analysis of the "strategic fit" of each of the 44 parks in the State Park system (including the two not yet open to the public). To do this, an evaluation tool was developed that incorporates 16 different criteria, covering natural resources, social and economic factors, management considerations, and cultural resources. This evaluation is discussed in considerable detail in State Parks' recently completed Five Year Financial Plan. Using this evaluation tool, Paonia, Sweitzer and Harvey Gap were the lowest scoring parks. Bonny Lake was the 8^{th} lowest scoring park, but faces severe long term water issues. Because of this, its future as a state park is in doubt.

IB – How Does Program Further the Department's Goals – The sale of entrance passes and collection of user fees at generates a little over one-quarter of State Parks' revenue stream. These revenues help pay a significant portion of the cost of maintaining the state park system. Additionally, the outdoor recreation opportunities on State Parks provide the basis for eligibility to receive GOCO, lottery, and significant federal funds. The outdoor recreation program at State Parks serves over 12 million visitors per year.

1C – Recommendations to Increase Effectiveness - In November, 2010 the Parks Board approved a Five Year Financial Plan for the Division, the purpose of which was to identify the steps necessary to insure the financial sustainability of the park system in the future. As part of this plan, the Parks Board has directed the Division to take steps to reduce expenses (including investing in energy-efficiency retrofits), generate additional revenues through engaging federal, local and private partners and stakeholders, and explore more dramatic measures, such as transferring park operations to other entities. In particular, the Board has directed the Division perform due diligence studies to prepare for the possible removal of these four parks from the State Park system.

For each of these four parks, there are a myriad of potential challenges associated with making significant changes in park operations, including transferring the park to other entities. These arise from the land ownership situation, restrictions on grant funds used to improve or manage the parks, existing lease agreements, and so on. For example, Sweitzer State Park is the only park out of the four for which State Parks owns the land under the park. However, the land under Sweitzer State Park, although owned by State Parks, contains numerous deed restrictions including that the land continue to be used for park purposes. Each of these parks is heavily used by the local community and any change in park management would be of great interest to the local stakeholders.

Key components of the due diligence requested by the Parks Board will be to (a) hold discussions with partners, stakeholders, local communities, and others regarding the future of these parks; (b) perform detailed analysis of park removal liabilities and options for addressing these liabilities; (c) conduct a more refined analysis of the exact cost savings that can be achieved – considering both operating and capital costs, as well as revenues – by removing these parks from the system;

and, (d) determine the best way to handle the removal of the park from the system, which minimizes impact to the public and the local communities, while still resulting in financial savings for State Parks. The Division will report on this to the Parks Board in May, 2011. The Parks Board can then decide whether or not to proceed to remove some or all of these parks from the system.

2A – Other Similar / Cooperating Programs – The federal government is a major landholder in Colorado, owning roughly 35% of the total land. Much of these federal lands are opened to the public for outdoor recreation. In addition to Colorado's four National Parks (Rocky Mountain National Park, Mesa Verde, Great Sand Dunes, and the Black Canyon of the Gunnison National Park), there are a number of national recreation areas, national wildlife areas, and national forests which offer recreational opportunities. Local governments also own various land parcels and open spaces, also offering boating, hiking, and other outdoor recreational opportunities.

2B – Statutory Authority & Statement of Need – The State Park system is authorized in Sections 33-10-101 to 33-13-116, C.R.S., as well as Section 33-60-101, et seq. State Parks attracts over 12 million visitors per year to Colorado's 42 state parks, offering diverse and high quality outdoor recreation to both residents and tourists. In addition to maintaining some priceless properties and natural resources as a legacy for future generations, the Division manages 4,376 campsites, 42 cabins and yurts, and 225,620 acres for outdoor recreation purposes. Collectively, these four parks served 150,000 visitors in FY 09-10, and generated just over $163,000 in revenues from entry passes and user fees (primarily camping).

2C/D – Program Activities and Priorities – Activities include maintaining public health and safety (campground and facility cleaning, trash removal, law enforcement, etc.), protecting the natural resources (forestry management, weed management, etc.) maintaining physical assets, and providing customer service and amenities (campsites, water and power, interpretive and education programs).

2E – Level of Effort –
The FY 10-11 operating budgets for these four parks totals just over $360,000, including the cost of salaries and benefits for permanent personnel.

3. **Detail what could be accomplished by your Department if funding for the department is maintained at the fiscal year 2009-10 level.**

The Department's FY 2011-12 Budget Request contains a Strategic Plan with 7 major Department-level priority objectives, as well as 3-5 objectives for each of DNR's eight divisions. Each objective contains a quantifiable performance measure which shows both past performance against the Department's benchmark performance level as well as the benchmark performance in FY 2011-12. While this doesn't exactly answer what could be accomplished if funding for the Department were maintained at FY 2009-10 levels, instead it shows performance if the FY 2011-12 budget request were approved as requested. With little budget growth requested, the two scenarios are essentially identical. For details on all of these performances goals and objectives, please see the Department's FY 2011-12 Budget Request, pages 51 through 145. At a very high level, continuation funding would allow the Department to:

- Implement species conservation and habitat protection programs to protect the biodiversity of Colorado's wildlife, to preclude additional federal listings under the federal Endangered Species Act and prevent the increases in species added to the Species of Greatest Conservation Need list.

- Provide and promote a variety of outdoor recreational opportunities for citizens and visitors, including managing a growing number of state park visitors that is expected to reach 12.6 million visitors in FY 2011-12.

- Maximize efficient use of Colorado's water resources and comply, and enforce other states' compliance, with Colorado's nine interstate water compacts.

- Reduce the demand for water through water conservation planning and implementation of water efficiency measures, such that water demand is reduced by 1 to 2 percent annually.

- Meet the current and future water supply needs of the State by increasing water storage. For FY 2011-12, the benchmark is to increase water supply by an additional 16,000 acre feet of water.

- Ensure that energy development is undertaken in a responsible manner that encourages protection of environmental resources such as water and wildlife. For FY 2011-12, the benchmark performance is that there are 1.81 or less impacts to surface water, ground water, and water wells per 1,000 active oil and gas wells.

- Maximize revenue on State Land Board properties, for the benefit of all trustees. For FY 2011-12, the benchmark is to increase School Trust revenue by 5 percent to $71,550,002.

Through the Strategic Plan, the Department has accepted these seven high level objectives and performance goals to be used in measuring the Department's success in meeting high priority objectives. While accepting these measures as a broad measurement of the Department's performance, the Department also believes that performance evaluation should start, but not finish with, an evaluation of performance measures. Measuring performance for natural resource programs is complex and often multi-dimensional. It is also important to recognize that "Mother Nature" has a significant impact on the Department's ability to achieve desired outcomes. External factors which can affect natural resource related outcomes include drought, forest fires, heavy snowfall / inclement weather, the price of natural gas and other mineral resources, and outbreaks of wildlife disease.

4. **How much does the department spend, both in terms of personnel time and/or money, dealing with Colorado WINs or any other employee partnership group? Has the level of resources dedicated to this effort changed in the past five years?**

   The Department participated in partnership meetings as members of both management and employee teams. Participation required approximately 148 hours of staff time last fiscal year. Additional staff time has been required to draft Employee Organization Access policies, determine eligibility status, answer questions, resolve disputes, and generally inform employees and managers about the partnership process. This additional staff time was required primarily in FY 07-08 and 08-09, but some activity is still required.

2:00-2:15 QUESTIONS FOR THE EXECUTIVE DIRECTOR'S OFFICE

5. **With Decision Item 6 the Department is requesting an increase in funding for leased space totaling $10,973. Provide a table by division showing what leases are being renewed and by how much leases are going up or down. Explain why your lease costs are going up.**

(Please note that the Department's Decision Item #6 requests an increase in funding for leased space of $12,773. DNR is also requesting a corresponding reduction of $1,800 in Cash Funds to the Department of Parks and Outdoor Recreation's State Parks Operations line item, to compensate for lease costs that were previously covered by DPOR's Operations line but will now be covered by the Leased Space line. The net amount of these two figures is $10,973. Statewide, the Department is paying approximately $12.22 per square foot per year for leased space.)

The mission of the Department of Natural Resources encompasses the entire state, and for reasons of efficiency and proximity to specific project areas DNR's divisions operate a number of satellite offices throughout Colorado. In many instances, divisions are statutorily required to operate offices in specific counties and/or congressional districts statewide. In almost all cases leasing operational space for staff is more practicable than purchasing or constructing space.

The Department and divisions estimate leased space costs annually as part of the overall budgeting process. This typically involves estimating costs for the upcoming fiscal year as well as a number of out years. Estimates for the immediately upcoming fiscal year are generally accurate; projections for out years are made based on the best available information at the time, but actual lease costs are dependent on a number of unpredictable variables, including the leased space market in a specific geographic area, overall economic conditions in the state, contractual increases, and other factors.

As part of the FY 2010-11 (i.e. current fiscal year) budget request, in fall 2009 the Department submitted a decision item to account for a number of changes in the Leased Space line item. This decision item was for $30,483 total funds, annualizing to $72,378 total funds in FY 2011-12, resulting in a base funding level for leased space of $1,353,367 in FY 2011-12.

Since this base funding level was established, Department staff have refined their projections for lease costs in FY 2011-12 (and FY 2012-13). The requested $12,773 increase for leased space costs in FY 2011-12 is the net effect of adjustments to many individual leases. Many projected lease costs remain unchanged from the original estimates; some leases increased in cost due to contractually agreed-upon escalators or higher-than-anticipated renewal costs; and some leases decreased in cost because original projections were too high.

For leases that did increase in cost over fiscal year 2010-11, there are two primary reasons:

- **Contractual escalator clauses.** These are a standard component of many leases and result in increase costs over the life of a given contract. Escalator clauses often reflect the rate of inflation, but not all leases use this benchmark. Several of DNR's leases have contractually obligated escalations between FY 2010-11 and FY 2011-12. Most leases signed by the Department are from 3 to 10 years in length, and reflect cost assumptions made at the time the lease was signed. Whenever a new lease is negotiated, the Department will continue to push for the most favorable terms available.
- **Decreased property taxes.** Divisions of Colorado state government do not pay property taxes. For a given lease, the landlord provides a state agency with a market rate that in most cases includes property taxes. State agencies estimate the property tax credits that will they will receive in a given fiscal year, deduct this from the cost of the lease, and remit the net payment to the landlord. In the current economic climate, the assessed valuation of many properties is decreasing, with a resulting decrease in property taxes and property tax credits received by state agencies. This in turn results in a net increase in the amount paid on a given lease.

6. **Beginning on page 28 of the Joint Budget Committee Staff Briefing Document on the Division of Reclamation, Mining, and Safety, the Colorado Geological Survey, the Oil and Gas Conservation Commission, and the State Land Board, an issue paper discusses a pending lawsuit against the Department of Revenue regarding the severance tax rate on coal. The State Supreme Court has agreed to hear the case.**

Please provide an update on the case's timing and when the Department expects a decision.

The Attorney General's office anticipates filling the State's reply brief in the near future. A date for oral arguments has not been set by the court.

2:15-2:25 QUESTIONS FOR THE DIVISION OF RECLAMATION, MINING, AND SAFETY

7. Decision item #1 seeks to refinance an anticipated $273,306 (15.0 percent) reduction in federal funds for the coal regulatory program. Please explain your understanding of why the federal government (U.S. Office of Surface Mining) has requested the decrease in coal program grants to states. Is it related to policy changes at the U.S. Environmental Protection Agency?

The Department of the Interior's 2011 budget request reduced state and tribal regulatory grants by $11 million. The decrease is proposed in part to fulfill the United States commitment to the Group of 20 Nations to reduce subsidies to fossil-fuel industries as well as make user fees among energy industries comparable. States were encouraged to offset this decrease in Federal funding by increasing user fees from the coal industry. Increasing or posing new fees on Colorado's coal industry was not considered at this time as the coal industry pays severance taxes; therefore, that revenue was selected in lieu of implementing new fees. The proposed federal budget reduction is not related to any U.S. Environmental Protection Agency initiative.

8. Please provide information on permit processing times for coal mines. How do current processing times compare to those of prior years?

The Coal Program currently processes new permits and major revisions in approximately 180-360 days, depending on the complexity of the permit. Timeframes allowed in the rules for Coal permitting activities range as follows: New permits 120-180 days, major revisions 120-180, routine revisions (technical revisions) 60 days, minor revisions 10 days. Complexity of technical issues and public appeals can cause delays in these timeframes. Public comment periods occur at both the beginning and the end of the review process. Technical and regulatory reviews require the applicant to develop technical mine plan revisions requiring many months for design, and subsequent negotiation between the Coal staff and the applicant. Applicants may request that the decision deadline be extended in lieu of a denial decision if more compliance information is required. Compliance rates with these minimum timeframes has been the following for recent fiscal years:

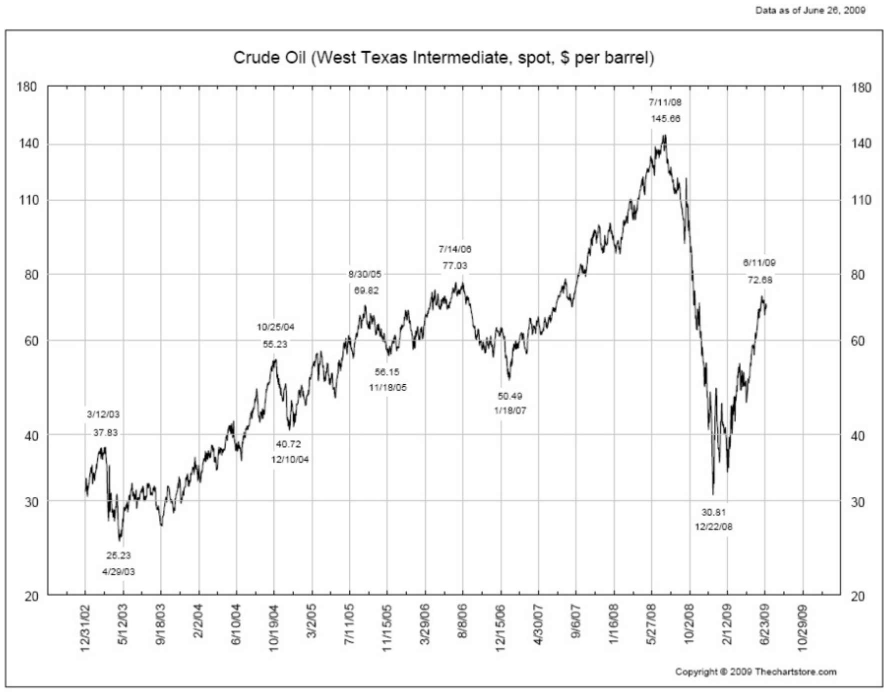
- FY2009-10 – 73%
- FY2008-09 – 75%
- FY2007-08 – 59%
- FY2006-07 – 59%.

2:25-2:45 QUESTIONS FOR THE OIL AND GAS CONSERVATION COMMISSION

9. The State has experienced a decline in the submission of applications for permits to drill (APDs) relative to FY 2007-08 and FY 2008-09. Please provide longer term projections of anticipated oil and gas activity (looking beyond FY 2011-12). Does the Department expect APD levels to hold steady at current levels, return to the levels of FY 2007-08 and FY 2008-09, or return to historic levels with significantly fewer applications, active drilling rigs, etc.?

By way of background, Colorado previously experienced a large recession in the oil and gas industry from 1982 until 1999. In 1982, a large part of the state's economy was dependent on oil and gas, and approximately 30% of the building space in downtown Denver was leased by the petroleum industry. This recession was triggered by over hiring, over leveraging, and over drilling that was based upon the belief that oil and natural gas prices would continue to rise forever. They did not. Prices dropped dramatically from 1981 through 1989. Oil dropped from nearly $40 a barrel to $10 a barrel. Although natural gas prices at the Henry Hub terminal dropped, they did not drop as dramatically as they did in Colorado. Colorado prices were much lower than Henry Hub prices because there were very few pipelines available at the time to move gas to markets outside of Colorado.

Today, the markets and production capabilities for both oil and natural gas are much different. Oil markets are very tight because the global productive capacity for oil may have been reached in 2004, and demand from China and India has grown. Also, many countries who were exporting oil in the 1980s must now import oil. Thus, less oil is available and prices have increased accordingly. The chart below shows price increases from 2003 through June 2009. Because of the economic collapse in 2008, the oil price collapsed from over $110 per barrel to $40 per barrel, as did all natural resource commodities, with the exception of gold and platinum. However, in the last 18 months the price of virtually all natural resource commodities have recovered to some extent, including oil which exceeded $90 a barrel again recently.



For natural gas, recently constructed pipelines have significantly improved Colorado's take away capacity and nearly eliminated the differential in price to Henry Hub. Many companies have become involved in shale gas plays in eastern and southeastern U.S., which has caused a large oversupply of gas. However, a number of analysts have questioned how long this oversupply will continue based on the low prices now seen and the steeply declining production of these wells. Moreover, the underlying decline rates for all natural gas fields in the United States are nearly twice as steep as they were in the early 90s. This means that an oversupplied natural gas market can be worked off more quickly than at any time in recent history. Additionally, natural gas is increasingly attractive as a reliable, relatively low carbon source of domestic energy. For all of these reasons, the demand for natural gas may increase substantially in the United States, as well as the world.

Thus, it appears as though the oil and gas industry today in Colorado is much different than the oil and gas industry of the late 1970s. It accounts for a smaller percentage of Denver's economy, the supply situation is much more tenuous, and demand is more likely to grow for both oil and natural gas.

This does not guarantee against ups and downs, but, for the previously stated reasons, it is unlikely that we will see a major industry recession like we experienced in the 80s and 90s. Obviously, the continuation, and perhaps worsening, of our current economic recession can affect the oil and gas industry as well as other industries in the state.

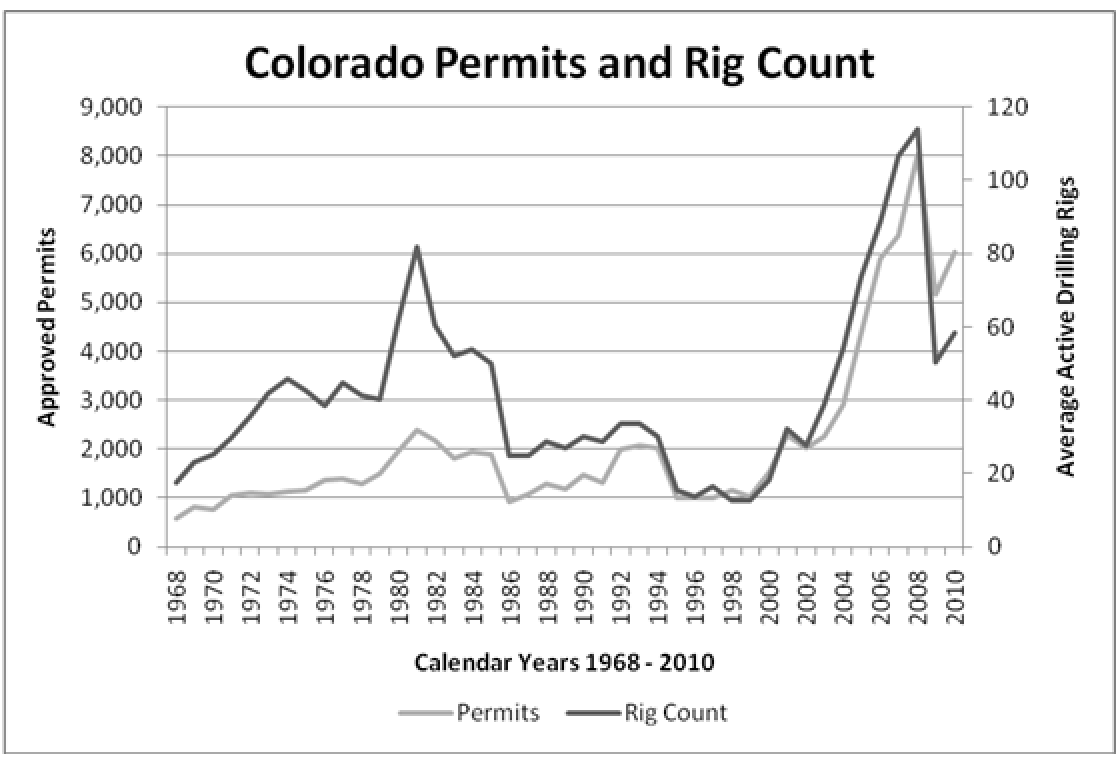
In regards to projections of oil and gas activity metrics, we expect a leveling off of drilling and permitting starting in mid 2011. The number of APDs is projected to be about 5,000 in fiscal years 2011-12 through 2013-14. Factors that could cause the number of APDs to rise include: the Niobrara shale oil play in northeastern Colorado; the extensive infrastructure that the industry has put in place over the last few years; and a significant improvement of the overall economic environment, which would lead to higher demand for energy and higher commodity prices.

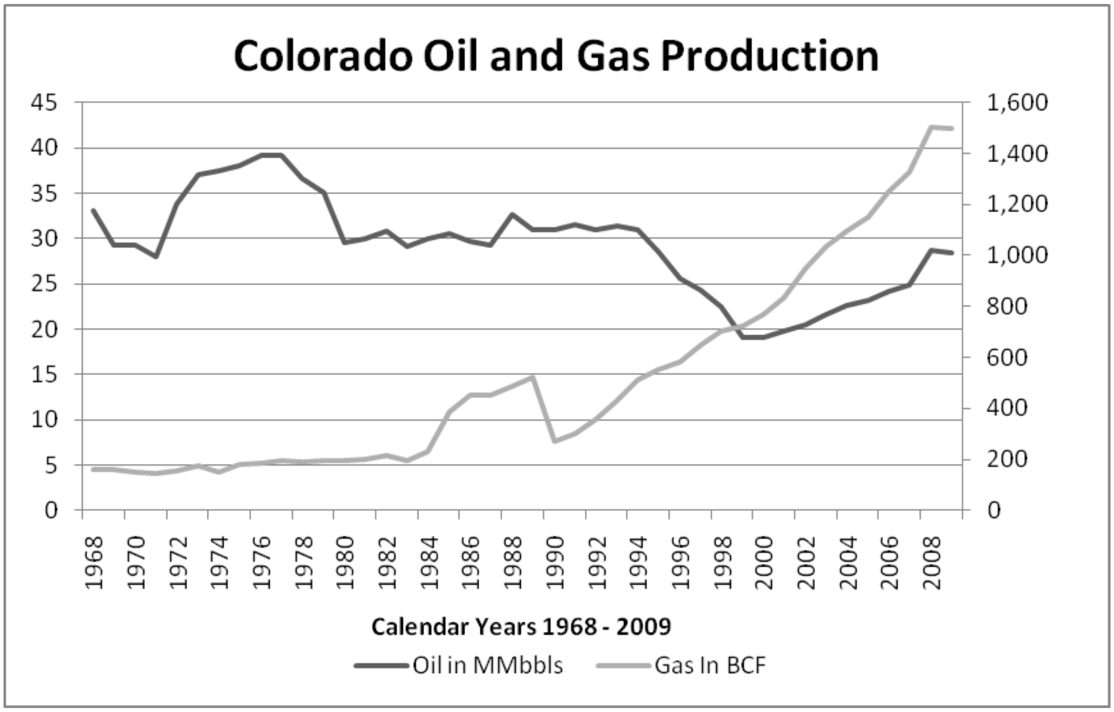
Likewise, factors that could cause a decline in the number of APDs submitted include:
1. Two year permits, as opposed to the 1 year permits that we issued prior to April 2009 and;
2. Weaker economic conditions, which would put downward pressure on commodity prices.

Additionally, the use of newer, more efficient drilling rigs and improved drilling techniques is making year to year comparisons of rig counts less meaningful over time. Modern rigs can drill significantly faster than rigs employed just a few years ago; therefore fewer rigs are needed to drill the same number of wells.

Please note: Vince Mathews, Director of the Colorado Geological Survey, made substantial contributions to the above response.

10. Please provide available historic data on oil and gas activity, specifically APD submission levels, dating back to at least the early 1980's.




Colorado Oil and Gas Production
45
40
35
30
25
20
15
10
5
0
1,600
1,400
1,200
1,000
800
600
400
200
0
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Calendar Years 1968 - 2009
Oil in MMbbls
Gas In BCF

11. **Please provide information on permit processing times for oil and gas development. How do current processing times compare to those of prior years?**

Colorado Oil and Gas Conservation Commission

Average Days to Process a Drilling Permit from Date Received

Calendar Year	Average Permits in Backlog	Permits Approved	Average Days in Process
2006	852	5938	50
2007	890	6889	53
2008	1440	8194	65
2009	1155	4651	74
Partial 2010	628	4919	42

These statistics represent the permits received during the referenced year, the number of permits that were approved, and the average number of days it took to issue the approval. The backlog represents the average number of backlogged applications during the referenced year.

2:45-3:15 QUESTIONS FOR THE STATE BOARD OF LAND COMMISSIONERS

12. **Please explain who you consult with, if anyone, before making decisions on land transactions affecting your beneficiaries, particularly the schools trust. Is anyone from the education community other than the "education member" part of discussions regarding future transactions? Please describe your process.**

The State Land Board operates as the trustee of eight trusts. As trustees, the Land Board Commissioners have what is termed a "fiduciary" duty to trust beneficiaries which is considered the highest standard of care in law. A fiduciary duty is a legal relationship of trust regarding the management of money or property between two parties. In this type of relationship, there is a clear separation of the management of property or money from the beneficiaries. This is quite different from a corporation where the owners/beneficiaries sit on a board that runs the business.

The Board consults with a number of parties before making decisions. The consultation includes State Land Board staff, lessees, appraisers, subject matter experts, governmental agencies, as well as beneficiary representatives. This consultation helps the Board ascertain what is in the best interest of the trust. This process varies based on the particular circumstances of the decision.

The Board is a public agency and is required to provide public notice and public discussion on all transactions prior to a decision. However, the Board operates in the market like any property owner and has to be careful to avoid giving a potential property bidder or property seller an unfair advantage by prematurely discussing the details of a transaction. As a result, the Board limits the number of people involved in early discussions in order to avoid unnecessary disclosure to potential buyers and sellers.

13. Does the State Land Board lease out grazing lands at cheaper rates than those lands would otherwise earn? Are any State Land Board leases cheaper than regular business/commercial rates?

The State Land Board uses private market rates for all commercial, agricultural, recreation, rights-of-way, and mineral leases.

The State Land Board has a market based process for determining statewide grazing rates. The process involves a contract with Colorado State University (CSU) to survey private grazing rates and determine the private market grazing rates for separate regions of the state. The process involves both mailed surveys and face-to-face interviews.

Per its policy, the Board adjusts the surveyed grazing rates down by 35% statewide when it formally sets it grazing rates. Despite the across board reduction, Colorado's state grazing rates are generally higher than of those of surrounding states.

The 35% adjustment is to account for lessee opportunity costs. Due to the State Land Board's small budget relative to the needs of 3 million acres of state trust property, lessees are required to use their own capital to improve trust land and thus the lessee incurs an opportunity cost he or she would not if the property owner used his or her own capital.

Please note that the Board contracted for a separate independent study of the 35% adjustment in FY 2010-11 in order to determine whether the 35% adjustment is appropriate given the changes in state trust management that has occurred since the reduction was first implemented in 1993. The Board will be considering changing this reduction starting with the 2012 calendar year grazing rates.

14. Does the State Land Board strive to lease lands rather than sell them?

Article IX, Section 10, Colorado Constitution states that the State Land Board shall earn "reasonable and consistent income overtime". Therefore, the State Land Board's preference is to lease property rather than sell. The decision to lease or sell is based on a number of factors which includes but is not limited to risk, productivity (e.g. income), access, management cost, natural value, highest and best use, alternative investments, and future potential.

15. Has the State Land Board completed any land swaps that maximized the potential value of lands for the school trust?

Based on its mandate, the State Land Board must justify the income and/or value benefits of all land transactions including land-for-land exchanges. The Board completes about 30 transactions (acquisitions and disposals) each year at a combined value of $20 million. The transactions are aimed at acquiring land that is larger, earns higher revenue, appreciates at a higher rate, and/or provides for easier management. All of these optimize the value of the land for the trusts.

The Board has 45 employees that manage 3 million acres of surface property and 4 million acres of mineral rights. Given limited staffing, consolidation of properties may be sought where it can be done without decreasing the long term revenue stream.

16. Please explain the State Land Board's strategies for the use of lands that must be used for open space and do not generate other revenues.

State trust property is not open to the public unless the individual possess a lease or lease right. All "public open space" parcels earn revenue through leases with open space entities.

About 13,000 acre or 0.5% of state trust surface property is not leased. About two-thirds of state trust land is subject to multiple leasing. For example a grazing lease, road permit, right-of-way, and recreation lease maybe all be done over the same piece of ground. Hence, the Board leases 4.5 million acres but only owns 2.8 million acres.

Per the Constitution, the Board also manages the "Stewardship Trust." The Stewardship Trust is made up of about 300,000 acres of state trust property which is managed to protect and enhance the beauty, natural values, open space, and wildlife habitat. Most of the trust property designated into the Stewardship Trust earns revenue from primarily low impact activities.

17. **Please explain regulatory restrictions and requirements affecting oil, gas, and mineral development on state trust lands. Does the State Land Board have to comply with all of the same requirements as other companies and land owners when trust mineral interests are developed? Please explain how that process is different when the State Land Board does and does not own the surface acres as well as the mineral interests.**

    Per the Constitution, all State Land Board property including the mineral estate is required to comply with all land use regulations. State trust mineral estate must be developed in the same manner and under the same regulations as private mineral owners.

    When the Board owns the surface and mineral estate, it can control the impact of the mineral development in such a manner as to minimize the surface impacts and yet allow for the efficient development of the mineral estate. Often the Board will seek compensation (e.g. surface use agreement payments) for surface impacts of mineral development even if the Board owns the underlying minerals.

    When the Board does not own the surface, it cannot effectively control the surface development. Moreover, in cases of split estate, the Board has to be careful that it does not make concessions to surface owners at the expense of the trust.

3:15-3:30 QUESTIONS FOR THE PARKS AND OUTDOOR RECREATION DIVISION

18. **Discuss the State Parks proposal to refinance General Fund with cash funds from increased Parks fees and Tier 1 Operational Account dollars. What is the Department analysis of price sensitivity of parks visitors? Could the Division have raised fees by more than the proposed amounts in order to accomplish the entire refinance with cash funds from fee increases? Why or why not.**

    The Governor's budget request includes entirely eliminating the remaining General Fund appropriation to State Parks (a $2.6 million reduction). The request proposes to offset this reduction in General Funds with an increased appropriation of cash funds totaling $1.3 million, with revenues derived from fee increases, and an increased appropriation of Severance Tax funds of $1.3 million, from the Operational Account of the Severance Tax Fund. Taken together, these changes would allow State Parks to operate its 42 park system largely intact even with the elimination of General Fund support.

    It is important to emphasize that the collective fee increases by the State Parks Board in 2010 have been very aggressive, perhaps more so than any time in the agency's history. Boat registration, campsite reservation, and camping fees were raised on January 1, 2010. The Parks Board then raised fees again on November 1, 2010 on a wide range of fees in anticipation of the loss of $2.6 million in General Fund for FY 11-12. Revenues from the fee increases are expected to refinance $1.3 million or one-half of the lost General Fund.

It is at least conceivable that fees could have been raised even more in order to accomplish the entire refinance. The Division and the Parks Board, however, concluded that these latest fee increases push fees to the maximum prudent level. The main concern is the possibility that the higher levels could cause a drop in visitation which would lead to reduced (not increased) revenues. Secondly, as fees reach record high levels the agency mission of providing affordable access to parks for all Coloradoans is undercut. Finally, higher fees and reduced visitation could have a significant adverse economic impact to local communities for whom the local state parks are important economic engines. State Park visitors contribute $571 million per year to local economies, according to a recent market survey.

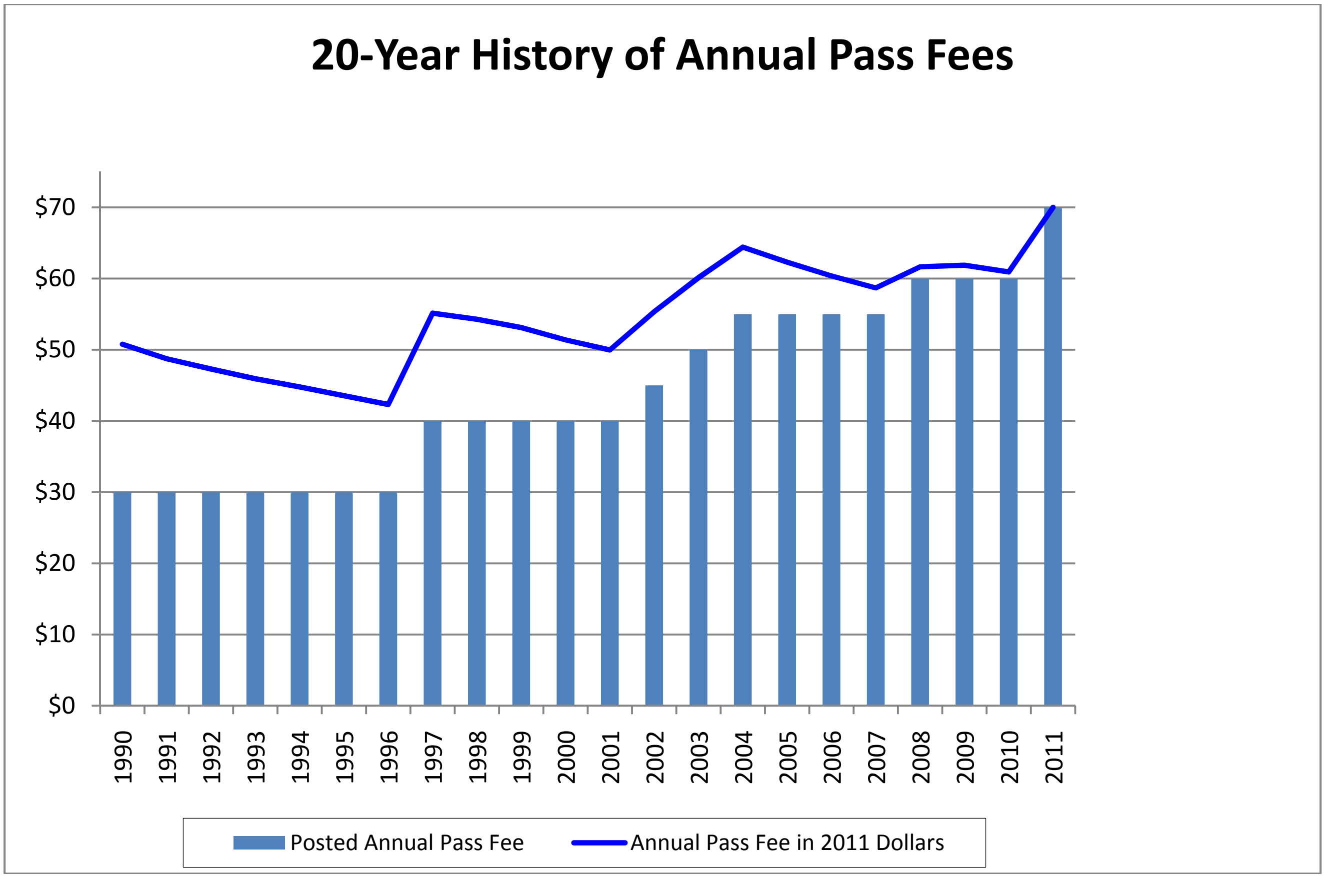
Like any other business that charges for a service, Colorado State Parks is subject to market forces such as price elasticity. For most goods and services, the quantity demanded declines as prices increase. The term economists use when referring to this is price elasticity of demand, or elasticity. More specifically, elasticity is defined as the percent decline in quantity resulting from a one percent increase in price. Elasticity is very difficult to predict and cannot be measured other than through actually raising prices and noting the response. But even then the calculation is valid only if all other factors are kept constant. However, the Division has no control over the other constantly changing variables which influence visitation such as weather, price of fuel, population growth, or economic conditions. Because of the infrequent nature of park fee increases in the past and the large number of other factors influencing visitation and revenues, it is not possible to accurately estimate elasticity based on available historical data.

Understanding those limitations, State Parks relied instead on subjective data to estimate the likely impact on revenues and visitation due to the proposed fee increases. Input was sought from park managers, customer service representatives, and campground reservation staff, all of whom are in frequent direct contact with customers. Their input was considered along with other information including (1) fees charged at other state park systems around the country, compiled by the National Association of State Park Directors; (2) price comparisons for similar recreation services/venues here in Colorado; (3) published information on price elasticities for recreational goods; and (4) the increased frequency and magnitude of parks fee increases in recent years. After adjusting for inflation, the annual park entrance pass fees are now 40% higher than their level 20 years ago (please see attached chart).

The Division also considered the recent track record of fee increases in other state park systems. If elasticity is high (meaning fee increases cause large declines in visitation), revenues can actually decline. Almost every state park system in the country is undergoing some degree of financial stress, and many have aggressively raised park fees as we have done in Colorado. A few years ago, California State Parks significantly raised their annual pass fee in an effort to increase revenues; the result, however, was a significant decline in overall pass sales without any increase in revenue.

All these considerations went into the estimated likely impact the new fees (effective November 1, 2010) would have on revenue. These revenue estimates were shown in the JBC briefing document on page 31. It is expected that the impact on visitation and campsite utilization from the fee increase will vary with the type of fee involved, and will vary from one part of the state to another. For example, basic campsite utilization may be more impacted by the campsite fee increase than the high-end deluxe sites with full utility hook-ups. Visitation at the more remote rural parks may be more impacted by the entry fee increase than metro-area water parks. In conclusion, all other things being equal, it is expected that sales volume will decline by anywhere from 2% to 10% depending on the fee involved, with an overall average decline of about 6%.

Finally, it should be noted that no state park system in the country relies exclusively on user-generated fees. Maintaining a quality park system affordable to all citizens requires some form of funding to supplement user fees. The Division is very concerned that further fee increases would put the state park system out of reach of a greater number of Colorado's citizens.


20-Year History of Annual Pass Fees
$70
$60
$50
$40
$30
$20
$10
$0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Posted Annual Pass Fee
Annual Pass Fee in 2011 Dollars

19. Describe the Off-Highway Vehicle Program. Staff numbers pages on page 47 show that the FY 2009-10 actual was $238,408 and 2.3 FTE, the appropriation for FY 2010-11 is $532,000 and 3.0 FTE. Explain why the program only spent $238,408 and 2.3 FTE in FY 2009-10.

The source of funds for this line item is 100% cash funds; more specifically revenues from OHV registration fees. The OHV program is financed with these user fees. Spending in this line item in FY 09-10 was NOT limited by lack of registration revenues.

Off Highway Vehicle Program line item funds the administration of the OHV registration and OHV grant programs, pursuant to Section 33-14.5-101, C.R.S. et seq. The program provides information and heightens awareness of the availability of off-highway vehicle recreational opportunities, and encourages safe and responsible use of OHV's through brochures, news releases and other media. The program is also responsible for the promotion of off-highway vehicle safety through promulgation and enforcement of rules and regulations.

For the FY 2009-10, the Division's appropriation for the OHV Program was $394,376 and 3.0 FTE, of which $238,408 and 2.3 FTE were expended. The under-expenditure was primarily due to multiple vacant positions. These positions were vacant longer than usual due to the hiring freeze implemented in FY 08-09 and to organizational restructuring of the OHV program unit. Other operating expenditures in the program were also reduced in FY 09-10 as part of the Division's overall strategy for dealing with a $3 million budget shortfall (agency-wide).

The FY 10-11 appropriation for this line item was increased by the General Assembly from $394,000 to $532,000
through a floor amendment to the Long Bill. This increase was intended to accomplish two things. First, it would enable the Division to insure that all administrative costs of the OHV program are borne by the OHV fund (through this line item). Second, it would fund additional OHV program activities using 100% user-generated fees. OHV registration fees were increased in 2007 with the intent of funding additional OHV trail grants and other associated program expenses. As a result of this fee increase the fund balance in the OHV fund had been growing, and the action by the General Assembly increased spending authority to more closely reflect annual revenues in the fund.

3:30-3:45 BREAK

3:45-4:25 QUESTIONS FOR THE COLORADO WATER CONSERVATION BOARD

20. Discuss the impact to the water projects loan program of transferring up to an additional $28.0 million ($10.0 million proposed by the Department and an additional $18.0 million available according to staff) of Perpetual Base Account dollars to the General Fund in FY 2010-11 and up to $47.0 million ($15.0 million proposed by the Department and an additional $32.0 million available according to staff) in FY 2011-12. Discuss the impact to the water projects loan program of transferring up to $26.0 million of CWCB Construction Fund dollars to the General Fund in FY 2011-12.

The Perpetual Base Account and the Construction Fund allow CWCB to operate and help fund water infrastructure projects across the state. In the simplest terms, previous and potential future transfers from these funds have a major impact on CWCB's ability to meet its statutory mission in general and on the Loan Program in particular.

<u>Perpetual Base Account</u>

The Severance Tax Trust Fund Perpetual Base Account ("Account") provides low-interest loans to municipalities, water districts, and agricultural water users throughout Colorado for a wide variety of water infrastructure improvement projects. Typical projects include the construction, improvement, or rehabilitation of water storage and management infrastructure; development, maintenance, and improvement of flood control mechanisms; and development and renovation of hydroelectric facilities. The Account is funded primarily with severance taxes paid by the producers of gas, oil, coal and other minerals. Repayment of principal and interest on loans and investment income also contribute to the Account's balance.

<u>Construction Fund</u>

The Construction Fund ("Fund") is a revolving loan fund that allows the Colorado Water Conservation Board to be self-supporting and operate without funding from the General Fund. The Fund provides loans and grants to agricultural water users, municipalities and water districts for the construction, improvement, rehabilitation, or enlargement of water supply, flood control or hydroelectric facilities in Colorado. Funding comes from federal royalties paid by the producers of gas, oil, coal and other minerals, plus the repayment of principal/interest and investment interest. The Construction Fund is the primary funding mechanism supporting CWCB operating costs, and transfers could have an immediate and significant effect on CWCB's ability to meet its statutory mission.

Impact to the Loan Program

The CWCB Loan Program (Loan Program) is entirely funded by the Construction Fund and the Perpetual Base Account. In many cases the Loan Program is the only viable option for small municipalities, water districts, ditch or canal companies, and reservoir companies to obtain funding for water projects, given the financial structure of the borrowers and their available collateral. The CWCB deals with a variety of water issues on a daily basis and understands the value and risk associated with water. The Loan Program was statutorily authorized with corresponding guidelines specifically developed based on an understanding of those risks, which is reflected in the Loan Program's interest rates and collateral requirements. Although municipalities and districts do have the ability to secure bonds to finance their water projects, the issuance requirements, legal costs, bonding fees, and interest rates can sometimes make bonding cost-prohibitive for smaller projects (less than $3M).

Hundreds of small water providers throughout the state have taken advantage of the CWCB's Loan Program to make critical improvements to their systems which would not have been financially possible through conventional lending. Currently, the CWCB's Loan Program has a less than one percent default rate.

The combined impact of transfers from these two funds would be detrimental to the Loan Program. Transfers from the Perpetual Base Account of $28.0 million in FY 2010-11 and $47.0 million in FY 2011-12 would leave only $4.0 million for new loans and loan increases in during those two fiscal years. No funding would be available for CWCB's Emergency Drought Fund. The fund would be left with ending cash balances of $621,000 in FY 2010-11 and $672,000 in FY 2011-12; with this low funding level, any fluctuations in severance tax revenue could result in a negative cash balance and/or an additional reduction in loan funds available.

The transfer of $26.0 million from the Construction Fund in FY 2011-12 would limit additional new loans or loan increases in FY 2010-11 to $4.0 million and $16.0 million in FY 2011-12, leaving a cash balance at the start of FY 2012-13 of only $49,295. Starting with such a low cash balance will require CWCB to "borrow" from previously authorized loan projects to cover operational costs for at least the first fiscal quarter. Additionally, this low beginning balance will greatly reduce CWCB's ability to fund its non-reimbursable program or annual Projects Bill, which annually has funded the satellite monitoring, weather modification, floodplain map modernization, and flood response programs.

21. What water projects will not receive funding if the General Assembly approves the Department request to transfer $10.0 million from the Perpetual Account to the General Fund in FY 2010-11 and $15.0 million in FY 2011-12? What water projects will not receive funding if the General Assembly approves a higher level of transfers?

Any additional transfers will greatly restrict CWCB's ability to issue loans out of the Severance Tax Fund through FY 2012-13. It is difficult to predict specific projects that will not receive funding as a result of additional transfers from either the Construction Fund or the Perpetual Base Account. CWCB maintains a "Prospects" list of projects (see Attachment A) that have progressed far enough to be considered serious candidates for funding; however, the projects on the Prospects List vary tremendously in scope and complexity, and CWCB staff cannot state with any certainty which projects will require funding in FY 2012-13.

With this caveat, CWCB is concerned that perhaps the single highest-priority water supply project in the Denver metro area could be delayed if funding for loans is not available in FY 2012-13. The Statewide Water Supply Initiative (SWSI) 2010 estimates that by 2050, water demand in the Denver metro area will exceed supply by approximately 130,000 acre feet. (The average suburban household uses around one-half of an acre-foot per year.) Chatfield Reservoir has emerged as one of the potential solutions to store surface water and help reduce consumption of nontributary (non-renewable) groundwater in the metro area. The Colorado Water Conservation Board has contracted with the Corps of Engineers to investigate the "reallocation" of existing storage space in the Chatfield Reservoir. The concept behind the Chatfield Reservoir Storage Reallocation Project is to re-assign storage space currently reserved for flood control purposes to space for joint flood control and water supply purposes, effectively increasing total capacity for water supply. This project could have a major impact on the water supply situation in a number of communities, including Denver, Aurora, Castle Rock and Centennial; the working group for the study involves more than 15 water management entities. The stakeholders' current preferred alternative is to reallocate up to 20,600 acre-feet of existing storage space in the reservoir, effectively providing water for agriculture and up to 32,000 homes. The estimated cost for implementing the preferred alternative is on the order of $150.0 million. CWCB's preliminary projections are that approximately $40.0 million in CWCB loans could be requested for project purposes.

22. If the General Assembly were to transfer $26.0 million from the CWCB Construction Fund to the General Fund in FY 2011-12, will the CWCB have funding issues related to funding the personal services and operating costs of the CWCB staff? Would one of the impacts of a $26.0 million transfer be that the CWCB would have to reduce the moneys available for water project loans in FY 2012-13?

If the General Assembly transferred $26.0 million from the Construction Fund in FY 2011-12 the CWCB would still be able to fund personal services and operations through FY 2012-13, but in a manner that may not be sustainable. As indicated on page 26 of the FY 2011-12 JBC Staff Budget Briefing, CWCB would only be left with $49,295 to operate in FY 2012-13. This would require CWCB to "borrow" against previously authorized projects through at least a portion of FY 2012-13 to cover personal and operating expenses – that is, CWCB would be forced to operate using funds that have been committed to loan recipients by the Board, but not yet drawn down by those recipients. From a fiscal management position, this situation is far from ideal. Additionally, CWCB would not be able to make any loans out of the Construction Fund in FY 2012-13 until sufficient revenues were collected.

There is an additional long-term impact of transfers from the Construction Fund. CWCB is self-funded and receives no General Fund moneys. The agency generates interest income through the return on loans made by the Construction Fund. Thus, transfers have what could be considered a double impact: They reduce the amount of funding available for loans in the short-term and they reduce the return on loans in the long-term, with the effect of reducing operations funding for CWCB's statutorily mandated programs, such as the Instream Flow, Colorado Map Modernization Program (i.e., flood plain mapping), and Interstate Compacts programs. As such, the bigger concern is the longer term sustainability of CWCB staff and programs if Construction Fund revenues continue to be diverted to the General Fund.

23. Does the Department have a methodology to provide a numerical calculation of the long-term impact of continued transfers from the Perpetual Base Account and the CWCB Construction Fund?

CWCB has not developed a specific methodology to project the long-term impact of transfers from the Perpetual Base Account and the Construction Fund. However, it is fairly straightforward to calculate this impact using some standard assumptions.

Through fiscal year 2010-11, the General Assembly has authorized the transfer of $110.0 million from the Perpetual Base Account and $10.25 million from the Construction Fund to the state General Fund, for a total transfer of $120.25 million. If this amount is amortized over a 20-year period, at an assumed growth rate of 3%, the transfers that have already occurred result in a total loss of fund equity of approximately $161.5 million.

The Department has proposed transfers of an additional $25.0 million from the Perpetual base Account in FYs 2010-11 and 2011-12. These figures appear in the JBC staff's briefing to the Committee, which describes the potential additional transfers (that is, above and beyond the $25.0 million) of $26.0 million from the Construction Fund and $50.0 million from the Perpetual Base Account. If all of these proposed transfers occur, and the total of $101.0 million is amortized over a 20-year period at an assumed growth rate of 3%, the proposed transfers result in a total loss of fund equity of $136.0 million.

Thus the combined effect of all transfers, both actual and proposed, would be a net loss of $297.5 million in fund equity over 20 years. (See Attachment B for the principal and interest impact.)

24. Discuss the CWCB loan prospect list that currently totals $125.4 million. What is the process for adding prospect loans to the list?

The Loan Prospect List (Attachment A) is generated through day-to-day contact between the staff of the loan program and interested entities or persons. This list is continually updated based on new information obtained from the borrowers and the tracking of the various stages of project, such as feasibility analysis, permitting, preliminary design, and public comment. The current loan Prospect List identifies over $125.0 million in loan needs, which CWCB uses to gauge the level of short and long term funding needs.

25. House Bill 10-1250 allocated $36.0 million for the Animas-La Plata project. Has the CWCB made a payment on the Animas-La Plata project yet? If the General Assembly de-authorizes funding for Animas-La Plata, would the state lose the opportunity to purchase 10,460 acre-feet of water?

To date, the CWCB has not made any payment toward the purchase of water associated with the Animas-La Plata (ALP) project. The State is currently in negotiations with the Bureau of Reclamation ("Bureau") to purchase water, which is an extensive process that will take a number of months to accomplish but must be substantially in place before the Bureau makes the final cost allocation, which we expect will happen within the next year. The negotiations with the Bureau are based on the State having the first $12.0 million in place, with provisions to expand the amount of water purchased based on future legislation to appropriate the remaining $24.0 million. Per the 2000 Final Federal Settlement Act for the project, the State's water will revert to the Tribes if the State does not enter into a purchase agreement with the Bureau prior to the project's final cost allocation.

26. Provide a comprehensive analysis of the findings of the 2010 Colorado Statewide Water Supply Initiative (SWSI).

Currently, the Board is finalizing the SWSI 2010 Findings and Recommendations, based on technical work done by CWCB in cooperation with the Basin Roundtables and IBCC. We expect the Board to approve SWSI 2010 at their January, 2011 meeting, and the full SWSI 2010 analysis will be available at that time. However, the technical work that will form the basis of SWSI 2010 is available on the CWCB website (http://cwcb.state.co.us/water-management/water-supply-planning/Pages/main.aspx) or upon request from the CWCB.

27. How far out in time does the CWCB typically project water studies? How did CWCB settle on to 2050 for the SWSI water study?

In 2004, CWCB completed SWSI Phase 1, which evaluated water needs and solutions through the year 2030. This timeframe was chosen for SWSI Phase 1 because at that time 2030 was the forecast horizon for the State Demography Office's population projections. SWSI 2010 uses a water-use forecast horizon of 2050 for a number of reasons. First, West Slope Basin Roundtables suggested the 2050 timeframe so that potential growth rates on the West Slope could be better characterized. Second, the CWCB determined that the forecast horizon for the water demand projections needed to be extended to the year 2050 to better represent the long-term water needs that the state will face. Infrastructure investments and commitment of water supplies require a longer term view. Third, many of the Identified Projects and Processes (IPPs) that are pursuing environmental permits under the National Environmental Policy Act (NEPA) process and are using 2050 as their planning horizon.

28. How often is the SWSI study going to be update in the future? Will the study continue to use input from the basin roundtables? Does CWCB feel that the round tables have provided valuable inputs to the process?

The CWCB is proposing to establish a five-year planning cycle for SWSI. This planning cycle would include input from the basin roundtables and incorporate information from regular basin roundtable's basin-wide water needs assessments. The basin roundtables are a critical and important part of the SWSI 2010 update since they provide the grassroots stakeholder involvement that any statewide planning process must include. SWSI Phase 1 created basin roundtables for this purpose and SWSI 2010 relied on the basin roundtables as institutionalized by the Colorado Water for the 21st Century Act. Future SWSI updates will rely on continued basin level grassroots stakeholder involvement. The CWCB feels that the basin roundtables have provided valuable inputs to the process.

29. What can the General Assembly do to help in furthering the goals of the 2010 SWSI?

- Members can work individually to educate the communities they represent about Colorado's water issues.

Members of the General Assembly know their constituents, and their constituents' values and expectations of government. They are better positioned than perhaps any other group in Colorado to raise awareness about the long-term water issues facing this state. As respected members of their respective communities and elected decision makers, legislators can educate Colorado's citizens about the potential severity of a future water supply gap and the enormous impact this gap will have on every facet of life in Colorado. Water supply is a statewide issue, but statewide entities can only achieve so much; at some point, Colorado's water issues must be addressed at the local level.

- The General Assembly can promote and encourage coordination among the many members of Colorado's water community.

There are many different entities involved in water supply issues and the CWCB is a part of the solution to address the future water supply demands. The State must take a leadership role to ensure that water providers take the necessary steps to focus on and attend to steps that will solve the water gap.

According to the findings of the Statewide Water Supply Initiative (SWSI), Colorado's net Municipal and Industrial water supply gap could range between 200,000 to 600,000 AF by the year 2050. The 2010 SWSI report identifies four strategies to close the potential water supply gap in Colorado's water supply needs:

Expansion of existing water management infrastructure to its maximum capacity.
Construction of new storage projects.
Transfer of existing water rights from agricultural use to municipal/industrial use.
Conservation and increased reuse of existing fully consumable supplies.

It will take a combination of all four strategies to help close Colorado's potential gap. (That said, however, it is CWCB's intent to rely on Agricultural transfers to the minimum extent possible.) The 2010 SWSI report estimates that it could cost as much as $18.0 billion to meet Colorado's water needs in 2050. This cost could be reduced by $5.0 billion if a coordinated approach, incorporating fewer but larger projects and increased levels of conservation, were used. Such an approach would require a higher level of state involvement, including significant state funding.

- The General Assembly can enable CWCB to reach its full potential as a leader in water management in Colorado.

The Colorado Water Conservation Board was created more than 75 years ago to provide policy direction on statewide water issues and is Colorado's most comprehensive water information resource.

CWCB will play an important role in leading efforts to address Colorado's water supply gap. Perhaps the most direct way that CWCB can impact water issues is through its Water Project Loan Program. The Program provides low-interest loans to agricultural, municipal and commercial borrowers for the design and construction of raw water projects in Colorado. Since program inception, hundreds of small water providers statewide have taken advantages of the Loan Program to make critical improvements to their systems, many of which would not have been financially possible through conventional lending.

The Loan Program is funded through the Severance Tax Perpetual Base Account and the CWCB Construction Fund. Since FY 2008-09, more than $120.0 million has been transferred from these funds to the General Fund to help address the state's budget shortfall issues.

CWCB and the Department recognize the larger picture of Colorado's economic climate. But additional transfers from these funds will continue to reduce CWCB's ability to provide loans to water management entities statewide. This, in turn, will result in a reduction in water infrastructure projects statewide. The ability of smaller, rural water providers and agricultural water users to adequately address their existing and future water needs is significantly affected by their financial capabilities. Consequently, many of those smaller providers (and consumers) rely on state funding to help meet their water supply needs.

Further transfers from the Construction Fund and Perpetual base Account will also have a long-term impact on CWCB's operations and ability to fulfill its statutory obligations. The CWCB is fully self-funded and receives no General Fund moneys; transfers from the Construction Fund, in particular, will reduce the operating income available to CWCB.

30. What particular Identified Projects and Processes (IPPs) is the CWCB funding currently? What IPPs is the CWCB considering to fund in the future?

See Attachment C, which includes a list of Municipal and Industrial (M&I) IPPs currently funded by the CWCB. In addition, there is list of M&I IPPs that are pursuing funding from the CWCB. These are the entities that the CWCB is currently aware of, however the list is regularly updated to reflect new projects. The lists include some agricultural entities that provide major supplies to M&I users.

31. The SWSI 2010 estimates that it may cost up to $18.0 billion in order to address Colorado's 2050 municipal and industrial (M&I) water supply need and gap. Provide an analysis of the methodology used in estimating costs. What portfolio and associated costs does the CWCB estimate to be most likely by 2050?

A mix of solutions will be necessary for addressing the M&I Gap and all elements of the portfolio should be pursued concurrently. This will include the implementation of IPPs, agricultural transfers, new water supply development in the Colorado River system, reuse, and both passive and active conservation. No one strategy alone will meet Colorado's future water supply needs.

CWCB and the IBCC have examined where Colorado's current system will lead. Maintaining the status quo could lead to large transfers of water out of agriculture, resulting in significant loss of agricultural lands, dried-up streams threatening ecosystems and recreation-based economies, water-inefficient land use decisions, and continued paralysis on water supply projects. The status quo is the default position--the results that will likely occur if current trends to continue unchanged. Inaction is a decision itself, a decision with significant consequences. The general consensus is that the status quo scenario is not a desirable future for Colorado.

While there is general agreement that the status quo is not desirable, there is not agreement on an alternative mix of solutions. However, there is agreement that in order to balance meeting municipal, agricultural, and non-consumptive needs, Colorado will need a mix of new water supply development for West Slope and East Slope uses, conservation, completion of IPPs, and agricultural transfers. All parts of this four-pronged framework are equally important and should be pursued concurrently.

For illustrative cost purposes, an example mix of solutions for “medium” level of new water needs is illustrated below. Meeting Colorado’s M&I water supply needs will require significant investment. Preliminary funding analysis indicates that implementing a mix of solutions to address Colorado's 2050 medium M&I water supply needs will cost around $15.0 billion under status quo assumptions. These costs will increase if Colorado experiences high M&I demands and will decrease if Colorado experiences low M&I demands or implement an alternative mix of solutions to the status quo.

The costs associated with meeting Colorado’s future M&I needs could be reduced if an alternative approach, incorporating fewer but larger projects and increased levels of conservation, were used. However, while an alternative approach could save the citizens of Colorado billions of dollars, it would require a higher level of state involvement including significant state funding.

The example below provides cost estimates for meeting additional M&I needs. In addition to M&I needs, funding will also be needed to meet agricultural and environmental water supply needs.

<u>Mix of solutions under status quo assumptions</u>

The assumptions made in this mix of solutions are as follows:

- **IPPs:** 60% IPP success. Based on recent water project costs, $5,900/AF was used for West Slope projects and $14,000/AF for East Slope projects.
- **Conservation:** No active conservation applied to new water supply needs for new growth. No costs were assumed for passive conservation
- **New Supply Development:** New supplies from the West Slope are available for West Slope needs, but no additional transbasin diversions are assumed in the status quo portfolio. For West Slope new supply development, a cost of $5,900/AF based on the same cost assumptions as those associated with West Slope IPPs.
- **Agricultural Transfers:** The remaining M&I demands are met with agricultural transfers. Since the status quo assumes agricultural transfers will occur as they are today and pursued by individual water providers instead of in a coordinated program or large project, a cost of $40,000/AF was assumed for agricultural transfers beyond the IPPs. Agricultural water is assumed to become more competitive, require conveying the water a longer distance, and need advanced water treatment.
- **Reuse**: Existing rates of reuse applied to new agricultural transfers. The costs of reuse are incorporated into the costs associated with agricultural transfers or new supply development.

Status Quo Medium Portfolio (800,000 AF of new water needed)

Strategy	West Slope[1] Unit Cost	West Slope[1] New Water Needed (AF)	West Slope[1] Costs	East Slope Unit Cost	East Slope New Water Needed (AF)	East Slope Costs	Total New Water Needed (AF)	TOTAL Costs
New Supply	$5,900	150,000	$860,000,000	$0	-	$0	150,000	$860,000,000
Ag Transfers	$40,000	3,500	$140,000,000	$40,000	270,000	$11,000,000,000	270,000	$11,000,000,000
IPPs	$5,900	93,000	$550,000,000	$14,000	200,000	$2,900,000,000	290,000	$3,400,000,000
Active Conservation	$11,000	-	$0	$11,000	-	$0	-	$0
Reuse[2]			$0		90,000	$0	90,000	
TOTAL		**240,000**	**$1,600,000,000**		**560,000**	**$14,000,000,000**	**800,000**	**$15,000,000,000**

1. For the purposes of this analysis, West Slope included the Rio Grande and North Platte Basins.

2. The costs of reuse are incorporated into the costs associated with agricultural transfers or new supply development.

4:25-5:00 QUESTIONS FOR THE DIVISION OF WILDLIFE

32. The Division of Wildlife stated in its response to the proposal to refinance State Parks with Tier 1 funding from the Operational Account dedicated to Wildlife that it is considering ways to reduce the cost of on-going studies, absorb continuing costs within the existing budget, and/or find an alternative source of revenue for the studies. Provide an update on the options that the Division of Wildlife is still considering as it relates to studying the impact of energy development on wildlife and wildlife habitat.

The Division will continue to study the impact of energy development on wildlife and wildlife habitat through ongoing research projects that are currently partially funded with the $1,569,144 from the Severance Tax Trust Fund Operational Account. These projects assess the impacts on wildlife in areas of the state that are experiencing intensive energy development and are focusing primarily on sage grouse mitigation (2 projects) and mule deer research (2 projects), as well as ongoing monitoring. Energy companies have also committed significant funding to cost-share this work. The Division has identified alternative funding sources for these research projects from a combination of wildlife cash funds, Species Conservation Trust Fund (SCTF), and federal Wildlife Restoration grants, including a re-prioritization of projects. The Division prioritized completion of on-going projects and de-prioritized starting new or proposed projects including a planned grazing study in the Gunnison basin ($900,000) and a competitive sage grouse grant program ($300,000) that had not begun.

33. Describe the Wildlife Cash Fund and what statute stipulates the Fund can be used for.

The Wildlife Cash Fund (WCF) was created in Section 33-1-112 (1) (a), C.R.S. and the description of what is authorized to be spent out of these funds is described in Articles 1 through 6 of Title 33 of the Colorado Revised Statutes. In general, *"…such moneys shall be utilized for expenditures authorized or contemplated by and not inconsistent with the provisions of articles 1 to 6 of this title for wildlife activities and functions and for the financing of impact assistance grants pursuant to part 3 of article 25 of title 30, C.R.S. All moneys so deposited in the wildlife cash fund shall remain in such fund to be used for the purposes set forth in the provisions of articles 1 to 6 of this title and shall not be deposited in or transferred to the general fund of the state of Colorado or any other fund."*.

Additionally, the State of Colorado assent to the Pittman-Robertson Act is contained in Section 33-1-117 C.R.S. and to the Dingell-Johnson Act in Section 33-1-118 C.R.S. Both sections state "No moneys or funds accruing to the division pursuant to such act shall be used for any purpose other than for such projects and the administration of the division."

If diversion of any amount of wildlife cash occurs, the State of Colorado will be ***ineligible for all future funding (currently approximately $ 20 million annually) under these acts*** until the amount of money that was diverted is repaid with interest. Repayment must be from funds other than those derived from hunter and angler license sales.

34. Are there scenarios under which the Wildlife Cash Fund can be used to fund water projects without losing federal funds to the Division of Wildlife?

Federal law and regulations, and Colorado law (Sections 33-1-117 and 33-1-118, C.R.S.), do not allow for Wildlife Cash expenditure for water projects whose primary purpose is not wildlife, such as projects to meet municipal, industrial, or agricultural needs. Additionally, the statutes and regulations require that the projects be under the control and direction of the state wildlife agency (DOW).

Water projects whose primary purpose is to benefit wildlife and/or wildlife habitat could be funded through the Wildlife Cash Fund without violating Colorado's statutory assent to the federal Sport Fish and Wildlife Restoration Acts. The Wildlife Commission and the Division of Wildlife have collaborated with the CWCB on instream flow water projects. In fact, the Division of Wildlife provides $296,000 each year to the CWCB to help support the Instream Flow Program.

35. What line item in the Division of Wildlife budget supports the marketing program? What funding source is used to fund the marketing program? Is it funded by hunting and fishing licenses? How much does the marketing program cost (dollars and FTE)?

The appropriation for the Wildlife Management Public Education Advisory Council (PEAC) marketing program is contained in the Colorado Department of Natural Resources, Division of Wildlife, Wildlife Management long bill line item. The revenue source for the PEAC program is a $.75 surcharge on hunting and fishing licenses per Section 33-4-120, C.R.S. The FY 2010-11 PEAC budget is $ 1.1 million and 0.0 FTE. The FY 2011-12 budget will decrease to approximately $ 860,000 to match anticipated revenue.

36. Through what mediums (TV, newspapers, radio, internet, etc.) does the Division market itself in Colorado? What is the goal of the Division of Wildlife marketing program?

The Division has a very limited marketing program with the goal of encouraging participation in outdoor activities, including hunting, fishing, and wildlife watching which contribute approximately $ 3.0 billon to Colorado's economy annually. This marketing effort includes educational material on DOW's web page, direct mail, phone contacts, banners on buses, and inserts in promotional materials produced by the Colorado tourism office.

The better known marketing campaign related to wildlife management is conducted by the Wildlife Management Public Education Advisory Council (PEAC), and they employ all of the listed media to educate the public on the benefit and role of hunting and fishing in Colorado. The Public Education Advisory Council and Wildlife Management Education Fund was created through H.B. 98-1409 in response to ballot initiatives that restricted hunting in Colorado and the desire of sportsmen to avoid future restrictions on hunting by educating the public on the benefits provided to them by hunting in Colorado. As such, groups representing sportsmen were supportive of H.B. 98-1409 and the seventy-five cents surcharge required for the PEAC marketing campaign.

37. Does the Department believe that marketing moneys used to promote the Division of Wildlife can be used to fund water projects? Why or why not?

All funds used for DOW limited marketing and the PEAC marketing are considered Wildlife Cash and are subject to the restriction identified in the response to questions 33 and 34 above.

38. Are wild horses considered livestock or wild game? Do they belong to the state or the federal government?

The Wild Free-Roaming Horse and Burro Act of 1971 declares all wild free roaming horses and burros to be under the jurisdiction and protection of the Department of the Interior (DOI) and wild horse herds are managed by the Bureau of Land Management (BLM). Wild (feral) horses are not livestock or wild game.

Feral horse herds are of concern to the Division of Wildlife relative to habitat management and their impact on sage grouse and deer/pronghorn habitat. The DOW works with the BLM to help resolve these issues. The DOI is required to consult with the state wildlife agency when: (1) proposing the designation of specific ranges of wild horses on public lands as sanctuaries; (2) making determinations as to whether and where wild horse overpopulations exists and whether action should be taken to remove excess animals, and; (3) in determining appropriate wild horse management levels and whether appropriate management levels should be achieved by the removal of destruction of excess animals.

ADDENDUM: QUESTIONS REQUIRING ONLY A WRITTEN RESPONSE

Please provide:

1. Please provide a table comparing the actual number of department FTEs in FY 2000-01 and the requested number of department FTEs in FY 2011-12, by division or program.

	Appropriated FY 2000-01	Actual FY 2000-01	Requested FY 2011-12
EDO	60.6	53.2	43.8
DRMS	68.7	60.9	70.9
CGS	37	37	36.1
OGCC	35	35	69
SLB	33	33	37
DPOR	206.5	197.8	289.5
CWCB	36.5	35.1	45.7
DWR	244.6	241.9	252.1
DOW	752.5	708.2	631.4
	1474.4	1402.1	1475.5

Please note that a number of changes of happened in the intervening years that complicate any comparison.

- FY 2011-12 does not include 64.0 FTE from various divisions transferred to the Governor's office of Information Technology.
- In the FY 2006-07 Long Bill the Division of Wildlife eliminated 110.0 FTE which were historically left vacant to provide funding for contractors and temporary employees.

2. Please provide a table comparing the actual number of FTEs in FY 2008-09 and FY 2009-10 to the appropriated level of FTE for each of those fiscal years, by division or program. If there is a discrepancy of 5.0 percent or more between your FY 2009-10 FTE appropriation and actual usage for that year, please describe the impact of adjusting the FY 2011-12 FTE appropriations to align with actual usage from FY 2009-10.

	Appropriated FY 2008-09	Actual FY 2008-09	Appropriated FY 2009-10	Actual FY 2009-10	FY 2009-10 Underutilized
EDO	59.4	54.6	58.8	56.2	4.42%
DRMS	73.1	55.8	72.9	54.5	25.24%
CGS	35.4	27.4	35.4	27	23.73%
OGCC	73	52.6	73	62.1	14.93%
SLB	38	35.1	38	35.1	7.63%
DPOR	294.5	281.9	294.5	276.3	6.18%
CWCB	47.7	42.6	47.7	45.4	4.82%
DWR	274.3	251.8	267.1	248.7	6.89%
DOW	651.4	668.5	651.4	648.8	0.40%
	1546.8	1470.3	1538.8	1454.1	5.50%

<u>Colorado Geological Survey</u>

As of December 2, 2010 the Colorado Geological Survey (CGS) has 27.1 current filled FTE plus one FTE in the hiring process. This brings the total CGS filled FTE to 28.1.

Out of 35.4 appropriated FTE, CGS has seven vacant full-time positions. Explanation of these vacancies follows:

- Two of those positions are Land Use Review geologists and are being held vacant because the number of land use reviews has decreased in the last two years. If land use review activity returns to historic levels, CGS would need to quickly fill these vacancies to complete the required reviews. CGS, by statute, must respond to county needs within 21 days and would not have time to go through the 18-month decision item and hiring process to bring staff on board to handle the increased workload. Hiring a temporary employee would not solve the workload problem as the reviewers must be professional geologists experienced in land use reviews. Training would take up a large portion of the temporary employee's assignment, which would negate any benefit achieved from the temporary position. Hiring engineering geology contractors is undesirable in this program, because it is important to have objectivity in reviewing land development proposals to county planning agencies. Engineering geology contractors are often employed by land developers; thus, hiring a contractor is likely to present a potential conflict-of-interest in our review process.

- One Accounting Technician FTE is being held vacant as the accounting workload decreased since the incumbent transferred from the agency. The workload was divided up between two administrative staff and one manager. At this time, the accounting work is being completed in a timely manner but CGS anticipates that this position will be filled in the next six to nine months.
  CGS has four vacant positions that we do not plan to fill in the immediate future and do not have a solid reason to retain. These four positions are funded by a mix of <u>unearned</u> cash fees and federal funds. CGS's cash fee projects and federal grants have declined over the last five years and we do not anticipate acquiring enough fee-revenue or federal grant projects to justify filling these four positions in the near future. It makes sense to realign staffing needs and reduce the FTE by 4.0 FTE. The estimated cost of these four positions is as follows:

  Total cost of 4 FTE (salary, PERA, Medicare): $229,271
  EG&GH Cash Fees: $57,318
  EG&GH Federal Funds: $114,635
  MRM Cash Fees: $28,659
  MRM Federal Funds: $28,659

  (Amounts based on 12 months, Physical Science Researcher/Scientist I at range minimum.)

It is important to note that all vacancies listed above are unfunded – there is no revenue to cover the cost of these positions.

<u>Division of Reclamation, Mining, and Safety</u>
Explanation of 12.5 FTE shown as unused in FY2009-10:
INACTIVE MINES-PROGRAM COSTS – 18.4 Total FTE

> 9.5 FTE are for staff hours in the Inactive Mines Program that are charged to the non-appropriated federal project funds for project management activities. To show a more realistic FTE count for management/administrative functions, which is the purpose of the portion of the federal grant that is reflected in the Long Bill, it would be appropriate to reduce the 18.4 FTE on the IMP Program Costs line to 9.0 FTE, <u>moving 9.4 FTE "off-budget</u>". These FTE are utilized but do not appear in the Long Bill because they are expensed directly to the federal grants associated with reclamation projects.   A footnote could be included to inform the legislature of the true FTE count for the IMP program.

COAL LAND RECLAMATION – PROGRAM COSTS – 23.0 Total FTE

> <u>1.5 FTE</u> are currently unfunded in the Coal Program due to a proportion of senior staff in the program who are receiving salaries commensurate with an average of 15-20 years experience. As a significant numbers of veteran staff retire over the next 2-5 years (close to 50 percent will be eligible), the program would hire entry-level staff at a lower pay rate, and would be able to fill the 1.5 FTE. The Coal Program is also experiencing fluctuations in their federal grant funding that may or may not enable these 1.5 FTE to be filled.

MINERALS – PROGRAM COSTS – 24.1 Total FTE

> <u>1.6 FTE</u> are currently unfunded in the Minerals Program. A similar situation exists here

as is noted under Coal above, with approximately 25 percent of senior staff eligible to retire within 5 years.

The Division of Water Resources

The Division under spent its FTE appropriation by 6.74% during FY 2009-10. If the Division were required to adjust the FY 2011-12 FTE appropriation to align with actual usage during FY 2009-10, the Division would have to eliminate 18.0 FTE.

Most of the FTE budget variance during FY 2009-10 is attributable to the hiring freeze that began in FY 2008-09. During the hiring freeze, an excess backlog of vacant positions accumulated. Once the hiring freeze was lifted in FY 2009-10, significant recruitment activities commenced to fill positions; however, many vacant positions were filled by internal promotions, thus creating new vacancies. At the same time, the Division experienced significant attrition due to retirements of senior staff. The Division, eventually, was able to recruit sufficient personnel to meet statutory obligations for the administration of water, thus eliminating the backlog; however, this issue was not fully resolved until the summer of 2010.

Most of the FTE that would be eliminated in a reversion to FY 09-10 staffing levels are General Fund positions. The Division would experience a significant decrease in field staff dedicated to water administration. These positions include Water Commissioners, Hydrographers, and Dam Safety Engineers. The Division would no longer be able to meet its statutory obligations to administer the waters of Colorado and ensure compliance with nine interstate compacts and two U.S. Supreme Court decrees.

Water administration is an essential, constitutionally, and statutorily driven program. Without adequate field staff, it would be difficult to verify that unauthorized diversions, which injure vested water rights, do not occur. Further, verification that wells are being operated in compliance with their decrees, augmentation plans, or substitute water supply plans would be compromised, as would the strict administration needed to ensure that compact deliveries are being made. With less FTE, some water districts would have no staff to administer water rights. Without consistent water diversion observations and measurements, there would be inadequate enforcement for protection of senior water rights owners who will not receive all of the water to which they are entitled and need. Additionally, several interstate compacts require daily water administration and accounting. In the absence of diligent, daily oversight, the potential for under-delivery of water to downstream states and consequent interstate litigation increases.

During FY 2011-12, the Division expects to hold 5.0 cash-funded FTE positions vacant due to a revenue shortfall caused by a drop in well permit applications resulting from a decreased new housing market. These positions will likely remain vacant until permit applications increase during an economic recovery, but other factors could drive a significant increase in well permit applications. Recent legislation required the State Engineer to promulgate rules dealing with water produced by mineral extraction wells. The rules were designed to reduce the administrative permitting process but have been contested in District Court and are currently being litigated. If these rules are overturned, the Division permitting staff could be required to process approximately 30,000 new permits, as well as the substitute water supply plans associated with those wells. This increase in workload could not be addressed if the Division's cash funded FTE were reduced.

The Oil and Gas Conservation Commission

The OGCC had an unusually high number of vacancies in FY 09-10 and 10-11, due to a number of factors:

- 18.0 new FTE were appropriated for FY 08-09, many of which were not filled until the first quarter of FY 09-10.
- Some of the new positions were filled with internal candidates, which led to additional vacancies until backfilling could occur.
- Four of these newly appropriated positions for FY 08-09 were unfunded until FY 10-11. Therefore, the agency was unable to fill the positions until early FY 10-11.
- With all of these positions currently filled, a 14.93% cut to personal services would result in the layoff of 11.0 FTE, significantly diminishing the effectiveness of the OGCC's permitting, inspection, bonding, GIS, and environmental programs.

The State Land Board

Reducing the appropriated FTE in FY 2011-12 to the actual FTE in prior fiscal years would effectively eliminate 3 FTEs. The Board will have all staff vacancies filled by the end of FY 2010-11 thus a reduction would result in termination of employment and/or being over the FTE count.

The prior year vacancies were the result of the hiring freeze in FY 2008-09 as well as staff turnover in both FY 2008-09 and FY 2009-10. One FTE in both fiscal years was the result of successive director and deputy director vacancies. The deputy director position has been filled as of July 1, 2010 and director position will be filled be the end of FY 2010-11. The second full FTE vacancy is related to the Board's inventory position which went through several internal DNR HR processes including the FY 2008-09 hiring freeze before the Board was able to hire the position. This position will be filled as of January 1, 2011. The final FTE is the sum of several short term vacancies in the Board's Real Estate and Field Operations program.

The Division of Parks and Outdoor Recreation

For the Division of Parks and Outdoor Recreation, for FY 09-10 the FTE appropriation was 294.5 and the actual utilization was 257.0, for a difference of 37.5 or 12.7%. During FY 09-10 a large number of factors contributed to the unusually high vacancy rate. This high vacancy rate is atypical and is expected to fall dramatically as positions are filled. Without these positions the current 42 park system could not be maintained and parks would need to be closed.

Three factors in particular that contributed to the unusually high vacancy rate include: measures taken in FY 09-10 to close a $3 million shortfall, organizational restructuring following the 2008 Performance Audit, and higher than normal rates of retirement.

The Division faced an immediate $3 million budget shortfall in FY 09-10, due to reductions in General Fund appropriations and insufficient revenues to support cash appropriations. This shortfall had both short and long-term ramifications. Short term, a number of steps were undertaken to balance the budget. These included raising fees, transferring some funds from the capital budget to the operating budget, and cutting operating budgets. The operating budget reductions encompassed a wide array of costs, and included reducing temporary (seasonal) hires, and abolishing 12.5 FTE. Personnel statutes and rules prescribe the process for abolishing FTE. Because of "retention rights" of existing employees, layoffs can most effectively be accomplished if large numbers of positions are vacant. Recognizing this, the Division intentionally held off refilling vacant positions during the spring and summer of 2010 until the layoff process had been completed. At the time it was not known how long this process would take, nor which job classes would be involved.

This was compounded by the uncertainty over the longer term financial situation. The Parks Board has recently (November, 2010) approved a Five Year Financial Plan for the Division, which lays out a series of steps to be taken to insure the financial sustainability of the parks system. One of the major questions addressed in this planning process was whether or not the current 42 park system could be sustained. A reduction in the number of parks in the system was and is a possibility. Given that fact, while the plan was under development the Division was reluctant to fill positions in FY 09-10 that might need to be abolished shortly afterwards. In response to the 2008 Performance Audit, the Division made several changes to its organizational structure and made numerous staffing changes. For example, of the fourteen top management positions in the agency, eleven have been appointed within the past three years. Again, these staffing changes could most effectively be accomplished by converting and filling vacant positions.

Retirements are at all-time high levels. In FY 10 fourteen employees retired, many of whom were in relatively high-level positions.

As noted above, all these factors contributed to a higher than normal vacancy rate. Furthermore, in refilling positions during this major transition over the past year, the Division has, for a variety of reasons, taken the deliberate approach of filling positions from the top down. This means the filling of lower level positions has had to await the filling of higher level positions, which has lengthened the average time positions have remained vacant. Finally, the main entry level position in the Division, Park Manager II, requires that the new employee receive several months of training, including law enforcement training and certification. New trainees are hired each year to replace those that retire or promote to higher level positions in the Park Manager series. The time between announcing for the hiring of a new trainee class and placement of trained park rangers on the park takes as long as 18 months. For FY 2009-10 the Division drastically reduced the size of the training class, below normal replacement levels, for all the reasons cited above. While this training has now been resumed, it will be some time before the new trainees are placed in permanent vacant positions.

The Division could not maintain the current 42 park system with a reduction of 37.5 appropriated FTE. The recently approved Five Year Financial Plan, while identifying strategies for insuring long term financial sustainability of the park system, also includes a last-resort contingency plan for closing and/or removing parks from the system if financial emergencies should arise. Assuming this contingency plan would be followed in the event the Division needed to reduce its head count by 37.5 FTE, somewhere between five and ten parks might need to be closed.

Attachment A
Department of Natural Resources
Colorado Water Conservation Board
Prospects List

Basin	Last Contact	BORROWER	PROJECT NAME	PROJECT COST	LOAN AMOUNT
South Platte					
		B.H. Eaton Ditch Co (Windsor)	Pipeline & Diversion Structure	$1,000,000	$1,000,000
		Louden Irrigation & Reservoir Co	Ditch Improvements	$500,000	$500,000
		Greeley –Loveland Irrigation Co.	Augmentation Structure		$500,000
		No Poudre Irrigation Co	Pump Station		$5,000,000
		Town of Byers	Well & Pipeline		$700,000
		Town of Johnstown	Kauffman Reservoir Purchase		$5,000,000
	10-Apr	Boulder Left Hand Irrigation. Co	Ditch Piping (2012)		$300,000
	10-Feb	Bergen Ditch Company	Dam Rehabilitation		$2,000,000
	9-Jan	East Larimer County Water District	Rigdon Storage Project		$3,000,000
	10-Oct	NISP Participants	NISP		$30,000,000
	10-Oct	Chatfield Reallocation Participants	Chatfield Reallocation Participants		$40,000,000
	10-Apr	Bergen Ditch & Res. Co	Dam Rehabilitation (Late 2010)		$1,000,000
	10-May	Big Elk Meadows Assoc. (Estes Park)	Meadow Lake Outlet Rehab.		$150,000
		Boulder Left Hand Irrigation. Co	Ditch Piping		$300,000
	10-Aug	Pinehurst Country Club	Harriman Reservoir	$5,000,000	$500,000
				TOTAL	**$89,950,000**
Arkansas					
	10-Jan	Upper Arkansas WCD	Trout Creek Reservoir	$3,000,000	$3,000,000
		Cherokee Metro District	Wells and Pipelines	$800,000	$800,000
	10-May	City of Trinidad	North Lake Reservoir Rehabilitation	$1,600,000	$1,600,000
	9-Sep	Ditch and Reservoir company	Big Johnson Reservoir		$8,000,000
	9-Sep	Town of Ordway	Reservoir Rehab		$2,000,000
	10-Oct	Lower Arkansas Water Mgmt Association	Water Rights Purchase		$7,500,000
	10-Oct	Highline Canal Company	Water Rights Purchase	$4,500,000	$4,100,000
				TOTAL	**$27,000,000**
San Miguel/Juan					
		Farmers Water Development Co	Gurley Reservoir Enlargement	$5,000,000	$5,000,000
	9-Feb	Florida Mesa Canal Company	Canal Rehabilitation		$900,000
	10-Feb	City of Ouray	Red Mountain Ditch Rehabilitation	$200,000	$200,000
				TOTAL	**$6,100,000**
Colorado					
		Lateral MC070 Inc.	NRCS Ditch Rehabilitation	$200,000	$140,000
		Highland Ditch Co	Ditch Rehabilitation Project	$200,000	$200,000
		Ian Carney - Felix Tornare	Polaris Reservoir Rehabilitation	$500,000	$500,000
				TOTAL	**$840,000**
Gunnison					
	9-Jul	Fire Mountain Canal & Reservoir Co.	New Reservoir		$500,000
	9-Oct	Hinsdale County/Lake City	Lake San Cristobal Dam/Spillway		$500,000
				TOTAL	**$1,000,000**

Attachment B:
Department of Natural Resources
Colorado Water Conservation Board
Principal/Interest Long Term Analysis

COLORADO WATER CONSERVATION BOARD

JBC QUESTION #23 IMPACT TO CWCB

	CONSTRUCTION FUND TRANSFERS	PRINCIPAL	INTEREST	TOTAL
FY2010	$ 10,250,000	$ 10,250,000	$ 3,529,220	$ 13,779,220
FY2011	$ -			
FY2012	$ 26,000,000	$ 26,000,000	$ 8,952,168	$ 34,952,168
CF TOTAL LOSS		$ 36,250,000	$ 12,481,388	$ 48,731,388

	SEVERANCE TAX TRUST FUND PERPETUAL BASE ACCOUNT TRANSFERS	PRINCIPAL	INTEREST	TOTAL
FY2009	$ 35,000,000	$ 35,000,000	$ 12,050,995	$ 47,050,995
FY2010	$ 43,000,000	$ 43,000,000	$ 14,805,509	$ 57,805,509
FY2010	$ 19,000,000	$ 19,000,000	$ 6,541,969	$ 25,541,969
FY2010	$ 2,000,000	$ 2,000,000	$ 688,628	$ 2,688,628
FY2011	$ 11,000,000	$ 11,000,000	$ 3,787,456	$ 14,787,456
FY2011	$ 10,000,000	$ 10,000,000	$ 3,443,141	$ 13,443,141
FY2011	$ 18,000,000	$ 18,000,000	$ 6,197,655	$ 24,197,655
FY2012	$ 15,000,000	$ 15,000,000	$ 5,164,712	$ 20,164,712
FY2012	$ 32,000,000	$ 32,000,000	$ 11,018,053	$ 43,018,053
ST TOTAL LOSS		$ 185,000,000	$ 63,698,118	$ 248,698,118
COMBINED LOSS		**$ 221,250,000**	**$ 76,179,506**	**$ 297,429,506**

QUESTION:

What would be the impact to the cash funds of CWCB if the above amounts were transferred to the General Func

ASSUMPTIONS:

Amounts considered for transfers were amortized over 20 years at 3% interest rate for the CF and ST.
The aggregate amount of principal and interest for each transfer was summarized above.
The combined loss of working capital was summarized.

CONCLUSION:

CWCB would forfeit $12.5 M (CF) and $63.7 M (ST) for a total of $76.2 M in additional capital that it could earı
Over $297 M in total would be forfeited to be used for the demands and needs of the Colorado Water Community
In addition, the funds received annually would also be lost for re-investing in water projects.
That impact is not calculated but could easily push the loss in excess of $400 M over the course of time.

Attachment C:
Department of Natural Resources
Colorado Water Conservation Board
Identified Projects and Processes

Identified Projects and Processes (IPPs) Currently funded by the CWCB:
Below is a list of Municipal and Industrial (M&I) IPPs currently funded by the CWCB. This list includes some agricultural entities that provide major supplies to M&I users. Please note the CWCB is also currently funding numerous agricultural and non-consumptive (environmental and recreational) projects.

Project Sponsor	Project
Southeastern Colorado Water Activity Enterprise	Arkansas Valley Conduit
Dillon and Silverthorne	Old Dillon Reservoir Expansion
Eagle Park Reservoir Company	Enlargement of Eagle Park Reservoir
West Divide Water Conservation District	Feasibility and design assessment of off-channel reservoir sites in the Crystal River water shed
Town of Gypsum	L.E.D.E. Ditch and Reservoir Reconstruction Project
Pagosa Area Water and Sanitation District, San Juan Water Conservancy District	Dry Gulch Reservoir & Inlet Pump Station Project
Goodman Point Water Association	Goodman Point Water Tank and Pipeline
La Plata West Water Authority	La Plata West Rural Water Supply System
Town of Sawpit	Domestic Water System Construction
Town of Silverton	Molas Lake Ditch Rehabilitation and Diversion Structures
La Plata Archuleta Water District	Water System Permitting
Town of Norwood	Raw Water System Update and Future Needs Study
Dolores Water Conservancy District	Totten Reservoir
Aspen Springs Metro District	Aspen Springs Metro Water Filling Station
Upper Gunnison Water Conservancy District	Lake San Cristobal Outlet Structure Modification
Town of Ridgway	Ridgway Ditch and Lake Otonawanda Improvement Project
City of Ouray	Development of Augmentation Supplies

South Metro Water Supply Authority	Aquifer Recharge Pilot Study
Douglas County Water Resource Authority	Infrastructure Connection Feasibility Study
Douglas County Water Resource Authority	Rotary Sprinkler Nozzle Retrofit
Town of Walden	Town of Walden Water Supply Improvement Project
Clear Creek County on behalf of Upper Mountain Counties Water Needs Consortium	Upper Mountain Counties Water Needs Assessment
City of Greeley	Halligan Seaman Water Management Project Shared Vision Planning Model
Lost Creek Groundwater Management District	Lost Creek Aquifer Recharge and Storage Study
Town of Yampa	Town of Yampa Water Facilities Plan and Storage Tank Upgrades
Aurora, Brighton, Central Colorado WCD, Colorado Division of Parks and Outdoor Recreation, Denver Botanic Gardens at Chatfield, Western Mutual Ditch Company, Castle Pines Metro District, Castle Pines North Metro District, Centennial WSD, Center of Colorado WSD, Mount Carbon Metro District, Perry Park Country Club, Roxborough WSD, South Metro Water Supply Authority, Town of Castle Rock	Chatfield Reservoir Storage Reallocation Project
City of Aurora	Prairie Waters Project
Florida Water Conservancy District (FWCD)	Multipurpose Project (M&I and Ag) - New Bureau Contract, Augmentation Rights, Ditch Improvements.
Farmers Highline Canal Company	Capital Improvement Projects
Parker Water and Sanitation District	Rueter Hess Reservoir

Identified Projects and Processes (IPPs) CWCB is considering funding in the future:

Below is a list of M&I IPPs that are pursuing funding by the CWCB. These are the entities that the CWCB is currently aware of, however the list is regularly updated to reflect new entities. This list includes some agricultural entities that provide major supplies to M&I users. Please note the CWCB also funds numerous agricultural and non-consumptive (environmental and recreational) projects.

Project Sponsor	Project
Plains Metropolitan District	Water Rights Purchase
Greeley –Loveland Irrigation Co.	Augmentation Structure
Town of Byers	Well & Pipeline
Town of Johnstown	Kauffman Reservoir Purchase
East Larimer County Water District	Rigdon Storage Project
NISP Participants	Northern Integrated Supply Project
Chatfield Reallocation Participants	Chatfield Reallocation Participants
Pinehurst Country Club	Harriman Reservoir
Cherokee Metro District	Wells and Pipelines
City of Trinidad	North Lake Reservoir Rehabilitation
Town of Ordway	Reservoir Rehabilitation
City of Ouray	Red Mountain Ditch Rehabilitation
Florida Mesa Canal Company	Canal Rehabilitation
Upper Arkansas Water Conservancy District	Trout Creek Reservoir