

Colorado Department of Natural Resources

Fiscal Year 2019-20 Long Range Financial Plan

November 1, 2019



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Report Overview

Pursuant to H.B. 18-1430 (Section 2-3-209, C.R.S.), each state agency is required to submit an annual long-range financial plan beginning November 1, 2019. The statutory elements required in the plan include:

- Statement of an agency's mission
- Description of an agency's major functions
- Description of an agency's performance goals
- Performance evaluation of an agency's major programs with recommendations to improve performance
- Description of anticipated trends, conditions, or events affecting the agency
- Description of any programs funded by federal funds or gifts, grants, and donations that may decrease in the future.

This long-range financial plan covers the five-year period beginning in the current fiscal year (from FY 2019-20 through FY 2023-24). The plan is not a policy document but rather a management tool to support effective planning and resource allocation. As such, it does not reflect the impact of policy proposals. In addition, given the November 1 statutory deadline for this report, it was developed prior to the finalization of the Governor's FY 2020-21 budget request, and thus may not reflect all technical changes prepared for the budget.

The Office of State Planning and Budgeting (OSPB) has developed a statewide overview of the long-range plan submissions, which can be viewed on OSPB's website at:

<https://www.colorado.gov/ospb>



COLORADO

Department of
Natural Resources

Section 1: Introduction

Vision

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

Mission

To develop, preserve, and enhance the state's natural resources for the benefit and enjoyment of current and future citizens and visitors.

Water Provide for the long-term municipal, industrial, and agricultural water needs for the state in a way that recognizes and provides for the instream flow needs of fish, wildlife, and recreation.

State Parks Maintain accessible, affordable, and diverse outdoor recreation opportunities and promote natural resource education.

Minerals & Energy Responsibly regulate the sustainable development of Colorado's energy and mineral resources in a manner that protects public safety, the environment, wildlife, and maintains Colorado's quality of life.

Wildlife Manage and conserve healthy and sustainable wildlife populations for the benefit of current and future Coloradans.

State Trust Lands Manage state lands held in perpetual, inter-generational trusts for the benefit and support of public schools and other public institutions.

Wildly Important Goals



Goal 1: Increase Sustainable Revenue Sources for Colorado Parks & Wildlife.

Anticipated Outcome: Develop a plan to increase diversified long-term funding that is equitable and supported by a broad set of stakeholders in FY 2019-20.

Goal 2: Implement Oil and Gas Rules and Regulations.

Anticipated Outcome: Appoint and confirm interim Oil and Gas Conservation Commission and complete initial rulemakings in FY 2019-20.

Goal 3: Increase Public Access for All Coloradans.

Anticipated Outcome: Increase public access to 1.7 million acres in FY 2019-20.

Section 2: Program and Goal Evaluation

The Department of Natural Resources (DNR) has four Wildly Important Goals (WIGs) for FY 2019-20. These goals were developed in support of the Governor’s “Bold 4” priorities, with a particular emphasis on the Environment and Renewables, and are tied to the mission and vision of the Department and its divisions.

WIG #1: Sustainable Funding for Colorado Parks & Wildlife	
Major Programs	Description and Strategies to Improve Performance
<u>Parks & Wildlife:</u> <ul style="list-style-type: none"> • CPW Policy & Planning Section • CPW Financial Services • CPW Creative Services and Marketing 	<p>Colorado relies heavily on hunting and fishing license fees to support wildlife conservation. Long-term trends and changes in the state, such as changing demographics, growth in demand for outdoor recreation, and a decline in participation in hunting are expected to challenge the state’s ability to adequately fund wildlife management. Diverse, stable, long-term funding that is equitable and supported by a broad set of stakeholders is important to the success of Colorado Parks and Wildlife (CPW) into the future.</p> <p>CPW is employing the following <i>strategies</i> to identify program performance and measure progress toward achieving this goal:</p> <ol style="list-style-type: none"> 1. Identify sustainable revenue sources for CPW; and 2. Develop a plan to pursue and secure sponsorships and other public-private partnerships.

WIG #2: Implement Oil and Gas Regulations	
Major Programs	Description and Strategies to Improve Performance
<u>COGCC:</u> <ul style="list-style-type: none"> • Environmental Unit • Hearings Unit • Permitting Unit • Field Inspection Unit • Engineering Unit 	<p>In the last decade, oil and gas development in Colorado has rapidly evolved, introducing new technologies and expanding heavy industrial operations to populated urban and suburban neighborhoods leaving our communities and our environment to bear the impacts. The Colorado legislature passed and the Governor signed S.B. 19-181 into law to address the changing conditions in the oil and gas industry and meet the needs of impacted communities. The new law updated the mission of the Colorado Oil and Gas Conservation Commission (COGCC) to regulate oil and gas development and operations in Colorado in a manner that protects public health, safety, welfare, the environment,</p>

	<p>and wildlife resources and removed COGCC's charge to foster oil and gas development. The law changed the composition of the Commission to reflect the new focus on regulation and set out specific rulemakings to be completed by July 1, 2020, including: implementing the reprioritized public health, safety, and environmental mission of the COGCC, creating rules to allow for alternative site analysis, evaluating and addressing potential cumulative impact from oil and gas operations, and reviewing and revising COGCC's existing flowline regulations.</p> <p>COGCC is employing the following <i>strategies</i> to identify program performance and measure progress toward achieving this goal:</p> <ol style="list-style-type: none"> 1. Interview and appoint the interim Oil and Gas Conservation Commission; 2. Engage in stakeholder outreach during the rulemaking process; 3. Establish a rulemaking timeline; and 4. Implement objective criteria, required by S.B. 19-181, and related guidance regarding the interim procedures governing day-to-day operations at the COGCC during the initial rulemaking period.
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WIG #3: Increase Public Access

Major Programs	Description and Strategies to Improve Performance
<u>Parks & Wildlife:</u> <ul style="list-style-type: none"> • Colorado Wildlife Habitat Program • Walk-In Access Program • Corners for Conservation • CO State Parks 	<p>As long as Coloradans live life outside, recreation on public lands is central to our identity, quality of life, and economy. Colorado's continued growth is increasing demand for quality outdoor recreation opportunities, which is already beginning to exceed the capacity of our current resources. Securing additional appropriate lands dedicated to public access is necessary to meet rising demand while inspiring the next generation of outdoor stewards, and making our outdoors and healthy living more inclusive of, and available to all Coloradans.</p>
<u>State Land Board:</u> <ul style="list-style-type: none"> • Public Access Program 	<p>CPW is employing the following <i>strategies</i> to identify program performance and measure progress toward achieving this goal:</p> <ol style="list-style-type: none"> 1. Increase acres enrolled in the State Land Board Public Access; 2. Restore or increase funding for programs with public access; 3. Increase support for public access; and 4. Increase acres of CPW property available for public access.

WIG #4: Diversity, Equity, and Inclusion

Major Programs	Description and Strategies to Improve Performance
<p><u>DNR</u></p> <ul style="list-style-type: none"> • DNR Executive Director's Office • DNR Operations and Human Resources • All DNR Divisions and Programs 	<p>Diversity, Equity, and Inclusion (DEI) are the cornerstones for a healthy, robust, and relevant workforce. DNR's mission is to conserve and manage natural resources that are economically vital and environmentally important to all of Colorado's communities. DNR recognizes that DEI is a win-win for Colorado and is working toward: establishing a workforce that reflects the faces of Colorado's communities; recognizing Colorado's rich history and cultural diversity; and actively engaging all of Colorado's communities in the natural resources work DNR oversees.</p> <p>DNR is employing the following <i>strategies</i> to identify program performance and measure progress toward achieving this goal:</p> <ol style="list-style-type: none"> 1. Incorporate DEI guidance and policy to recruit and train talent, and to maximize diversity, equity, and inclusion in DNR's workforce; 2. Endeavor to tell the history and story of Colorado to include all populations, cultures and historical contributions; and 3. Adopt and incorporate the Colorado Equity Alliance Community Partnership Principles

Operational Metrics

WIG #1: Sustainable Funding for Colorado Parks & Wildlife					
GOAL: Conduct a study and establish a baseline on outdoorists' familiarity with Colorado Parks and Wildlife and develop a plan to engage specific groups to increase sustainable revenue sources for CPW by June 30, 2020.					
Measure	Desired Trend	Baseline FY	Baseline Number	Target FY	Target Number
Description: Complete study to gather baseline data on outdoorists' familiarity with CPW.	↑	2019	0% complete (new metric)	2020	100% complete
Description: Develop a framework for engaging targeted groups in efforts to increase sustainable revenue sources for CPW.	↑	2019	0% complete (new metric)	2020	100% complete
Status (Nov 2019)	All Metrics - ON TRACK				

WIG #2: Implement Oil and Gas Regulations					
GOAL: Appoint and confirm an interim Colorado Oil and Gas Conservation Commission and complete initial rulemaking by June 30, 2020.					
Measure	Desired Trend	Baseline FY	Baseline Number	Target FY	Target Number
Description: Number of stakeholder meetings per rulemaking series.	↑	2019	0 meetings (new metric)	2020	2 meetings per series
Description: % of guidance documents reviewed/reissued	↑	2019	0% Reviewed (new metric)	2020	50% complete
Status (Nov 2019)	All Metrics - ON TRACK				

WIG #3: Increase Public Access

GOAL: Increase acres of public access easements, leases, and other agreements from 1.4 million acres to 2.1 million total acres by June 30, 2022.

Measure	Desired Trend	Baseline FY	Baseline Number	Target FY	Target Number
Description: Total acres of public access easements, leases, and agreements	↑	2019	1.4 million acres	2020	1.7 million acres (+300,000)
Description: # of acres in Public Access Program	↑	2019	500,000 acres	2020	600,000 acres (+100,000)
Status (Nov 2019)	All Metrics - ON TRACK				

WIG #4: Diversity, Equity, and Inclusion

GOAL: To include and incorporate the DEI values as part of our culture and core business practices by implementing relevant sections of the Equity Retention Action Guide and Dept of Personnel Universal DEI Policy and increasing the percentage of job applicants meeting minimum qualifications from 40% to 60% by June 30, 2020.

Measure	Desired Trend	Baseline FY	Baseline Number	Target FY	Target Number
Description: Percentage of DNR job applicants meeting minimum qualifications.	↑	2019	40% of applicants	2020	60% of applicants
Description: Implementation of Equity Retention Action Guide and Dept of Personnel Universal Policy	↑	2019	0% implemented (new metric)	2020	100% implemented
Status (Nov 2019)	All Metrics - ON TRACK				

The Department provides monthly updates on its progress toward achieving WIGs #1-3 on the Governor's Dashboard at: <https://dashboard.state.co.us/bold4-energy-renewables.htm>

FY 2019-20 Performance Plan

In accordance with the statutory requirements of the SMART Act (Title 2, Article 7, Part 2, C.R.S.), the Department of Natural Resources prepares an annual Performance Plan to: (1) communicate its priorities in the form of department-wide goals (WIGs) and division-level strategic policy initiatives; (2) identify the metrics it will use to determine success; and (3) provide additional information about DNR's major program areas and the performance environment in which it operates. The Department's FY 2019-20 Performance Plan can be found online at the following link, along with quarterly performance evaluations:

<https://www.colorado.gov/performancemanagement/natural-resources>

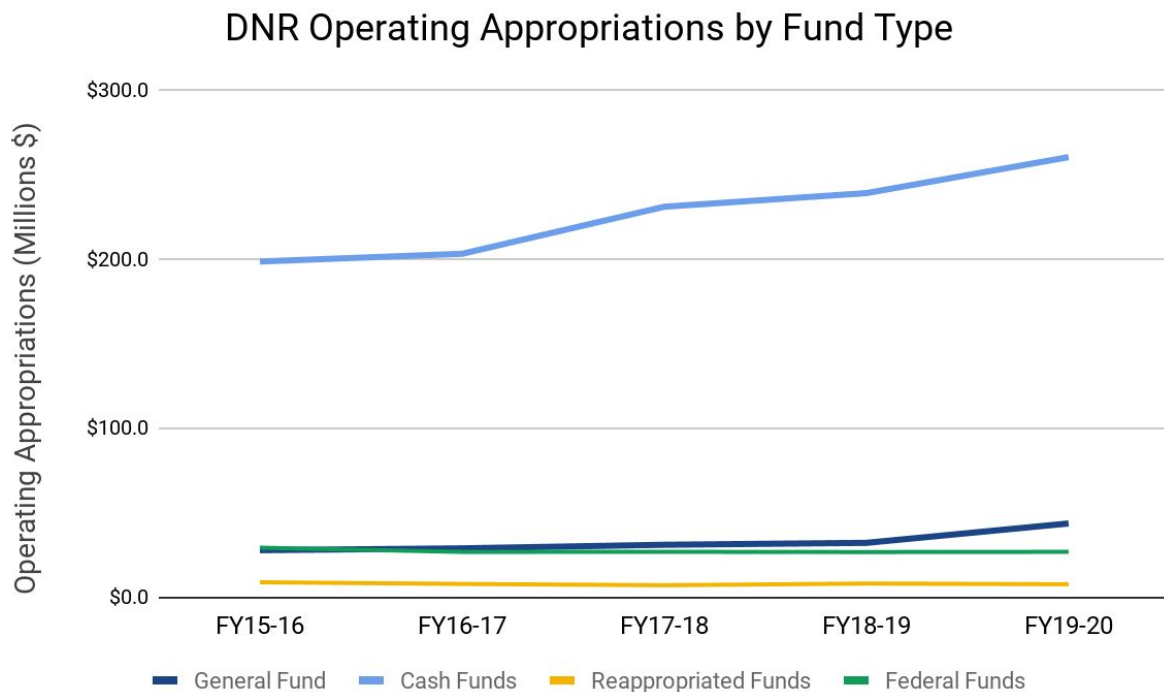
Section 3: Financial Structure

This section provides an overview of the Department of Natural Resources' (DNR) current and historical appropriations, including: 1) DNR's total operating appropriation by division and fund type, including both Long Bill and special bill appropriations; 2) the programs aligned with DNR's performance and strategic goals, 3) capital construction appropriations, and 4) debt obligations.

3.1 - Appropriations History

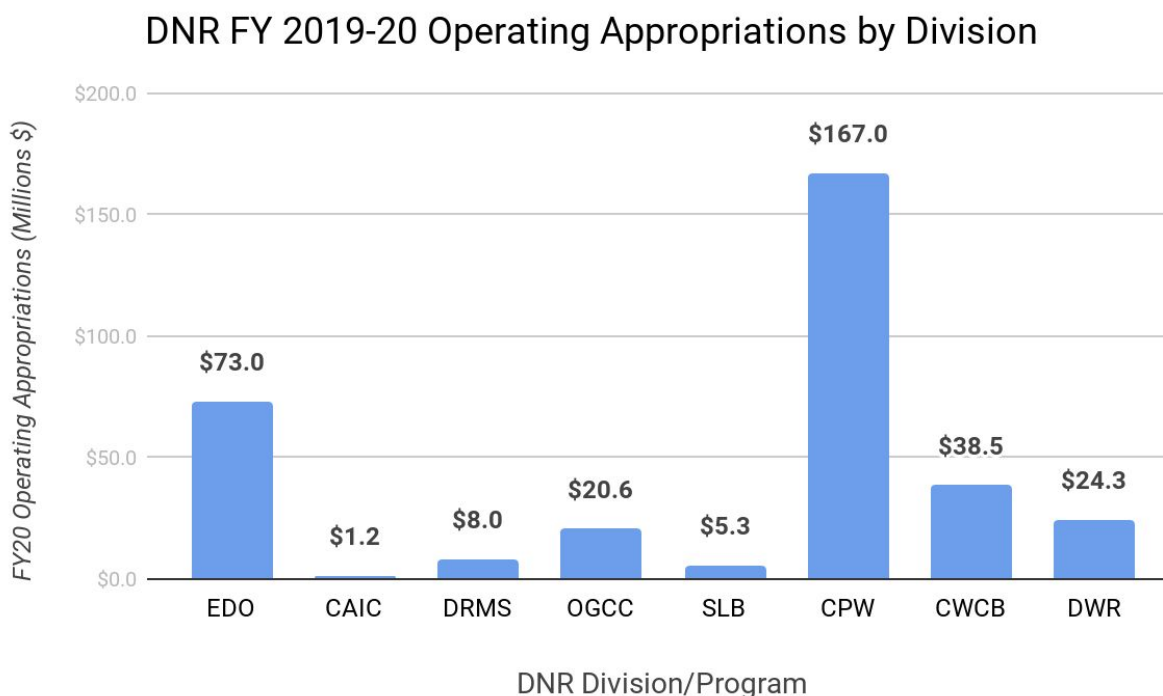
The following table shows DNR's total operating appropriations from FY 2015-16 through the current fiscal year, FY 2019-20:

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$263,919,227	\$27,671,518	\$198,404,864	\$8,701,045	\$29,141,800
2016-17	\$266,054,974	\$28,742,941	\$202,967,586	\$7,703,225	\$26,641,222
2017-18	\$295,292,465	\$30,864,532	\$230,795,872	\$6,932,593	\$26,699,468
2018-19	\$305,365,244	\$32,005,418	\$238,857,665	\$7,933,687	\$26,568,474
2019-20	\$337,819,513	\$43,464,597	\$260,148,716	\$7,523,560	\$26,682,640



The Department is primarily supported by cash funds, which account for approximately 77% of DNR's total operating appropriations on average. The remaining 33% is divided between General Fund (11%), federal funds (9%), and reappropriated funds (3%).

The Department of Natural Resources has seven divisions: the Executive Director's Office (EDO), which includes the Colorado Avalanche Information Center (CAIC); the Division of Reclamation, Mining, & Safety (DRMS); the Oil and Gas Conservation Commission (OGCC); the State Board of Land Commissioners (SLB); Colorado Parks & Wildlife (CPW); the Colorado Water Conservation Board (CWCB); and the Division of Water Resources (DWR). The following figure shows DNR's FY 2019-20 operating appropriations by division:



1) Executive Director's Office*

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$59,440,248	\$7,131,917	\$40,866,815	\$8,154,458	\$3,287,058
2016-17	\$57,981,833	\$7,870,569	\$41,445,575	\$7,478,225	\$1,187,464
2017-18	\$67,718,528	\$9,912,501	\$49,817,748	\$6,707,593	\$1,280,686
2018-19	\$74,069,656	\$10,600,896	\$54,483,404	\$7,708,687	\$1,276,669
2019-20	\$74,188,443	\$11,432,108	\$54,183,608	\$7,298,560	\$1,274,167

*Appropriations for the Executive Director's Office include personal services and operating expenses for EDO, centrally-appropriated common policies, the Colorado Avalanche Information Center, and annual Species Conservation Trust Fund projects (SCTF is included through FY19 only).

Programs aligned with the Executive Director's Office:

- DNR WIG #4: Diversity, Equity, Inclusion
- DNR Leadership and Administration
- Colorado Avalanche Information Center
- Species Conservation Trust Fund Projects

The DNR Executive Director's Office (EDO) is broadly responsible for providing leadership and support on public policy, budget, performance planning, accounting, purchasing, and human resources issues for all divisions in the Department. EDO program costs are supported by reappropriated funds from indirect cost recoveries collected from each division in the Department.

Colorado Avalanche Information Center

The Colorado Avalanche Information Center (CAIC) is a special program within the DNR Executive Director's Office. The CAIC's mission is to provide avalanche information and education to the public and industry groups, as well as promote research for the protection of life, property and the enhancement of the state's economy. The CAIC is a partnership between the DNR, the Colorado Department of Transportation (CDOT), and a 501(c)(3) group called the Friends of the CAIC. The CAIC monitors 30 highway sections in the state transportation system that are threatened by 522 avalanche paths (278 of which require regular hazard mitigation), and issues backcountry avalanche forecasts for 10 zones that collectively comprise over 28,000 square miles of mountainous terrain. Through its education and forecasting efforts, the Center reduces avalanche risk to highway travelers, CDOT highway workers, mountain recreationalists, and avalanche professionals. The CAIC's FY 2019-20 operating budget is \$1.2 million, comprised of \$533,678 cash funds, \$650,939 reappropriated funds, and \$18,971 federal funds.

2) Division of Reclamation, Mining, and Safety

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$8,019,842	\$0	\$4,492,845	\$30,000	\$3,496,997
2016-17	\$7,998,511	\$0	\$4,485,633	\$0	\$3,512,878
2017-18	\$7,949,217	\$0	\$4,460,425	\$0	\$3,488,792
2018-19	\$7,894,082	\$0	\$4,502,244	\$0	\$3,391,838
2019-20	\$7,972,753	\$0	\$4,595,005	\$0	\$3,377,748

Programs aligned with Division of Reclamation, Mining, and Safety:

- Minerals Regulatory Program
- Coal Regulatory Program
- Inactive Mines Reclamation Program
- Mine Safety Program

3) Oil and Gas Conservation Commission

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$12,827,024	\$0	\$12,719,508	\$0	\$107,516
2016-17	\$12,501,619	\$0	\$12,397,060	\$0	\$104,559
2017-18	\$12,471,154	\$0	\$12,370,025	\$0	\$101,129
2018-19	\$18,050,559	\$0	\$17,950,270	\$0	\$100,289
2019-20	\$20,613,071	\$0	\$20,516,512	\$0	\$96,559

Programs aligned with Oil and Gas Conservation Commission:

- DNR WIG #2: Implement Oil and Gas Rules and Regulations
- Hearings Unit
- Permitting Unit
- Engineering Unit
- Field Inspections Unit
- Environmental Unit
- Orphaned Well Program
- Finance and Financial Assurance

Additional Information:

In FY 2018-19, the OGCC received an increase of \$4.5 million cash funds with two-year rollforward spending authority to support the plugging and reclamation of orphaned wells and locations. A well or location is considered orphaned if there is either no known responsible party or the responsible party is unwilling or unable to conduct the work in compliance with state rules. In FY 2019-20, the OGCC's cash fund spending authority increased by \$2.6 million and 24.0 FTE to address workload increases, specific West Slope issues, and the requirements set forth in S.B. 19-181.

4) State Board of Land Commissioners

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$4,801,909	\$0	\$4,576,909	\$225,000	\$0
2016-17	\$4,991,219	\$0	\$4,766,219	\$225,000	\$0
2017-18	\$5,089,096	\$0	\$4,864,096	\$225,000	\$0
2018-19	\$5,181,149	\$0	\$4,956,149	\$225,000	\$0
2019-20	\$5,264,461	\$0	\$5,039,461	\$225,000	\$0

Programs aligned with State Board of Land Commissioners:

- Field Operations
- Real Estate
- Minerals
- Operations
- Outreach
- Conservation Services

5) Colorado Parks and Wildlife

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$139,803,033	\$150,000	\$117,785,467	\$0	\$21,867,566
2016-17	\$140,722,456	\$150,000	\$119,126,484	\$0	\$21,445,972
2017-18	\$140,032,678	\$150,000	\$118,491,675	\$0	\$21,391,003
2018-19	\$142,762,153	\$150,000	\$121,241,275	\$0	\$21,370,878
2019-20	\$166,995,560	\$150,000	\$145,374,562	\$0	\$21,470,998

Programs aligned with Colorado Parks and Wildlife:

- DNR WIG #1: Sustainable Funding for Parks and Wildlife
- DNR WIG #2: Increase Public Access
- Colorado State Park System
- Terrestrial Wildlife Management
- Aquatic Wildlife Management
- Land and Water Conservation
- Species Protection and Restoration
- Law Enforcement
- Trail Development and Enhancement
- Public Outreach and Outdoor Education
- Snowmobile Program
- River Outfitters Regulation
- Off-Highway Vehicle Program
- Habitat Partnership Program

Additional Information:

CPW's cash funds appropriations increased by \$24 million in FY 2019-20. This increase was primarily driven by a new appropriation to provide spending authority for vendor commissions associated with CPW's new Integrated Parks and Wildlife System (IPAWS), which is used to issue licenses, passes, and registrations. The increase also includes additional funding for: (1) State Park Operations to meet increased visitation and customer demand; (2) the Wildlife Small Capital Program to support small capital maintenance projects to address fire/safety/health

issues; (3) additional staffing for the Capital Development Program to support increased capital development needs, maintenance, and renovation of facilities and dams; and (4) additional staffing to operate the new Cameo Shooting and Education Complex.

6) Colorado Water Conservation Board

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$16,655,542	\$0	\$16,183,735	\$291,587	\$180,220
2016-17	\$18,802,123	\$0	\$18,611,673	\$0	\$190,450
2017-18	\$38,799,973	\$0	\$38,597,165	\$0	\$202,808
2018-19	\$33,772,994	\$0	\$33,577,344	\$0	\$195,650
2019-20	\$38,473,034	\$10,000,000	\$28,248,660	\$0	\$224,374

*CWCB cash funds include Long Bill appropriations and appropriations made in the annual CWCB Projects Bill.

Programs aligned with Colorado Water Conservation Board:

- Water Project Loan Program
- Grant programs including Colorado's Water Plan Grant Program, the Water Efficiency Grant Program, and the Water Supply Reserve Fund Grant Program
- Instream Flow and Natural Lake Level Program
- Flood Recovery and Watershed Restoration Programs
- Endangered Fish Recovery Program
- Agricultural programs including the Alternative Agricultural Water Transfer Method Grant Program, and the Low Interest Loans for Agriculture Program

Additional Information:

Senate Bill 19-212 included a one-time appropriation of \$10 million General Fund for FY 2019-20 to support the Water Plan Grant Program and a Colorado River Compact Demand Management Feasibility Study. CWCB has three years to expend this appropriation. The increase in cash funds in FY 2017-18 is attributable to CWCB Projects Bill appropriations made in H.B. 17-1248, which appropriated \$30.4 million for water-related projects compared to the \$7.9 million appropriated the year before (S.B. 16-174).

7) Division of Water Resources

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2015-16	\$22,371,629	\$20,389,601	\$1,779,585	\$0	\$202,443
2016-17	\$23,057,213	\$20,722,372	\$2,134,942	\$0	\$199,899
2017-18	\$23,231,819	\$20,802,031	\$2,194,738	\$0	\$235,050

Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
2018-19	\$23,634,651	\$21,254,522	\$2,146,979	\$0	\$233,150
2019-20	\$24,312,191	\$21,882,489	\$2,190,908	\$0	\$238,794

Programs aligned with Division of Water Resources:

- Interstate Compact Enforcement Program
- Intrastate Water Rights Program
- Dam Safety Program
- Well Inspection Program

3.2 - Capital Construction Appropriations

Fiscal Year	Total Funds	Controlled Maintenance	Capital Renewal & Recapitalization	Capital Expansion	IT Projects
2015-16	\$23,444,872	\$0	\$13,194,872	\$10,250,000	\$0
2016-17	\$40,391,672	\$0	\$30,141,672	\$10,250,000	\$0
2017-18	\$30,940,400	\$0	\$20,240,400	\$10,700,000	\$0
2018-19	\$26,187,666	\$0	\$23,664,340	\$0	\$2,523,326
2019-20	\$13,158,090	\$0	\$2,158,090	\$11,000,000	\$0

Colorado Parks and Wildlife is the only DNR division that has an annual appropriation for capital construction and is the only division reflected in the funding totals. Please note that beginning in FY 2019-20, CPW changed the format of its annual capital development request to reflect appropriated cash funding only. The annual request no longer includes non-appropriated funding sources, including funding from Great Outdoors Colorado (GOCO) and the Colorado Lottery. This was done in response to a 2017 audit of GOCO. The overall size of CPW's annual capital development program remains consistent with funding levels from previous fiscal years. The total FY 2019-20 CPW capital program includes \$25,774,547 in Capital Renewal and Recapitalization projects, of which \$2,158,090 is appropriated.

CPW typically develops a list of capital projects each fiscal year and funds them in their entirety from a variety of funding sources, including appropriated cash, GOCO funding, Lottery funding, and some federal funds. All projects are fully funded upon approval and thus do not represent a debt obligation.

3.3 - Department Debt Obligations

Chatfield Reservoir Project

The Chatfield Reservoir Reallocation Project came about as the result of a growing demand for water in Colorado's Front Range and on northeast Colorado farms. The U.S. Army Corps of Engineers determined Chatfield Reservoir can accommodate an additional 20,600 acre feet of water storage for water supply without compromising its flood control function. This additional storage space will be used by municipal and agricultural water providers to help meet the diverse needs of the state. The Colorado Water Conservation Board (CWCB) is the non-federal sponsor of the Chatfield Reservoir Reallocation Project, in cooperation with the Corps of Engineers and water providers located in the South Platte River Basin.

Storing more water in Chatfield will raise water levels above their historic operational high level at 5,432 feet to a new highest level of 5,444 feet, an increase of 12 feet. This rise will impact recreational and environmental features at the water's edge. The project's Environmental Impact Statement includes numerous mitigation measures to lessen and compensate for these impacts. To fund the mitigation projects resulting from higher water levels, project partners have contributed cash funds to an escrow fund. CWCB makes payments from this fund to construction vendors as invoices are received. It is anticipated that the project will be completed in late summer/early fall of 2019. The project funds are continuously appropriated via Section 37-60-120.1, C.R.S.

Because funding for the project is secured, CWCB does not consider this to be a debt obligation. DNR is including the project in the Long-Range Financial Plan for purposes of transparency.

Colorado Parks and Wildlife Chatfield Reallocation Payment

Colorado Parks and Wildlife is a partner in the Chatfield Reservoir Reallocation Project. To fund CPW's share of the escrow payments required from all partners (see above), CPW received a loan of approximately \$8.3 million from CWCB. Under the terms of the loan, CPW will make annual payments of approximately \$276,700 for 30 years utilizing the Wildlife Cash Fund, with a maturity date in FY 2044-45.

Colorado Parks and Wildlife Beaver Park Dam Rehabilitation Project

Beaver Park Dam is CPW's primary water storage and water rights management vessel for the San Luis Valley due to its location in the basin. The Beaver Park Dam is considered a high hazard dam and is under a storage restriction to ensure dam safety. In FY 2011-12, CPW initiated a budget request for the rehabilitation project to repair the dam, and funded the project using a combination of cash funds and a \$10 million loan from the CWCB. CPW will make annual payments to CWCB of \$333,333 for 30 years, reimbursing the loan fully in FY 2046-47. The project funds are continuously appropriated via Section 39-29-109, C.R.S.

Section 4: Financial Forecast

4.1 - Baseline Forecast: Budget Drivers in the FY20 to FY24 Timeframe

The following table shows forecasted appropriations for DNR from FY 2020-21 to FY 2023-24. The forecast is based on DNR's FY 2019-20 appropriation, excluding the \$10.0 million General Fund appropriation made in S.B. 19-212 (Appropriation General Fund Implement State Water Plan), but including \$23.3 million in cash funds appropriations made in two special bills: the annual Colorado Water Conservation Projects Bill (S.B. 19-221) and S.B. 19-181 (Protect Public Welfare Oil and Gas Operations). It assumes that:

1. General Fund and reappropriated funds will be held constant over the forecast period at an amount equal to the FY 2019-20 Long Bill appropriation (S.B. 19-207); and
2. All cash funds and federal funds will increase by 3.5% annually, equal to inflation (2.1%) plus population growth (1.4%).

DNR Forecasted Appropriations for FY 2021 to FY 2024*

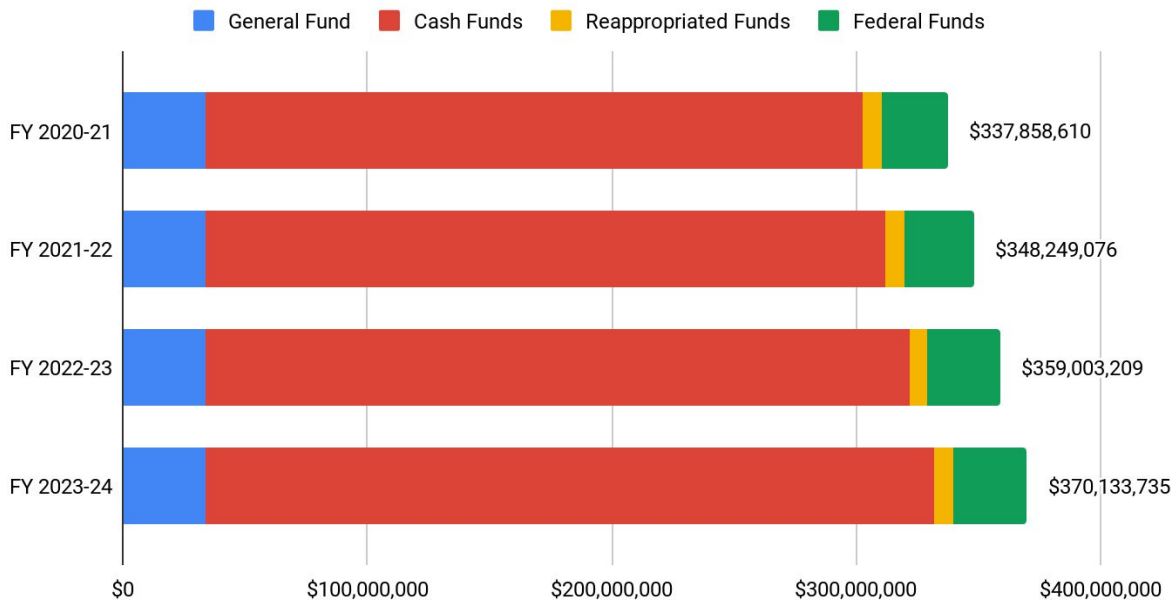
Forecasted Appropriation by Fiscal Year	Total Funds	General Fund**	Cash Funds	Reappropriated Funds**	Federal Funds
FY 2020-21	\$337,858,610	\$33,464,597	\$269,253,921	\$7,523,560	\$27,616,532
FY 2021-22	\$348,249,076	\$33,464,597	\$278,677,808	\$7,523,560	\$28,583,111
FY 2022-23	\$359,003,209	\$33,464,597	\$288,431,532	\$7,523,560	\$29,583,520
FY 2023-24	\$370,133,735	\$33,464,597	\$298,526,635	\$7,523,560	\$30,618,943

*Actual appropriations in future fiscal years are unknown and depend, in part, on factors that are outside of the Department's control. Future appropriations may differ materially from the forecasted amounts in the table above.

**Total compensation and operating common policy appropriations for DNR include both General Fund and reappropriated funds. As a result, any approved adjustments to common policies will affect appropriations from these two fund types, departing from the no-growth assumption in the forecast.

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DNR Forecasted Appropriations



Long-term growth in the Department's base budget tends to be driven by annual increases in personal services appropriations through total compensation common policies like salary survey or merit pay. Any other increases would generally be the result of a departmental decision item or budget action that was approved by the Joint Budget Committee and/or the General Assembly through the Long Bill or other legislation. However, the forecast does not contemplate any specific funding increases beyond the specified percentage growth in cash and federal funds.

Other Relevant Forecasts

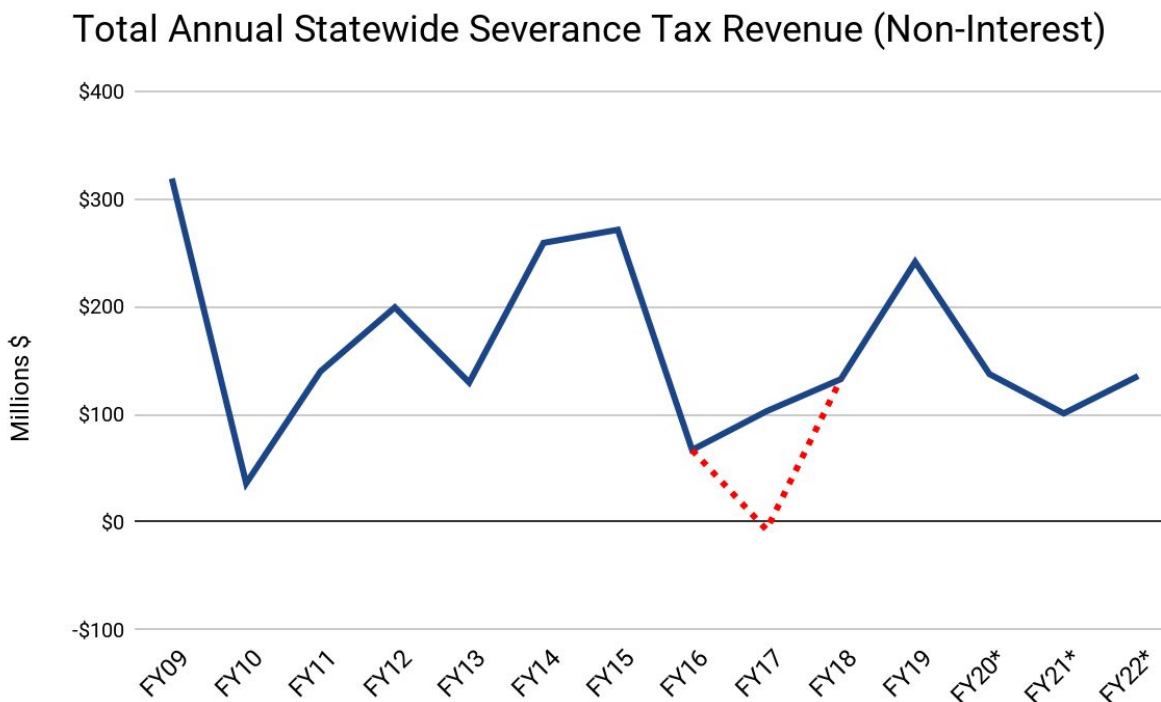
The Department of Natural Resources uses a number of specific revenue forecasts for planning and budgeting purposes, described in more detail below and accessible at the links provided.

[Legislative Council Staff Severance Tax Revenue Forecast](#)

DNR relies heavily on the quarterly severance tax revenue forecasts issued by Legislative Council Staff (LCS) for planning and budgeting purposes. DNR receives 50% of total statewide severance tax revenue that it splits equally between two cash funds: (1) the Perpetual Base Fund, a revolving fund administered by CWCB, used to make loans for water projects; and (2) the Operational Fund that provides funding for permanent staff and ongoing program costs in DNR divisions, as well as natural resources-related grant programs.

Although severance tax accounts for between 5-15% of the Department's budget in any given year, it represents a significant source of funding for the divisions and programs that receive it.

LCS forecasts provide revenue projections for two out-years. The most recent forecast, issued in September 2019, projects \$137.5 million in statewide severance tax revenue for FY 2019-20, \$101.1 million for FY 2020-21, and \$135.7 million in FY 2021-22.



* = Projected severance tax revenue based on the September 2019 Legislative Council Staff Revenue Forecast.
Red dotted line shows FY17 net severance tax collections without General Fund assistance provided by S.B. 16-218.

[State Land Board School Trust Revenue Forecast](#)

The State Land Board (SLB) manages a portfolio of approximately three-million acres of state trust lands and four million acres of trust minerals. Trust lands are leased for ranching, farming, mineral and oil and gas production, commercial, and other uses in order to earn income for trust beneficiaries. Over ninety-five percent of these lands are part of the common schools trust. School trust earnings are used to benefit kindergarten through 12th grade public education in the state. In general, the State Land Board earns revenues many times the costs of running the agency. As a result, its ability to execute its mission is generally unaffected by variation in revenue. Any fluctuations in revenue primarily affect the amount of money available for distribution to trust beneficiaries.

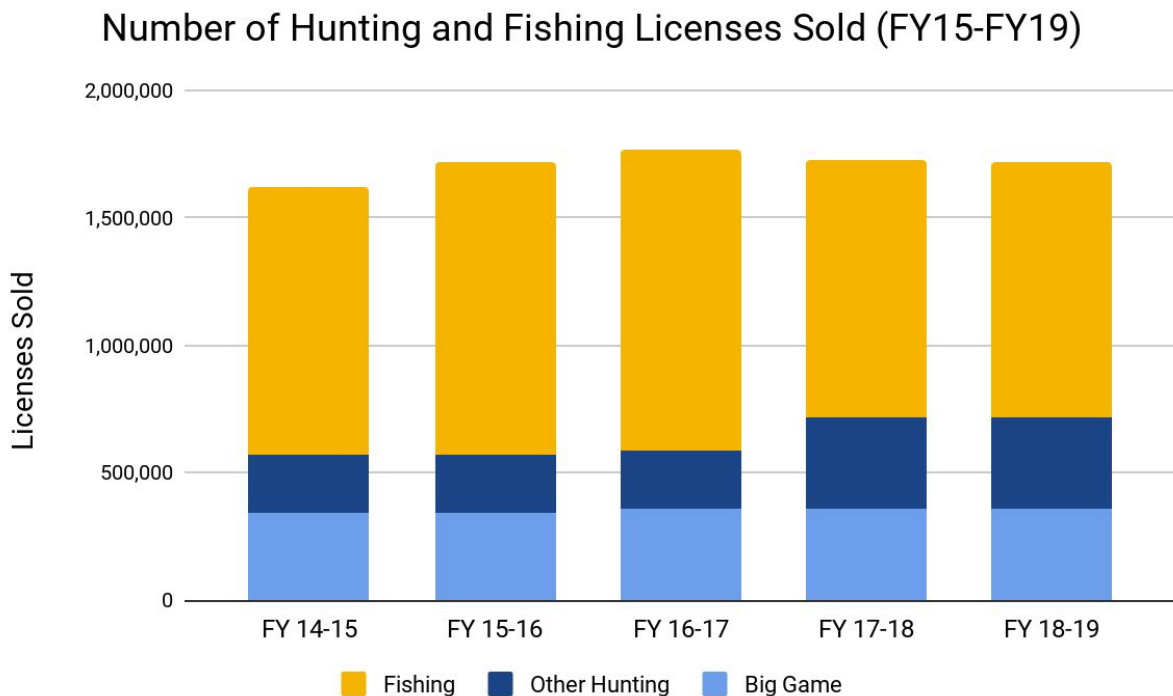
State Land Board revenues are affected by a number of variables outside the agency's control, but the FY 2020 to 2024 forecast indicates relative stability despite some potential fluctuations in revenue generated by specific trust assets. Oil and gas royalties and bonus payments have comprised 70-90% of State Land Board annual revenue for more than 10 years. Depending on market conditions for Colorado oil and gas resources in upcoming years, the agency could

experience corresponding changes in trust revenue. Currently, uncertainty among operators on the costs of future well and pipeline infrastructure, the declining productive capacity of wells in an aging field, and the general outlook for pricing and demand among world markets combine to produce forecasts that do not show a likely potential for increased oil and gas revenue in the coming years.

By contrast, the agency has seen slow, steady growth in lines of business that generate annual income including commercial real estate, recreation, grazing and crop production, land for renewable energy projects and rights of way. The State Land Board continues a revenue diversification strategy by developing these lines of business through business promotion and marketing activities. Leasing in these lines of business typically occurs on a timeframe of 10 to 50 years, providing long-term gradual growth and stability of revenue through growth in annual lease rates and an increase in the number of leases.

Colorado Parks and Wildlife Budget Forecast

CPW completes a forecast of their annual operating budget showing projected revenues and expenditures including operating and capital operating costs. With the passage of S.B. 18-143 (Hunting, Fishing, and Parks for Future Generations Act), many of the agency's license fees were increased in statute and CPW was given the authority to increase other fees and pass costs via action by the CPW Commission. CPW should begin earning new revenue from these changes during the Fall 2019 hunting season. The chart below shows the number of hunting and fishing licenses sold in FY 2014-15 to FY 2018-19. The Future Generations Act includes a number of goals and objectives that CPW will strive to achieve with the increased revenue, including improvements to dams and other infrastructure, increasing hunter education and recruitment, increasing game populations, and developing new state parks. CPW's first report on the implementation of S.B. 18-143 is due to the Legislature on November 1, 2019. CPW forecasts average net revenue of approximately \$23.6 million per fiscal year from FY 2019-20 through FY 2023-24.



4.2 - DNR Performance Environment

This section highlights some important outside factors that shape DNR's performance environment and budgetary needs.

Population Growth

Colorado is experiencing significant and ongoing growth in population, adding approximately 80,000 people per year on average since 2010. The total population of the state is projected to reach 5.9 million by 2020 and 8.5 million by 2050. This trend presents both opportunities and challenges for DNR, especially in terms of increasing demand for: (1) water, (2) residential and commercial development, and (3) outdoor recreation.

1. The Colorado Water Plan anticipates that Colorado will experience a gap of more than 500,000 acre feet between water supply and demand for water resources by 2050. DNR is working to implement the Water Plan recommendations to close this gap responsibly through increased water storage and water conservation.
2. Population growth increases contact between citizens and natural resources as urban development expands into new areas, giving rise to human/wildlife conflicts, and development within critical seasonal habitat and wildlife corridors. DNR seeks to navigate these interactions as they arise in a manner that minimizes the short and long term impact on natural resources.

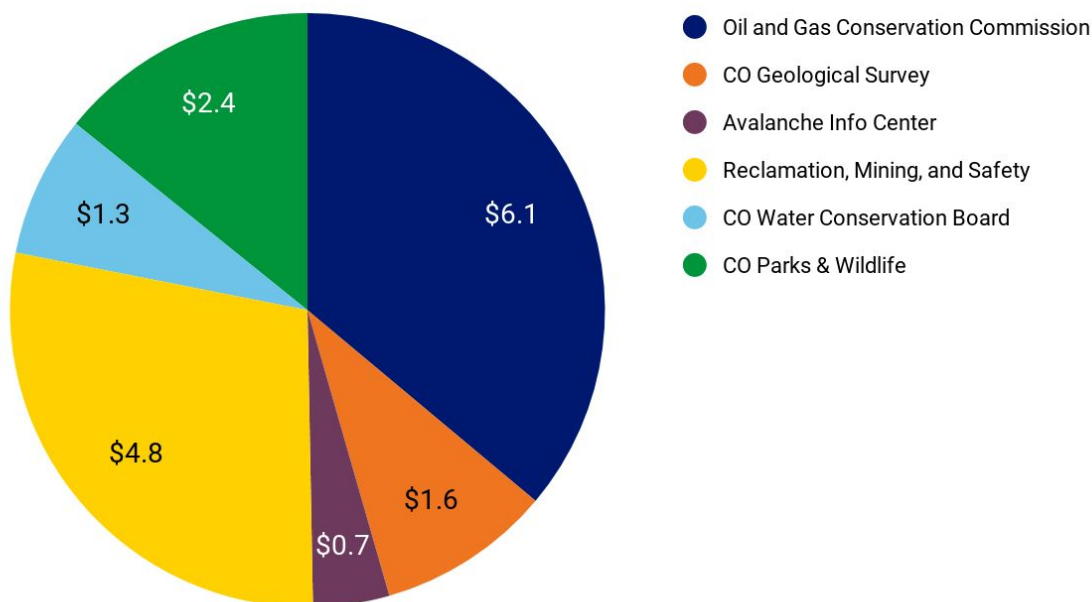
3. Outdoor recreation in Colorado drove \$37 billion in consumer spending, supported 511,000 jobs, and generated \$21 billion in wages and salaries in 2017. DNR works on multiple fronts to support recreation opportunities that minimize impacts to wildlife and the environment, while responding to heightened public demand with limited financial resources. Population growth is increasing stress on DNR's existing services, facilities, and grants, and represents an ongoing challenge to the Department.

Non-Renewable Energy Development and Severance Tax Revenue

The Colorado Oil and Gas Conservation Commission and the Division of Reclamation, Mining and Safety are tasked with regulating the development of Colorado's mineral resources in a manner that protects public health, safety, and the environment. The level and location of non-renewable mineral development can have a significant impact on the workload for these two regulatory divisions and sources of funding for the Department of Natural Resources and other state programs.

As mentioned in Section 4.1 above, a number of divisions and programs within DNR depend on state severance tax revenue, collected on nonrenewable minerals as they are extracted from the earth, to support personnel, operations, and a variety of important grant and loan programs. Severance tax is an extremely volatile revenue stream because: (1) collections are tied to energy commodity markets, primarily oil and natural gas; and (2) Colorado has a unique tax credit that offsets state severance tax liability by a percentage of local property taxes, amplifying baseline fluctuations in revenue. Severance tax revenues can vary by hundreds of millions of dollars from one year to the next, which can make program management and long-term planning a challenge.

FY20 Severance Tax Appropriations for Core Programs (\$ Millions)



Federal Partnerships and Funding

DNR works closely with a number of federal agencies to manage and protect the state's natural resources by sharing data, technical expertise, and comments regarding natural resource management decisions on federal lands. An increasing number of changes to rules, regulations, and policies at the federal level are creating uncertainty and driving increased workload across DNR divisions. Additionally, significant changes in the operations of federal agencies have increased the complexity of the process DNR divisions must follow to participate in discussions on natural resources issues with federal partners.

Shifting priorities in the federal budget could also affect DNR divisions that receive federal funding, which accounts for 8.6% of DNR's total annual operating appropriation in FY 2019-20, or rely on federal funding as important cost shares to partnership programs. The availability of federal funding will determine whether and to what extent DNR divisions can continue to provide services and complete projects in the future.

Environmental Trends, Climate Change, and Natural Events

Long-term environmental trends due to climate change have an undeniable effect on Colorado's natural resources and DNR must account for this in its approach to managing and protecting those resources. DNR is also heavily involved whenever Colorado experiences certain types of natural disasters, including floods and wildfires. DNR divisions administer programs that support wildfire prevention and flood mitigation projects to help prevent future events and provide both expertise and funding for recovery efforts when they do occur.

4.3 - Scenario Evaluation: Downturn

In the event of an economic downturn, the Department could experience a number of effects to its core functions with the most significant potential impacts to the Division of Water Resources, which is DNR's only division supported by General Fund, as well as the Oil and Gas Conservation Commission and severance tax funded programs due to their connection to volatile commodity markets.

Other divisions could experience little to no immediate effects in a downturn unless it lasted for several years. For example, the State Land Board structures lease terms from five to fifty years, which has the effect of smoothing economic stress experienced in any single year or short run of years. State Land Board manages their leasing portfolio and expenses such that it currently generates sufficient cash funds to cover its programmatic needs annually, meaning year over year small fluctuations to oil and gas revenue should not create an operational funding shortfall. It is important to mention that since the SLB's portfolio supports the state's school trust and the earnings are used to benefit kindergarten through 12th grade public education in the state, an economic downturn could negatively impact funding available for public schools.

In the case of Colorado Parks and Wildlife, the impact is unique in that a future economic downturn could have the potential to increase CPW revenues. For example, during the 2008 recession, State Park visits increased as many families opted to vacation closer to home in lieu of more expensive travel options. Additionally, demand for big game hunting licenses continued to exceed supply during this time. Direct distributions to CPW from Lottery and Great Outdoors Colorado grants, which are funded by Lottery proceeds, remained relatively stable during the recession.

Potentially Significant Impacts

Division of Water Resources:

A general downturn in the economy could potentially affect funding for the Division of Water Resources (DWR). DWR's budget is approximately 90% General Fund, making the division more susceptible to economic downturns or decreases in state revenue. In addition, the majority of the cash fund revenue DWR receives is from application fees and other fees for water well construction. By law, every new well in the State that diverts groundwater must have a well permit. In the past, an economic downturn has resulted in a dramatic reduction in new construction and also the number of applications submitted to DWR thereby lowering the application fee revenue collected. The direct impact of reduced revenue to DWR could be a reduction in the number of staff assigned to programs.

Oil and Gas Conservation Commission:

The Colorado Oil and Gas Conservation Commission (OGCC) is susceptible to fluctuations in the price of oil on both a national and international level. An economic downturn in the U.S. and/or other major economies, such as China and Europe, would likely lead to lower demand for oil, which in turn would lead to lower oil prices. When prices fall for an extended period of time, declines in capital investment and production by the oil and gas industry generally follow. Both severance tax and the Oil and Gas Conservation Levy are assessed on the value of oil and gas production; therefore these revenue streams are negatively impacted by low oil prices and production. The OGCC depends on both funding sources to support its regulatory program. The impacts of a general decline to Severance Tax revenue is described in more detail in a subsequent section.

As a recent example of this phenomenon, oil prices declined sharply in mid- to late 2014 from about \$100/barrel to less than \$50/barrel due to a world-wide oversupply of oil. This decline lasted for approximately two and a half years. During this period in Colorado, the year-over-year growth in statewide oil production slowed from 40% in FY 2014-15 to about 9% in FY 2015-16 and eventually to negative 7% in FY 2016-17. The OGCC responded to the resulting reduced revenue to its cash fund by holding nearly 10% of its FTE positions vacant. These vacancies led to slower permit processing times and backlogs of work throughout the division.

Severance Tax Funded Programs:

In addition to the OGCC, a number of other DNR divisions and programs rely on severance tax revenue to support ongoing program costs and permanent staff, as well as a variety of grant programs and water projects loans. The majority of severance tax revenue is generated from oil and gas activity in the state. If an economic downturn affected the price and production of oil and gas, severance tax revenue collections would decrease. The magnitude of the decrease could potentially be larger for severance tax than for other mineral-dependent revenue streams due to the lagged effect of the property tax offset (ad valorem tax credit) that severance taxpayers can apply to their state severance tax liability.

However, significant severance tax downturns are not uncommon and state agencies that administer severance tax funds have experience managing programs in a revenue-scarce environment. For DNR, a severance tax revenue shortfall would result in reduced funding for Natural Resources and Energy Grant Programs. This includes water projects grants, species conservation efforts, aquatic nuisance species inspections, forestry programs, and forfeited mine site reclamation. Reductions to these grant programs have actually been required in varying degrees in each fiscal year since FY 2014-15. In FY 2016-17 and 2017-18, zero severance tax funding was available. Most of these programs have some flexibility to scale up or down depending on available revenue, although some received support from alternative sources of funding during previous downturns. Additionally, fewer funds would be available for water projects loans administered by the Colorado Water Conservation Board.

Unlike the grant programs, DNR Core Programs use severance tax to support personnel and operating expenses, which are not flexible in the face of a downturn. However, core program funding is prioritized in statute and protected by a statutorily required cash fund reserve equal to one year of core program operating appropriations. As a result, these programs are unlikely to be affected by a downturn unless the severance tax revenue shortfall is severe or lasts for multiple years.

4.4 - Scenario Evaluation: Department Specific Contingency

The Department of Natural Resources is particularly sensitive to natural disasters or natural events that may occur more frequently or with greater intensity due to climate change. DNR is heavily involved whenever Colorado experiences certain types of natural disasters, including wildfires, floods, drought, or certain wildlife related events. These significant environmental effects represent potential future contingencies that would have a major impact on the DNR's long-range forecast or ability to meet its performance goals. The specific impacts of these kinds of events are described in more detail on the following pages.

Impact of Widespread Wildfires

Wildfires in the state could directly impact several of DNR's division operations:

- *Colorado Parks and Wildlife:* Widespread wildfires can have a crippling effect on many of CPW's services, especially park operations, wildlife viewing, and hunting. Parks and campgrounds located in the proximity of wildfires may have to close to the public, limiting their abilities to generate revenues. In addition, fire would destroy wildlife habitat and food, driving herds to more remote territory making wildlife viewing difficult and causing a reduction in the available land to hunt, negatively impacting license revenue.
- *Colorado Water Conservation Board:* Wildfires can harm critical watersheds that supply drinking water, damage watershed and wildlife habitats, kill aquatic and wildlife species, and negatively impact tourism. Post-wildfire areas are increasingly susceptible to flash floods related to the loss of vegetation and lack of soil cohesiveness. These areas can quickly turn into devastating debris flows or mudslides. The conditions following wildfires contributed to the magnitude of the 2013 and 2015 floods. The CWCB provides funding for watershed mitigation and restoration. Due to the successes from the work completed after the 2013 floods, there have been numerous requests for funding and technical assistance to recover from large wildfires. In addition to grant funding, the CWCB also offered zero percent interest loans to communities affected by the flooding and fire disasters. Future wildfires have the potential to require additional resources dedicated to CWCB to supply resources to respond to wildfire emergencies as well as may have a temporary impact on the CWCB Construction Fund by reducing interest revenue.
- *Division of Reclamation, Mining, and Safety:* Previous wildfires in Colorado have resulted in the removal of surface vegetation and exposure of hundreds of hazardous abandoned mines. Exposure of those mine openings resulted in an increased risk to the public and a need for the Inactive Mine Reclamation Program (IMRP) to quickly prioritize and direct funding to safeguard these areas. Additionally, the IMRP has responded to and abated burning abandoned coal waste piles ignited by wildfires. Future wildfires in historic coal mining regions of Colorado will require the IMRP to work closely with local fire protection districts and assist in extinguishment of wildfire ignited coal.

Impact of Severe Floods

Floods in 2013 and 2015 had a major impact on many parts of Colorado. As a department with a major focus on land and water, DNR is susceptible to operational impacts as a result of floods.

- *Colorado Parks and Wildlife:* CPW manages state parks and wildlife areas comprising approximately 900,000 acres of land statewide. With such a large and geographically diverse collection of properties, CPW is very sensitive to potential flooding and experienced significant damage to property as a result of floods in 2013 and 2015. As demonstrated by past flooding events, future floods could impact CPW's resources by diverting efforts to complete planned capital projects and also strain budgets to provide matching dollars for federal disaster aid awards. As a result of the 2015 flooding, many roads and fences providing access to public lands were destroyed and much fish and wildlife habitat was rendered unusable. CPW dedicated substantial funding, equipment,

and staffing to quickly restore public access, but repairs were not completed for up to three years after the event due to limited resources and the lengthy insurance recovery process.

- *Colorado Water Conservation Board*: The Colorado Water Conservation Board provides statewide technical and financial assistance related to flood mitigation efforts, flood response and preparedness, coordinates with the National Flood Insurance Program, and assists with weather modification activities to address long-term flood protection for the overall health, safety, and welfare of Colorado. In recent history, there has been an increase in requests for funding and technical assistance to recover from floods. For example, in the wake of the 2013 floods, CWCB in conjunction with the Colorado Division of Homeland Security and Emergency Management allocated \$68 million to the Emergency Watershed Protection program for assistance. Future floods could directly impact the resources CWCB manages in the form of dedicated staff hours and potential increases in funding.
- *Colorado Division of Reclamation, Mining and Safety*: The Division actively engages in reclamation of abandoned mine lands through the Inactive Mine Reclamation Program (IMRP) to reduce sedimentation and loading from historic mine sites. These lands are uniquely susceptible to severe flooding due to a lack of vegetation and location in steep topography, and can have detrimental impacts to water quality as a result of storm driven erosion. Following the floods of 2013, the IMRP received requests from many local watershed groups to assist with reclamation of abandoned mine lands that were severely impacted by erosion. Future flooding may result in the need to prioritize reclamation and cleanup of mine impacted lands in flood prone areas.

Impact of Long Periods of Drought

An extended period of drought in the state could have direct impacts to Colorado Parks and Wildlife as well as the Colorado Water Conservation Board operations.

- *Colorado Parks and Wildlife*: The risk of extended drought conditions is one of the biggest threats to CPW's operations as drought conditions negatively affect many facets of CPW services including: watersports, wildlife watching, hunting, and camping. Extended droughts have the potential to reduce the levels of CPW owned reservoirs. Reduced water levels have been synonymous historically with decreased boating activity, which, in turn, results in decreased boat registration and park admission revenue. Drought conditions can also harm the health of Colorado's wildlife herds due to damage of habitat and a decline in available vegetation for feeding. In response to herd health concerns, CPW may reduce the hunting licenses available, leading to reduced license revenue. Finally, severe drought conditions require land managers to implement fire bans to help ward off the risks of wildfires. Relaxing around a campfire and cooking over an open flame are significant components of the camping experience, and fire bans result in a reduction in park admission and campsite fee revenue.

- *Colorado Water Conservation Board:* The CWCB offers drought planning tools, information on climate change, and financial assistance to help water users throughout the state develop a plan and response to drought conditions. The CWCB manages grant programs to provide financial support for stakeholders implementing water conservation-related activities and projects, drought plans, and for emergency drought-related water augmentation for agricultural water users. Since inception of the grant programs, the number of grants awarded and managed for water efficiency and drought planning has increased from 13 to 28 for the Water Efficiency Grant Fund program and from 5 to 30 in the Colorado Water Plan Grant program. A continued need for water-wise education and an interest from water entities in preparing for drought and conserving water, will likely drive additional demand for assistance from the CWCB.

The CWCB is also conducting a stakeholder process to investigate the feasibility of a voluntary, temporary, compensated program to manage demand on the Colorado River as a potential tool for avoiding compact administration in the event of a continued drought. Depending on the stakeholder feedback, additional resources may be needed to further test or pilot concepts identified by the groups. Ultimately, if these stakeholder groups, the CWCB Board, and the other Upper Basin states determine that such a program is feasible and desirable, additional resources may be needed.

4.5 - Emerging Trends

Securing Sustainable Funding For Parks and Wildlife

Colorado relies heavily on hunting and fishing license fees to support wildlife conservation. Long-term trends and changes in the state, such as changing demographics, growth in demand for outdoor recreation, and a decline in participation in hunting are expected to challenge the state's ability to adequately fund wildlife management. The Future Generations bill (S.B. 18-143) has provided revenue to support ongoing operations. However, over time the costs of the services CPW provides may outpace the additional revenue this bill has generated. To help remedy this potential imbalance, the Division and its stakeholders are continuing to explore ways to diversify CPW's income to identify long-term funding critical to the success of CPW into the future. These objectives are embodied in Wildly Important Goal #1 of the Department's 2019 Performance Plan.

Implementing Oil and Gas Rules and Regulations

In the last decade, oil and gas development in Colorado has rapidly evolved, introducing new technologies and expanding heavy industrial operations to populated urban and suburban neighborhoods leaving our communities and our environment to bear the impacts. The Colorado legislature passed and the Governor signed S.B. 19-181 into law to address the changing conditions in the oil and gas industry and meet the needs of impacted communities. The new law updated the mission of the Oil and Gas Conservation Commission (OGCC) to regulate oil

and gas development and operations in Colorado in a manner that protects public health, safety, welfare, the environment, and wildlife resources and removed OGCC's charge to foster oil and gas development. The law also changed the composition of the Commission to reflect the new focus on regulation and set out specific rulemakings to be completed by July 1, 2020, including: implementing the reprioritized public health, safety, and environmental mission of the OGCC, creating rules to allow for alternative site analysis, evaluating and addressing potential cumulative impact from oil and gas operations, and reviewing and revising OGCC's existing flowline regulations. As S.B. 19-181 and the associated rules and regulations are implemented, OGCC will evaluate available resources to ensure it accomplishes its new mission. These objectives are embodied in Wildly Important Goal #2 of the Department's 2019 Performance Plan.

Increased Public Access

As long as Coloradans live life outside, recreation on public lands is central to our identity, quality of life, and economy. Colorado's continued growth is increasing demand for quality outdoor recreation opportunities, which is already beginning to exceed the capacity of our current resources. Securing additional appropriate lands dedicated to public access is necessary to meet rising demand while inspiring the next generation of outdoor stewards, and making our outdoors and healthy living more inclusive of, and available to all Coloradans. DNR will seek to increase acres enrolled in the State Land Board Public Access Program, and restore or increase funding for programs with a public access component. Colorado Parks and Wildlife will also continue to pursue opportunities for new state parks. Expanding the capacity of the state park system will require resources to offer more recreational opportunities for Colorado families and visitors, introduce young Coloradans to the outdoors, and expand the known economic benefits of outdoor recreation and the amenities that support it. These objectives are embodied in Wildly Important Goal #3 of the Department's 2019 Performance Plan.

Colorado's Water Plan and the Evaluation of Future Needs

The 2015 Colorado Water Plan details a gap in water supply and demand and sets measurable objectives and critical actions to ensure the state can meet its future water needs. Since 2017, the CWCB has prioritized water plan implementation by investing about \$55 million in agency grant programs, including grants for water plan projects, through annual projects bills. In 2019, DNR was appropriated \$10 million General Fund for the Water Plan Grant Program and a Colorado River Compact Demand Management Feasibility Study.

In addition, there are several initiatives with the potential to increase funding for water plan implementation, for which outcomes are currently unknown. For example, conditional on voter approval in November 2019, Proposition DD would legalize sports betting and create a tax on proceeds. One of the primary recipients of sports betting tax revenue is the Water Plan Implementation Cash Fund, which can be used to support the Water Plan Grant Program and compact obligations. Legislative Council Staff revenue estimates currently anticipate that the Water Plan Implementation Cash Fund will receive \$6.3 million per year starting in FY 2020-21. However, this estimate is conservative and believed to be at the lower end of possible

outcomes. Given that this would be a new revenue stream for the state, it is difficult to anticipate the amount of funding received, whether there will be fluctuations in collections from year-to-year, and the need for additional resources to effectively manage the cash fund.

Furthermore, there are other pending external efforts to address the remaining needs across the state. A newly formed group that includes a variety of stakeholders, “For the Love of Colorado,” is embarking on a two-pronged effort: an educational campaign to raise awareness about Colorado’s Water Plan and water resource scarcity, and an assessment of long-term funding options. The Interbasin Compact Committee is also discussing potential revenue sources for water projects. With the information that results from these initiatives, the CWCB will continue to evaluate and explore the ongoing needs and available resources to implement Colorado’s Water Plan.

Future Developments Related to Search and Rescue (SAR)

Colorado’s search and rescue system faces major challenges as the state’s population and outdoor recreation industry continue to grow. Currently, SAR programs are managed at the local level by unpaid SAR professionals who volunteer their time in dangerous environments and do not receive compensation, healthcare, or mental health services. There is a small statewide grant program administered by the Department of Local Affairs that provides approximately \$350,000 in grants each year but the needs of the SAR community far outweigh this grant program. There are roughly 2,800 unpaid SAR professionals, serving on almost 50 non-profit SAR teams, volunteering over 500,000 hours each year for training and responding to SAR incidents. DNR, in collaboration with the Department of Local Affairs and the Department of Public Safety, is evaluating the structure of SAR programs across the state, as well as the need for additional resources to reimburse local governments for SAR operations and provide mental health services to volunteer SAR professionals

Increase in Water Administration and Resulting Workload Impacts

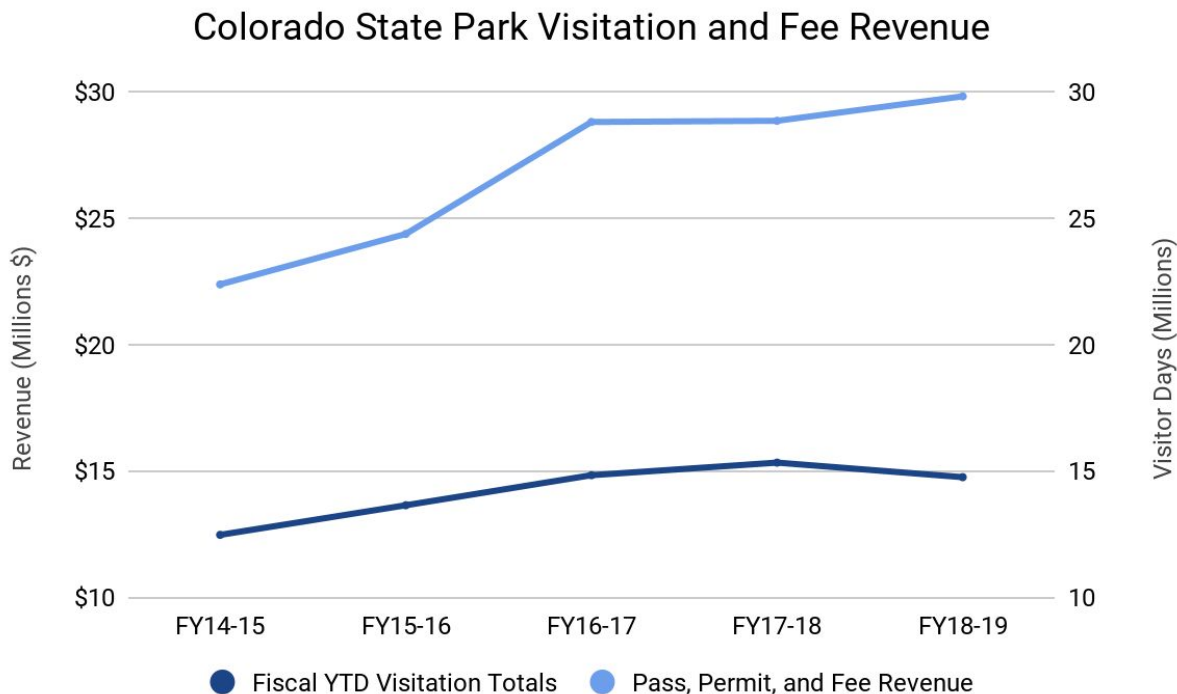
The Division of Water Resources (DWR) has experienced increased complexity in water administration particularly in the South Platte and Arkansas River basins where population growth is high, and anticipates future evaluation of staffing levels to address these needs in the next five years. In addition to the population growth and correlated increasing demands to these regions, agricultural needs and potential new regulations as a result of legislative changes or Water Court decrees will continue to present unique challenges to the Department in managing these basins. In addition, the continued use of Alternative Transfer Methods, complex computer generated models and water accounting, and the changes in strategies utilized for demand management add new technical considerations for staffing abilities. DWR is closely monitoring these regions and evaluating staff workload but the aforementioned trends in the region are persistent which could require additional resources.

4.6 - Major Expenses Anticipated

Expanding the State Parks System and Securing Additional Public Access

Consistent with the Department's Wildly Important Goal #3 (Increase Public Access), Colorado Parks and Wildlife anticipates incurring major future expenses to purchase additional recreation and hunting access to lands, establish new state parks, and expand or upgrade existing state parks. For example, the Colorado Wildlife Habitat Program (CWHP) offers opportunities for private landowners to voluntarily protect important wildlife habitat, provide wildlife-related recreational access to the public, and, if appropriate, sell their property to CPW. Since 2007, the ongoing CWHP has invested approximately \$164 million to protect a total of 257,000 acres for wildlife habitat conservation.

CPW will also continue to pursue opportunities for new state parks. Colorado is legendary for its outdoor recreation and state parks provide a perfect gateway for citizens and visitors to experience the outdoors in a safe, family-friendly environment. Staunton State Park, Colorado's newest state park, was officially opened to the public in 2013 after years of planning and development. As shown in the following table, visitation at state parks has increased steadily over the last five years, with a net increase of more than 2.2 million visitor days since FY 2014-15:



However, Colorado's state parks are in jeopardy of being loved to death because of growth and demand. While the number of people visiting state parks has grown, the state parks system has actually lost acreage in the last decade. During that time, two other parks, Bonny Reservoir and San Luis Lakes, were removed from the state park system because water was not available to fill their reservoirs, resulting in CPW's current portfolio of 41 state parks. As announced by Governor Polis in September 2019, with the issuance of executive order B-2019-010, CPW is proud to develop the Fisher's Peak property near Trinidad as its 42nd state park. The expansion of the state park system will require significant development and investment. This new park will be the key first step in expanding the capacity of the state park system to help ease issues with the increasing demands on existing state parks. It will also offer more opportunities for Colorado families and visitors to recreate, introduce young Coloradans to the outdoors, and expand the known economic benefits of outdoor recreation and the amenities that support it. The map on the following page shows the location of Colorado's 41 state parks.

Map of Colorado State Parks



Dam Safety Maintenance and Renovation

Colorado Parks and Wildlife expects to incur major expenses for dam maintenance and renovation projects. CPW owns more than 115 dams, including 21 high hazard dams, where a loss of human life is expected in the event of a dam failure, and 14 significant hazard dams, where significant damage is expected to result in the event of a failure, although no loss of human life is expected. The average age of CPW's high and significant hazard dams is 70

years, and some are more than 100 years old. As dams age and their structures deteriorate, more involved activities are needed to bring them back into compliance with safety regulations.

Fish Hatchery Maintenance and Repairs

Colorado Parks and Wildlife anticipates future investments in necessary updates to its fish hatcheries. CPW's hatchery system is comprised of 19 hatcheries across Colorado that breed, hatch, rear, and stock over 90 million fish per year. Stocking fish in Colorado's rivers, streams, and lakes is vital to maintaining and improving Colorado's fish populations. CPW produces fish primarily to enhance angling opportunities, but fish production also serves a critical role in native species recovery efforts. The majority of the division's hatchery facilities are 70 to 100 years old; some are more than 100 years old. Over the years, infrastructure has been added, maintained, and modernized to a certain extent, but budgetary constraints have prevented maintenance to a degree warranted by age and use.

The aging infrastructure includes buildings, water collection systems, pipelines, raceways, ponds, wells, etc. When infrastructure components fail, the results can be catastrophic fish mortalities, sometimes with a significant economic value. Regular maintenance and replacement of these facilities is necessary to continue to raise the fish to meet the demands of the angling public. New fish hatchery technology and innovations have made many CPW facilities antiquated and inefficient compared to modern, newly constructed fish rearing facilities. As facilities and their infrastructure become more and more outdated, maintaining them will become even more difficult and costly. CPW is currently developing a plan to overhaul and modernize the hatchery system in an efficient and effective way that will allow the agency to continue to meet the needs of anglers as well as continuing vital work on Threatened and Endangered Species recovery.

Section 5: Anticipated Funding Decreases

Some DNR divisions receive federal funds that are either not expected to decrease or are not candidates for backfilling with General Fund or other state funding. These include Pittman-Robertson and Dingell-Johnson funds received by CPW to support species preservation, habitat protection, and hunter education activities; funds from the Land and Water Conservation Fund and the Recreational Trails Program received by CPW and granted to recipients statewide to fund trail projects; and funds from the Federal Emergency Management Agency (FEMA) received by CPW and CWCB.

The Division of Reclamation, Mining and Safety receives a significant amount of federal funds in their coal and inactive mine reclamation programs. Federal funding for the coal program will remain stable through FY 2021-22. The Inactive Mine Reclamation Program receives funds provided by the Office of Surface Mining (OSM) through Title IV of the Surface Mine Control and Reclamation Act (SMCRA) to complete mine reclamation projects and fund administration of the program. The fee collection authority within SMCRA generates the OSM funding, and is distributed to the states based on a complex formula that includes current coal production, historic coal production and remaining inventory liability. On average over the last three years, IMRP has received \$3,000,000 per year from OSM via SMCRA. With the anticipated expiration of this authority responsible for collection of these funds set to expire in calendar year 2021, and absent congressional action to extend a fee collection authority, these funds would become nonexistent. There are ongoing discussions amongst impacted states and some initial federal legislative proposals to address future funding, but significant uncertainty surrounds the future of this funding.

Appendix

- State Land Board School Trust Revenue Forecast
- Colorado Parks and Wildlife Budget Forecast

State Land Board School Trust Revenue Forecast*

(Numbers shown are are in millions)

	Fiscal Year				
	2020	2021	2022	2023	2024
<u>Revenues</u>					
Mineral - Non-recurring**	76.0	55.7	53.5	51.3	49.3
Surface - Recurring	17.0	15.5	16.1	16.6	17.2
Commercial - Recurring	7.1	7.3	7.5	7.8	8.0
Interest on Trust Revenues	0.5	0.5	0.5	0.5	0.5
Total Before Interest	100.6	79.0	77.6	76.2	75.0
Permanent Fund Interest	30.2	31.7	32.6	34.7	35.6
Estimated Forecasted Total School Trust Revenue	130.8	110.7	110.2	110.9	110.6
<u>Distributions</u>					
BEST (Greater of 50% or \$40m of operating revenue)	(50.3)	(40.0)	(40.0)	(40.0)	(40.0)
State Land Board Appropriations	(7.9)	(8.1)	(8.2)	(8.4)	(8.6)
State Land Board Trust Investment & Development Fund Expenses	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
School Finance Act Contribution from Permanent Fund Interest	(21.0)	(21.0)	(21.0)	(21.0)	(21.0)
Net spillover - Permanent Fund Interest to BEST	(7.9)	(9.5)	(10.4)	(12.5)	(13.4)
Total of Distributions	(89.6)	(81.1)	(82.1)	(84.4)	(85.5)
Deposit to the Permanent Fund	41.2	29.7	28.0	26.5	25.1

*State Land Board revenue forecasts rely on a number of variables outside the agency's control. All forecasts are based on information available to the SLB as of the date of this report. The performance of the fund could differ materially from what is included in the forecast.

****Definitions:**

respective markets. Includes oil, gas, coal, hardrock minerals, sand and gravel and others.

Surface Recurring: Revenues that are derived from resources that regenerate, or where depletion of a resource in one year does not affect the availability of that resource in future years. This includes trust acreage used for animal grazing and crop production, solar and wind energy production, water, rights of way and others.

Commercial Recurring: Revenues derived from the leasing of trust properties such as buildings, parking lots and other acreage in ground leases.

Colorado Parks and Wildlife

Forecasted Annual Operating Budget FY 2020 to FY 2024*

	FY 18-19 Actual	FY 19-20 Forecast	FY 19-21 Forecast	FY 21-22 Forecast	FY 22-23 Forecast	FY 23-24 Forecast
Revenues						
Licenses, Passes, Fees and Permits	144,031,177	153,420,951	155,783,080	158,181,584	160,617,023	163,089,965
Registrations	9,368,494	9,593,206	9,737,104	9,883,160	10,031,408	10,181,879
Federal Grants	35,471,890	35,766,533	36,261,084	36,762,628	37,271,262	37,787,086
State and Local Grants	5,360,046	4,719,276	4,788,413	4,858,587	4,929,814	5,002,109
Great Outdoors Colorado	31,607,754	34,242,834	34,756,477	35,277,824	35,806,991	36,344,096
Lottery	16,646,117	14,825,165	15,047,542	15,273,255	15,502,354	15,734,889
Donations	1,212,666	1,230,856	1,249,319	1,268,059	1,287,080	1,306,386
Other Revenues	14,225,167	11,508,981	11,681,616	11,856,840	12,034,693	12,215,213
General Fund	6,786,364	-	-	-	-	-
Severance Tax	2,527,634	6,578,239	6,578,239	6,578,239	6,578,239	6,578,239
Revenues Before Transfers	267,237,310	271,886,041	275,882,874	279,940,176	284,058,863	288,239,863
Intra-Agency, Inter-Fund Transfers	29,076,825	29,076,825	29,076,825	29,076,825	29,076,825	29,076,825
Total Revenues	<u>296,314,135</u>	<u>300,962,865</u>	<u>304,959,699</u>	<u>309,017,001</u>	<u>313,135,687</u>	<u>317,316,687</u>
Expenditures						
Operating						
Personal Services	100,759,148	103,953,289	106,746,503	109,615,257	112,561,606	115,587,662
Operating	64,836,955	66,393,042	67,986,475	69,618,151	71,288,986	72,999,922
Grants to Others	17,194,874	21,395,032	21,808,105	22,230,086	22,661,182	23,101,599
Payments to Other Agencies	19,174,067	19,901,100	20,663,263	21,462,547	22,301,069	23,181,072
Subtotal, Operating	201,965,044	211,642,464	217,204,346	222,926,042	228,812,843	234,870,255

Capital						
Capital Equipment	2,868,087	2,503,289	2,563,368	2,624,889	2,687,886	2,752,396
Capital Improvements	24,537,683	21,887,945	22,413,255	22,951,174	23,502,002	24,066,050
Capital Acquisitions	5,294,466	5,533,691	5,666,500	5,802,496	5,941,755	6,084,358
Capital Information Technology	453,233	464,111	475,250	486,656	498,335	510,295
Capital Other	2,460,665	1,315,179	1,346,744	1,379,066	1,412,163	1,446,055
Subtotal, Capital	35,614,134	31,704,215	32,465,116	33,244,279	34,042,142	34,859,153
Expenditures Before Transfers	237,579,178	243,346,679	249,669,463	256,170,321	262,854,985	269,729,408
Intra-Agency, Inter-Fund Transfers	29,076,825	29,076,825	29,076,825	29,076,825	29,076,825	29,076,825
Total Expenditures	<u>266,656,003</u>	<u>272,423,504</u>	<u>278,746,287</u>	<u>285,247,146</u>	<u>291,931,810</u>	<u>298,806,233</u>
Revenues Minus Expenditures	<u>29,658,132</u>	<u>28,539,362</u>	<u>26,213,412</u>	<u>23,769,855</u>	<u>21,203,878</u>	<u>18,510,455</u>

*Colorado Parks and Wildlife forecasts rely on a number of variables outside the agency's control. All forecasts are based on information available to the CPW as of the date of this report. The performance of the annual operating budget could differ materially from what is included in the forecast.