



## DEPARTMENT OF NATURAL RESOURCES

*FY 2011-12 Budget Balancing Proposal  
February 15, 2011*

*Mike King  
Executive Director*

### *Reduce Severance Tax Support of State Parks*

#### **Proposal Summary**

Colorado State Parks' fiscal year 2011-12 budget, submitted to the Joint Budget Committee on November 1, contains a total of \$4,943,629 in support from the Operational Account of the Severance Tax Trust Fund for Tier 1 programs and \$2,675,502 for Tier 2 programs, for a total of \$7,619,131 in Severance Tax funds. Indirectly, through separate legislation, State Parks receives \$400,000 from the Species Conservation Trust Fund, whose source is a transfer from the Operational Account of the Severance Tax Fund. To help address the projected shortfall in the State's FY 2011-12 General Fund budget, this budget amendment proposal will eliminate about one-half of the severance tax support of State Parks. As a result, this proposal will allow \$3,281,331 to be transferred from the Operational Account of the Severance Tax Trust Fund to the General Fund in FY 2011-12. This reduction in severance tax support of State Parks will be ongoing.

#### **Background: State Parks' Five Year Financial Plan**

The Division of Parks and Outdoor Recreation manages 44 state parks encompassing over 220,000 acres and serving over 12 million visitors per year. Additionally, the Division manages (1) the state trails program and is responsible for developing and maintaining both motorized and non-motorized trails throughout the state; (2) the Natural Areas Program; and (3) the Aquatic Nuisance Species program.

The Division of Parks and Outdoor Recreation ("State Parks") recently released a Five Year Financial Plan for FY 2010-11 through FY 2014-15. The plan identified ten primary and numerous secondary strategies to achieve long term financial sustainability while continuing to provide affordable outdoor recreation opportunities to Coloradoans at the 42 state parks that are currently open to the public. These strategies will take considerable effort to implement and will require time to show results. No savings are expected before FY 2012-13 as a result of these strategies. In many cases, the potential savings involved are contingent and cannot be easily quantified (such as the savings which might be achieved if State Parks were able to expand cost-share agreements with federal partners who own some of the properties managed by State Parks). Also, given the work involved, not all of these strategies can be pursued simultaneously and some strategies will be phased in over the next five years.

In addition to these recommended strategies, the Financial Plan also identified alternative park closures, programmatic cuts, and administrative cuts which could be implemented in the event the recommended strategies were not successful. These fallback strategies would result in a smaller state park system. They could potentially be implemented in a shorter time frame (although still not immediate) and contain more definitive, quantifiable cost savings. The reductions described in this budget request largely mirror those fallback budget cutting strategies contained in Financial Plan. It should be noted that as part of the Financial Plan, the Parks Board has already voted to pursue closure of Bonny Lake State Park. Further, the Parks Board directed the Division to perform a detailed analysis looking at the cost savings, closure liabilities, and other issues involved with closing Sweitzer Lake, Harvey Gap, and Paonia State Parks. This detailed analysis is intended to specifically consider whether or not these three additional state parks should be removed from Colorado's state park system.

## **Background: Park Evaluation Tool (PET)**

Concurrent with the creation of the Financial Plan, State Parks also developed a model for objectively evaluating each of the 44 state parks in Colorado. This comprehensive “PET” tool is used to evaluate each of Colorado’s state parks on 16 different factors such as natural and cultural resources, park visitation, financial self-sufficiency, contributions to the local economy, condition of park facilities, visitor satisfaction, interpretation and environmental education opportunities, and availability of amenities and recreational opportunities. The purpose of the PET tool was to provide a ranking of parks in the system based on “mission fit.” The PET tool was developed specifically to generate a list of the additional parks that could be “removed” (closed, transferred to another entity to operate, or managed in a different manner which reduces operations and associated operating costs) if required to achieve budgetary savings.

## **Impacts of Severance Tax Reduction**

State Parks would implement a number of steps to reduce severance tax support by \$3,281,331, including:

1. **Eliminate Species Conservation Trust Funding for the Natural Areas Program (\$400,000)** – For several straight years, State Parks has received \$400,000 from the Species Conservation Trust Fund to inventory and protect endangered plants and rare wildlife within both designated natural areas as well as within state parks. Elimination of this program would allow proposed statutory transfers from the Operational Account of the Severance Tax Trust Fund to the Species Conservation Trust Fund to be reduced (so that the moneys could instead be transferred to the General Fund). This particular proposal **would require a statutory change**, which could be wrapped into the bill transferring moneys to the General Fund or could be included in the annual Species Conservation Trust Fund authorization bill.
2. **Oil and Gas Development at St. Vrain State Park (\$500,000)** – A small percentage of acreage owned by the Division of Outdoor Parks and Recreation is eligible for development of energy and mineral resources. The Department believes this development could be accomplished in a manner that will not negatively impact park resources or visitor enjoyment. State Parks owns just 22% of the surface acres of land out of the 225,000 acres under management in the state park system. Of those approximate 50,000 surface acres, State Parks owns the mineral rights on only a small percentage. Of this small percentage, an even smaller portion includes lands with economically viable mineral resources. The one and only candidate for which mineral development is under consideration is St. Vrain State Park, where an oil and gas developer has approached State Parks and expressed interest in leasing a portion of the property for oil and gas development. Based on initial conversations, it is believed that mineral development could generate \$500,000 per year in royalties for State Parks (for a period of at least ten years). This additional income, which would be deposited into the Parks Cash Fund, could be utilized to prevent additional program cuts and park closures. To do this, spending authority from the Operational Account would need to be replaced with cash spending authority from the Parks Cash Fund.
3. **Reductions to Trails Program (\$500,000)** – For FY 2011-12, State Park is projecting to spend about \$2.7 million for non-motorized, recreational Trails Grants. These grants fund non-motorized recreational trail maintenance, construction, and associated signage. By redirecting \$500,000 of federal Land and Water Conservation Fund moneys away from this program, State Parks will be able to direct additional moneys towards State Park Operations. Under this proposal, the Trails Program would be reduced to \$2.2 million in FY 2011-12.

4. **Repurposing Status Bonny Lake, Sweitzer Lake, Harvey Gap, and Paonia State Parks (\$216,032 and 2.2 FTE)** – As noted, the Parks Board has already voted to move forward with the transfer of management or closure of Bonny Lake State Park. Due to well-documented and publicized long-term hydrological changes in the South Fork of the Republican River and legal requirements to deliver water to Kansas, water levels and recreational opportunities at Bonny Reservoir are expected to be significantly diminished in the future. Repurposing of Sweitzer Lake, Harvey Gap, and Paonia are also being considered, in part because these were the three lowest scoring state parks in the PET rankings. The lower scores indicate that these properties do not fit the mission of State Parks as well as other properties under State Parks management. In part, the lower PET scores reflect the fact that the four parks listed for action here comprise only 1.3% of all visitors to the State Parks system (152,500 of over 12,000,000 visitors). Further, recreational opportunities may still be available after repurposing. In this context, repurposing could mean closing, transferring management or ownership, or placing into a “caretaker” status the referenced parks. Please note that of portion of the savings under this action (estimated at \$53,000 of the \$216,032 in total savings) will actually come from reductions in the “S.B. 08-226 Aquatic Nuisance Species” line item.
5. **Eliminate the Retail Program (\$101,670 and 1.0 FTE)** - The retail program is designed to produce and market specific products with Colorado State Parks logo on it to increase brand awareness, foster a loyal customer base who repeatedly visit state parks, generate revenue from product sales, provide customer service to park visitors by making available water, firewood, supplies, clothing, books, and guides, and to recruit and manage vendor/selling agents (sporting good shops and grocery store chains that sell parks passes). Online sale of parks passes and vendor/ agent management functions would be retained but the sale of all retail goods would be either eliminated or concessioned out.
6. **Eliminate Aspen Leaf Discounts (\$653,000)** – Currently senior citizens enjoy a 50% price discount on annual parks passes and a 50% discount on camping fees Sundays through Thursdays (“Aspen Leaf” discounts). In addition to the Aspen Leaf program, the Centennial Program (which is not impacted by this proposal) provides discount passes for low income parks visitors. Aspen Leaf discounts are well above national averages for state parks and other similar recreation services provided by public and private entities that receive little to no tax subsidies. With the virtual elimination of general tax subsidy for Colorado’s State Park system, such discounts can no longer be absorbed. Additionally, the recently created Lifetime Aspen Leaf Pass (through provisions in SB 10-071) should be discontinued immediately. Seniors remain one of the most financially-able demographics in the state, with relatively more discretionary income than others. That said, State Parks will continue to honor the original Aspen Leaf Lifetime Passes that were issued in the 1980’s (this program was phased out many years ago). Similarly, State Parks will also honor any Lifetime Aspen Leaf Passes that are sold under S.B. 10-71 (these passes were not sold prior to January 1, 2011). Parts of this particular proposal **would require a statutory change**. This change will produce increased revenue to the Parks cash fund.
7. **Administrative Cuts (\$510,628 and 4.7 FTE)** – With 4 less state parks to support, with internal restructuring, and through a reduction in IT equipment purchases, State Parks will reduce administrative spending. This item will include an estimated reduction in IT spending of \$103,500. The current regional organizational structure will also be modified. Our 44 state parks are currently managed out of three regional offices located in Denver, Colorado Springs and Grand Junction. Each region has a Regional

Manager and an Assistant Regional Manager. This proposal would eliminate one of the three Assistant Regional Managers.

8. **Cuts to Aquatic Nuisance Species Program (\$400,000 and 2.0 FTE)** – In FY 2010-11, State Parks will receive \$2,675,502 for its Aquatic Nuisance Species (ANS) Program. The ANS program includes a program of containment of the zebra mussel infestation at Lake Pueblo. All boats leaving Lake Pueblo are inspected and decontaminated via high pressure, high temperature washes to prevent the boats from carrying zebra mussel larvae to other bodies of water. Additionally, inspections are performed at other high risk state park reservoirs to prevent potentially infected boats from entering “clean” reservoirs without first being decontaminated. The proposed budgetary cut to this program would involve reducing the number of boat washing stations, scaling back or eliminating inspections at some waters and eliminating reserves to address severance tax revenue volatility and to promptly respond if additional state park reservoirs were to be found to be contaminated. In this regard, the \$400,000 cut includes \$15,388 in reductions to potted items in the Executive Directors Office (see the “STAX” of severance tax reduction shown in the Schedule 13 for details). Reductions to this program **will require a statutory change**. The total transfer from the Operational Account of the Severance Tax Trust Fund to the Division of Parks and Outdoor Recreation Aquatic Nuisance Species Cash Fund should be reduced, in statute, by \$453,000. Under this proposal, the \$453,000 would instead be transferred to the General Fund. The \$453,000 includes \$400,000 shown under this item plus \$53,000 in ANS related work which would no longer be performed at the 4 state parks to be closed under item #4 above. While amending the statutes related to State Parks’ Aquatic Nuisance Species Program, the Department also recommends making the remaining State Parks program a Tier 1 program (which will better protect the core functions of the program, including the fulltime staff that coordinate the program, from proportional reductions which can occur to Tier 2 programs).

GRAND TOTAL: \$3,281,331 in Severance Tax Funds and 9.9 FTE

Additional caveats:

1. Only some of the above measures can be fully implemented by July 1, 2011; others would take much longer. Therefore some interim strategies at State Parks’ discretion may be necessary to achieve the full \$3.3 million in savings during FY 11-12. For example, Parks may have to restrict spending at the remaining state parks to cover any reductions which cannot be fully implemented in FY 2011-12.
2. Considerable due diligence will be needed prior to removing any park from the system. State Parks owns only 22% of the acreage in the state park system. Most lands are owned by others (primarily the federal government) and State Parks manages the recreation under formal lease agreements. State Parks’ liabilities and constraints under these agreements need to be better understood. Many park improvements have been funded with federal dollars which may need to be paid back under certain conditions if the improvements are no longer used for park purposes. As these issues are being resolved, the parks could be placed in “caretaker” status, in which the goal is to minimize the net operating losses incurred. It may not be practical to completely eliminate these costs, however. Based on the best available data, this proposal assumes 4 parks would be removed from the system, placed in caretaker status, or transferred to other managing entities. Given the uncertainties surrounding the exact level of costs that could be saved, it is possible that achieving these savings would require removing fewer or additional parks. This will only be known as the Division proceeds to implement the park closure/ transfer/ caretaker process.

3. Realizing the full savings from closing, transferring or caretaking parks would require turning back SFM vehicles and reducing the appropriation for lease payments by State Parks to SFM.

**Calculations**

<b>Summary of Proposal, FY 2011-12</b>	<b>Total Funds</b>	<b>Federal Funds</b>	<b>Cash Funds</b>	<b>Severance Tax</b>	<b>FTE</b>
State Parks Operations (this includes potted items appropriated to the EDO – See Schedule 13 for details).	(\$771,151)		\$1,657,180	(\$2,428,331)	(7.9)
SB 08-226 Aquatic Nuisance Species	(\$453,000)			(\$453,000)	(2.0)
Trails Grants	(\$500,000)	(\$500,000)			0.0
System Operations and Support	(\$73,500)		(\$73,500)		0.0
Asset Management	(\$30,000)		(\$30,000)		0.0
SFM Vehicle Lease	(\$7,781)		(\$7,781)		0.0
<b>Subtotal – DNR Operating Budget</b>	<b>(\$1,835,432)</b>	<b>(\$500,000)</b>	<b>\$1,545,899</b>	<b>(\$2,881,331)</b>	<b>(9.9)</b>
Decrease SCTF Transfer (Sep Bill)	(\$400,000)			(\$400,000)	0.0
Park Infrastructure (Capital Const)	\$0	500,000	(\$500,000)		0.0
<b>Grand Total – Budget Amendment</b>	<b>(\$2,235,432)</b>	<b>\$0</b>	<b>\$1,045,899</b>	<b>(\$3,281,331)</b>	<b>(9.9)</b>

Notes: This budget amendment request will require a variety of changes, including both Long Bill changes as well as statutory changes. As shown on the Schedule 13, as well as the “Subtotal – DNR Operating Budget” line above, this budget amendment is seeking to reduce the Department of Natural Resources operating budget by \$1,835,432 in total funds, including a reduction of \$2,881,331 in moneys from the Operational Account (including both \$2,428,331 in Tier 1 moneys as well as \$453,000 Tier 2 moneys from the Division of Parks and Outdoor Recreation Aquatic Nuisance Species Cash Fund). In addition to these operating changes, the Department will work with the Capital Development Committee to adjust its request for Park Infrastructure and Facilities (a line item in State Parks Capital budget) to accommodate a refinance between Federal and Lottery funds necessitated by this request.

Finally, this request also includes a proposed reduction of \$400,000 in funding for State Parks’ Natural Areas Program. This last change will be implemented through the FY 2011-12 Species Conservation Trust Fund (SCTF) authorization bill. This legislation is annually introduced to authorize funding for species conservation programs. By reducing SCTF spending by \$400,000, the annual transfer to the SCTF from the Operational Account can be reduced by \$400,000, which will allow for another \$400,000 to be transferred from the Operational Account of the Severance Tax Trust Fund to the General Fund. In total, this request envisions \$3,281,331 being transferred from the Operational Account of the Severance Tax Trust Fund to the General Fund in FY 2011-12. As noted at various places in this factsheet, several portions of this proposal will require statutory changes to achieve the full \$3,281,331 in General Fund relief (including the Operational Account transfer described in this paragraph).

**Schedule 13**  
**Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: Reduce Severance Tax Support of State Parks

Department: Natural Resources

Dept. Approval by: *Will H. Pi*  
OSPB Approval: *Eric N. Schmitt*

Date: 2-11-2011

Priority Number: BKI-1a

Date: 2/14/2011

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
<b>Total of All Line Items</b>	<b>Total</b>	45,814,811	48,283,052	0	48,283,052	49,403,034	0	49,403,034	(1,835,432)	47,567,602	(1,835,432)
	FTE	267.7	262.7	0.0	262.7	262.7	0.0	262.7	(9.9)	252.8	(9.9)
	GF	4,144,249	4,574,242	0	4,574,242	2,614,479	0	2,614,479	0	2,614,479	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	11,835,443	8,279,086	0	8,279,086	7,949,641	0	7,949,641	0	7,949,641	0
	CF-STAX	4,365,984	6,526,109	0	6,526,109	7,936,852	0	7,936,852	(2,881,331)	5,055,521	(2,881,331)
	CF-PARK	22,011,350	19,936,188	0	19,936,188	20,938,926	0	20,938,926	1,045,899	21,984,825	1,045,899
	CF-LOTT	1,540,806	5,890,806	0	5,890,806	6,090,806	0	6,090,806	500,000	6,590,806	500,000
	CFE/RF	471,880	355,198	0	355,198	548,678	0	548,678	0	548,678	0
	FF	1,445,099	2,721,423	0	2,721,423	3,323,652	0	3,323,652	(500,000)	2,823,652	(500,000)
<b>(1) EXECUTIVE DIRECTOR'S OFFICE, Health, Life and Dental</b>	<b>Total</b>	9,030,537	8,607,587	0	8,607,587	9,002,760	0	9,002,760	(44,556)	8,958,204	(44,556)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,833,678	1,799,806	0	1,799,806	1,507,542	0	1,507,542	0	1,507,542	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	4,721,905	4,103,880	0	4,103,880	3,942,553	0	3,942,553	0	3,942,553	0
	CF-STAX	287,739	250,610	0	250,610	298,513	0	298,513	(11,280)	287,233	(11,280)
	CF-PARK	1,115,539	1,199,654	0	1,199,654	1,506,134	0	1,506,134	(33,276)	1,472,858	(33,276)
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	325,693	246,475	0	246,475	393,343	0	393,343	0	393,343	0
	FF	745,983	1,007,162	0	1,007,162	1,354,675	0	1,354,675	0	1,354,675	0
<b>(1) EXECUTIVE DIRECTOR'S OFFICE, Short Term Disability</b>	<b>Total</b>	123,206	131,014	0	131,014	156,469	0	156,469	(827)	155,642	(827)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	23,577	25,925	0	25,925	27,204	0	27,204	0	27,204	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	63,788	66,178	0	66,178	73,167	0	73,167	0	73,167	0
	CF-STAX	5,051	5,391	0	5,391	6,345	0	6,345	(139)	6,206	(139)
	CF-PARK	16,081	18,387	0	18,387	25,200	0	25,200	(688)	24,512	(688)
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	5,163	3,915	0	3,915	5,260	0	5,260	0	5,260	0
	FF	9,546	11,218	0	11,218	19,293	0	19,293	0	19,293	0

**Schedule 13**  
**Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: Reduce Severance Tax Support of State Parks

Department: Natural Resources

Dept. Approval by: *Willi H. Levi*  
OSPB Approval:

Date: 2-11-2011

Priority Number: BR1-1a

Date:

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
(1) EXECUTIVE DIRECTOR'S OFFICE, S.B. 04-257	Total	1,742,057	2,023,033	0	2,023,033	2,475,233	0	2,475,233	(13,087)	2,462,146	(13,087)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	360,735	395,845	0	395,845	430,353	0	430,353	0	430,353	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	874,428	1,027,244	0	1,027,244	1,157,426	0	1,157,426	0	1,157,426	0
	CF-STAX	59,779	83,400	0	83,400	100,382	0	100,382	(2,201)	98,181	(2,201)
	CF-PARK	209,960	282,231	0	282,231	398,655	0	398,655	(10,886)	387,769	(10,886)
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	86,784	60,612	0	60,612	83,210	0	83,210	0	83,210	0
	FF	150,371	173,701	0	173,701	305,207	0	305,207	0	305,207	0
(1) EXECUTIVE DIRECTOR'S OFFICE, S.B. 06-235	Total	1,084,599	1,472,224	0	1,472,224	1,989,027	0	1,989,027	(10,516)	1,978,511	(10,516)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	221,444	285,733	0	285,733	345,820	0	345,820	0	345,820	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	546,518	748,788	0	748,788	930,076	0	930,076	0	930,076	0
	CF-STAX	37,362	60,865	0	60,865	80,662	0	80,662	(1,768)	78,894	(1,768)
	CF-PARK	131,225	205,985	0	205,985	320,348	0	320,348	(8,748)	311,600	(8,748)
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	54,240	44,196	0	44,196	66,865	0	66,865	0	66,865	0
	FF	93,810	126,657	0	126,657	245,256	0	245,256	0	245,256	0
(1) EXECUTIVE DIRECTOR'S OFFICE, Vehicle Lease Payments	Total	6,125,183	3,379,881	0	3,379,881	2,999,755	0	2,999,755	(7,781)	2,991,974	(7,781)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	422,970	0	422,970	303,560	0	303,560	0	303,560	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	5,628,804	2,332,996	0	2,332,996	1,846,419	0	1,846,419	0	1,846,419	0
	CF-STAX	51,041	68,868	0	68,868	67,410	0	67,410	0	67,410	0
	CF-PARK	445,338	497,751	0	497,751	728,534	0	728,534	(7,781)	720,753	(7,781)
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	57,296	0	57,296	53,832	0	53,832	0	53,832	0

**Schedule 13**  
**Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: Reduce Severance Tax Support of State Parks  
 Department: Natural Resources Dept. Approval by: *Willi H. Sei* Date: 2-11-2011  
 Priority Number: BRI- 1a OSPB Approval: Date:

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
(6) PARKS AND OUTDOOR RECREATION, (A) State Park Operations	Total	23,983,275	24,458,811	0	24,458,811	24,367,723	0	24,367,723	(717,553)	23,650,170	(717,553)
	FTE	260.7	255.7	0.0	255.7	255.7	0.0	255.7	(7.9)	247.8	(7.9)
	GF	1,704,815	1,643,963	0	1,643,963	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	0	0	0	0	0	0	0	0	0	0
	CF-STAX	1,234,058	3,381,473	0	3,381,473	4,706,473	0	4,706,473	(2,428,331)	2,278,142	(2,428,331)
	CF-PARK	20,093,207	17,732,180	0	17,732,180	17,960,055	0	17,960,055	1,107,278	19,067,333	1,107,278
	CF-LOTT	505,806	1,255,806	0	1,255,806	1,255,806	0	1,255,806	603,500	1,859,306	603,500
	CFE/RF	0	0	0	0	0	0	0	0	0	0
FF	445,389	445,389	0	445,389	445,389	0	445,389	0	445,389	0	
(6) PARKS AND OUTDOOR RECREATION, (C) Special Purpose - Systems Operations and Support	Total	735,000	735,000	0	735,000	735,000	0	735,000	(73,500)	661,500	(73,500)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	0	0	0	0	0	0	0	0	0	0
	CF-STAX	0	0	0	0	0	0	0	0	0	0
	CF-PARK	0	0	0	0	0	0	0	0	0	0
	CF-LOTT	735,000	735,000	0	735,000	735,000	0	735,000	(73,500)	661,500	(73,500)
	CFE/RF	0	0	0	0	0	0	0	0	0	0
FF	0	0	0	0	0	0	0	0	0	0	
(6) PARKS AND OUTDOOR RECREATION, (C) Special Purpose - Asset Management	Total	300,000	300,000	0	300,000	300,000	0	300,000	(30,000)	270,000	(30,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	0	0	0	0	0	0	0	0	0	0
	CF-STAX	0	0	0	0	0	0	0	0	0	0
	CF-PARK	0	0	0	0	0	0	0	0	0	0
	CF-LOTT	300,000	300,000	0	300,000	300,000	0	300,000	(30,000)	270,000	(30,000)
	CFE/RF	0	0	0	0	0	0	0	0	0	0
FF	0	0	0	0	0	0	0	0	0	0	



**Schedule 13**  
**Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: Reduce Severance Tax Support of State Parks  
 Department: Natural Resources Dept. Approval by: *Willi H. Lee* Date: 2-11-2011  
 Priority Number: BRI-1a OSPB Approval: Date:

		1	2	3	4	5	6	7	8	9	10
Fund		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
(6) PARKS AND OUTDOOR RECREATION, (C)	<b>Total</b>	0	2,500,000	0	2,500,000	2,700,000	0	2,700,000	(500,000)	2,200,000	(500,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Purpose - Trails Grants	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	0	0	0	0	0	0	0	0	0	0
	CF-STAX	0	0	0	0	0	0	0	0	0	0
	CF-PARK	0	0	0	0	0	0	0	0	0	0
	CF-LOTT	0	1,600,000	0	1,600,000	1,800,000	0	1,800,000	0	1,800,000	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	900,000	0	900,000	900,000	0	900,000	(500,000)	400,000	(500,000)
(6) PARKS AND OUTDOOR RECREATION, (C)	<b>Total</b>	2,690,954	2,675,502	0	2,675,502	2,677,067	0	2,677,067	(437,612)	2,239,455	(437,612)
	FTE	7.0	7.0	0.0	7.0	7.0	0.0	7.0	(2.0)	5.0	(2.0)
Special Purpose - S.B. 08-226 Aquatic Nuisance Species	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF-OTH	0	0	0	0	0	0	0	0	0	0
	CF-STAX	2,690,954	2,675,502	0	2,675,502	2,677,067	0	2,677,067	(437,612)	2,239,455	(437,612)
	CF-PARK	0	0	0	0	0	0	0	0	0	0
	CF-LOTT	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

**Schedule 13  
Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

**Request Title:** Reduce Severance Tax Support of State Parks  
**Department:** Natural Resources **Dept. Approval by:** *Will. H. Levin* **Date:** 2-11-2011  
**Priority Number:** BRI-1a **OSPb Approval:** **Date:**

	1	2	3	4	5	6	7	8	9	10
Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13

**Non-Line Item Request:** None  
**Letternote Revised Text for FY 2010-11:** None  
**Letternote Text Requested for FY 2011-12:** None  
**Cash or Federal Fund Name and COFRS Fund Number:**  
**Reappropriated Funds Source, by Department and Line Item Name:**  
**Approval by OIT?** Yes:  No:  N/A:   
**Schedule 13s from Affected Departments:**

Notes:  
 CF-STAX = Severance Tax Funds (Tier 1 as well as Tier 2, separately appropriated via the Species Conservation Trust Fund and DPOR Aquatic Nuisance Species Cash Fund)  
 CF-PARK = Parks cash fund (Fund 172)  
 CF-LOTT = GOCO and Lottery Direct Distribution funds, both of which are not subject to appropriation and are shown in the Long Bill for Information Purposes Only  
 CF-OTH = All other cash sources

Note #2 - The Schedule 13 does not reflect adjustments to the Department's FY 2011-12 Capital Construction budget necessitated by this Budget Amendment. Similarly, this Schedule 13 does not reflect changes to Species Conservation Trust Fund spending and associated Operational Account transfers which are also part of this proposal. In essence, this Schedule 13 only details the FY 2011-12 Long Bill changes needed to the Department of Natural Resources's operating budget. For a more comprehensive accounting of the entire \$3,281,333 in Operational Account expenditures which will be eliminated under this proposal, please see the Calculations section of the fact sheet which accompanies this Schedule 13.



# DEPARTMENT OF NATURAL RESOURCES

*FY 2011-12 Balancing Proposal  
February 15, 2011*

*Mike King  
Executive Director*

## *Severance Tax Perpetual Base Account Transfer*

### **Proposal:**

The Department of Natural Resources proposes the transfer of \$33.1 million from the Severance Tax Perpetual Base Account to the General Fund in Fiscal Year 2011-12.

**Table 1: Cash Fund Status with Recommended Transfer**

	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Beginning Balance	\$4,865,510	\$23,175,468
Plus Projected Revenue <sup>1</sup>	\$52,655,370	\$59,457,372
Less Statutory Transfers	(\$11,000,000) <sup>2</sup>	\$0
Less Other Transfers Proposed by DNR	(\$10,000,000) <sup>3</sup>	(\$15,000,000) <sup>5</sup>
Less Anticipated New Loan Issuances and Other Expenditures	(\$13,345,412) <sup>4</sup>	(\$13,000,000) <sup>6</sup>
Less Reserve per Governor's Office Direction	\$0	(\$20,000,000)
<b>Equals Proposed Projected End of Year Balance</b>	<b>\$23,175,468</b>	<b>\$34,632,840</b>
<b>Recommended Additional Transfer</b>	<b>\$0</b>	<b>(\$33,100,000)</b>
<b>Projected End of Year Balance with Transfers</b>	<b>\$23,175,468</b>	<b>\$1,532,840</b>

<sup>1</sup>Revenue projection detail is included in Table 2.

<sup>2</sup>This \$11.0 million is transferred from the fund via H.B. 10-1388.

<sup>3</sup>This \$10.0 million transfer is recommended in the August 23, 2010 OSPB balancing proposal.

<sup>4</sup>This amount includes \$1.0 million for Agricultural Emergency Drought grants, \$12.0 million for the Animas-La Plata project (as contained in HB 10-1250), and \$345,412 in loans approved by the CWCB Board through January 2011.

<sup>5</sup>This \$15.0 million transfer was proposed by DNR November 1, 2010.

<sup>6</sup>This amount includes \$1.0 million for Agricultural Emergency Drought grants and \$12.0 million for the Animas-La Plata project.

### **Summary of Request:**

- The Severance Tax Perpetual Base Account ("Account") is authorized through Section 39-29-109 (a), C.R.S. The Account was created to provide loans to municipalities, water districts, ditch companies and other water users for the construction, improvement, rehabilitation, or enlargement of flood control, water supply or hydroelectric facilities in Colorado. The Account is administered by the Colorado Water Conservation Board (CWCB).
- H.B. 10-1388 transfers \$11.0 million from the Account to the General Fund in FY 2010-11. The August 2010 OSPB budget balancing proposal for FY 2010-11 proposes a \$10.0 million transfer from the Account to the General Fund. A November 2010 Budget Reduction Proposal by the Department of Natural Resources (DNR) proposes transfer of \$15.0 million in FY 2011-12.

- Per direction from the Governor, in FY 2010-11 CWCB will not loan out or otherwise expend funds from the Account other than: 1) loans that have already been made as of January 2011; 2) funds that are required for Agricultural Emergency Drought loans; and 3) funds that are required to meet the terms of HB 10-1250.
- Per direction from the Governor, in FY 2011-12 CWCB will reserve any undesignated funds in the Account (estimated to be roughly \$20.0 million), and will not loan or otherwise expend these funds without approval from the Governor’s Office. In this regard, these moneys would be available if needed in the future for General Fund balancing purposes.
- The proposed \$33.1 million transfer will decrease the amount available for loans for water projects in FY 2010-11 and FY 2011-12. For FY 2010-11, CWCB has a Board-approved prequalified projects list totaling more than \$4.5 million. CWCB staff has also been contacted by potential borrowers about an additional \$124.0 million in loans for a variety of water projects statewide that could commence in the next 1-3 years.
- Proposed transfers will not result in any currently approved water project loans having to be canceled.
- The low-interest loans provided from the Account are used for a variety of crucial water infrastructure projects, including the rehabilitation of diversion structures, dams, and reservoirs and acquisition of water rights for augmentation to ameliorate the effects of recent court opinions. In many cases, the Account is the only practical option for small municipalities, water districts, and companies in obtaining loans; banks are unlikely to make these loans at the interest rates that CWCB is able to provide, especially in the current economic climate.
- CWCB estimates that Colorado’s population will double by 2050, requiring an estimated \$15.0 billion in water supply projects to help meet the water needs of that population under a status quo option.

**Table 2: Revenue Assumptions for the Perpetual Base Account<sup>1</sup>**

	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Estimate</b>	<b>FY 2011-12 Estimate</b>
<b>Receivables (loan and treasury interest)</b>	\$7,062,895	\$7,426,920	\$9,658,044
<b>Fee Collections (Severance Tax)</b>	\$17,856,646	\$41,470,250	\$44,753,113
<b>Loan Repayments</b>	\$4,151,218	\$3,758,200	\$5,046,214
<b>Total</b>	\$29,070,759	\$52,655,370	\$59,457,372

<sup>1</sup>Revenue figures are based on the December 20, 2010 Legislative Council forecast.

**Current Statutory Authority or Needed Statutory Change:**

This proposed transfer will require statutory changes to implement. The revision will likely involve a change to **Section 39-29-109 (a), C.R.S. (2010)**. This section describes the creation, administration, and distribution of moneys of the Severance Tax Trust Fund Perpetual Base Account.