



DEPARTMENT OF NATURAL RESOURCES

*FY 2011-12 Budget Reduction Proposal
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BRI-3 of 4 – Severance Tax Perpetual Base Account Transfer (\$15 Million)

Proposal:

The Department of Natural Resources proposes a transfer of \$15.0 million from the Severance Tax Perpetual Base Account to the General Fund in Fiscal Year 2011-12.

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 and water districts 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).
- HB 10-1388 authorizes the transfer of \$11.0 million from the Account to the General Fund in FY 2010-11. Also, in FY 2010-11, an additional proposal will authorize the transfer of another \$10.0 million to the General Fund, for a total transfer of \$21.0 million in FY 2010-11. For FY 2011-12, the Department is proposing the transfer of an additional \$15.0 million.
- The transfer of an additional \$15.0 million will leave the Account with a balance of approximately \$25.3 million with which to make new water project loans in FY 2011-12.
- The transfer will decrease the amount available for loans to municipalities and water districts in FY 2011-12. For FY 2010-11, CWCB has already received loan pre-qualification requests totaling more than \$12.4 million. CWCB staff have also been contacted by potential borrowers about an additional \$114.0 million in loans for a variety of projects statewide that could commence in the next 1-3 years.
- 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 and water districts 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.
- Not including this proposal, more than \$130 million has been transferred from CWCB cash funds to the General Fund since FY 2008-09. CWCB estimates that Colorado’s population will double by 2050, requiring more than \$2 billion in water supply projects to help meet the water needs of that population.

Assumptions and Tables to Show Calculations:

Perpetual Base Account of the Severance Tax Trust Fund

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Estimate
Cash Balance - Beginning of Year	\$18,058,960	\$40,454,321	(\$3,521,399)	\$67,452
Total Revenues	\$85,424,497	\$21,312,642	\$55,588,852	\$58,037,211
Loans/Grants	(\$28,029,136)	(\$36,288,362)	(\$31,000,000) ¹	(\$37,360,136) ¹
Transfers	(\$35,000,000)	(\$29,000,000)	(\$21,000,000)	(\$15,000,000)
Ending Balance	\$40,454,321	(\$3,521,399)	\$67,452	\$5,744,527

¹ Each of these amounts includes \$12.0 million that is obligated for the purchase of water rights associated with the Animas-La Plata project, pursuant to HB 10-1250.

Current Statutory Authority or Needed Statutory Change:

Section 39-29-109 (a), C.R.S. (2009) – Title 39 of the Colorado Revised Statute describes the creation, administration, and distribution of moneys of the Severance Tax Trust Fund Perpetual Base Account.

Section 37-60-101 through 130, C.R.S. (2009) – Article 60 in Title 37 of the Statutes lays out the creation of, definitions for, roles of, duties of, and uses for funds of the Colorado Water Conservation Board.

This proposed transfer will require statutory changes to implement.