



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

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TO: Interested Persons
FROM: Josh Abram, Chief Fiscal Analyst, 303-866-3561
SUBJECT: Water Project Funding

State Funding for Water Supply Projects

In Colorado, the state administers programs addressing both the quantity of water available for municipal, agricultural, industrial and recreational uses, as well as the quality of treated water for drinking and wastewater. The Department of Natural Resources (DNR) administers the funds and programs related to water quantity, while the Colorado Department of Public Health and Environment regulates the quality of treated water and wastewater. This memorandum discusses the cash funds administered by DNR that provide financial support for water storage and delivery projects, including revenue sources and historical appropriations.

Water Project Cash Funds

The majority of Colorado's raw water projects are developed locally and constructed with a combination of private and local government funding. State and federal sources provide some additional support. State funding is primarily for loans and grants that support local planning, construction, and rehabilitation of water storage and delivery projects.

The Colorado Water Conservation Board (CWCB) in the DNR provides policy direction on water issues and makes recommendations to the General Assembly on water related legislation and funding. The board provides financial assistance to local water providers through loans and grants, and administers several cash funds dedicated to assist with these projects.

The CWCB receives revenue from many sources, including severance taxes, federal mineral lease returns, interest earned on water project loans, interest earned on fund investments, taxes on sports betting, and federal grants. These sources are deposited into three primary cash funds: the CWCB Construction Fund,¹ the Severance Tax Perpetual Base Fund,² and the Water Plan Implementation Fund.³

¹ Section 37-60-121, C.R.S.

² Section 39-29-109, C.R.S.

³ Section 37-60-123.3, C.R.S.



Table 1 displays total revenue received to these three primary cash funds over the last five fiscal years. This revenue includes tax revenue and federal mineral lease returns, as well as earned interest, federal grants from the Federal Emergency Management Agency (FEMA), and miscellaneous transfers, including from the General Fund.

Table 1
Revenue to CWCB Primary Cash Funds
(Millions of Dollars)

Primary Cash Funds	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
CWCB Construction Fund	\$42.3	\$68.1	\$42.7	\$40.5	\$101.4
Severance Tax Perpetual Base Fund	\$39.5	\$8.9	\$87.0	\$118.8	\$85.6
Water Plan Implementation Fund	-	\$15.0	\$8.2	\$25.8	\$28.0
Total Revenue	\$81.8	\$92.0	\$137.9	\$185.1	\$215.0

Source: Department of Natural Resources

CWCB Construction Cash Fund

The CWCB Construction Fund (construction fund) provides loans for projects that increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters, and for projects that repair or rehabilitate existing water storage and delivery networks. The construction fund also supports other purposes, such as creation and maintenance of monitoring networks, and investments in water management activities and studies. The fund receives regular revenue from federal mineral lease returns, interest on loans and investments, and loan origination fees paid by borrowers. This regular revenue averages to about \$24 million annually.

Severance Tax Perpetual Base Cash Fund

The Severance Tax Perpetual Base Fund (base fund) receives a portion of the state's severance tax revenue. Severance taxes are imposed on the production or extraction of minerals, oil and gas, and coal. The base fund also receives revenue from interest on loans and investments. Severance tax revenue is divided evenly between the DNR and the Department of Local Affairs (DOLA). DNR's half is split between the base fund and the Severance Tax Operational Fund (operational fund). The base fund supplements the CWCB Construction Fund, and also provides a direct funding source for CWCB loan programs. Funding in the base fund is typically used to finance loans for projects that construct or improve flood control, water supply, hydroelectric energy, and recreational facilities. The operational fund is used for other program and administrative expenses in the DNR. As Table 2 shows, revenue to the base fund is highly variable, ranging from a recent high of about \$100 million in FY 2022-23, to a low of about \$9 million in FY 2020-21.



Table 2
Regular Revenue to the Severance Tax Perpetual Base Fund
(Millions of Dollars)

Fiscal Year	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Severance Tax Revenue	\$29.2	\$1.2	\$78.7	\$88.0	\$42.9
Loan Interest Payments	\$5.4	\$6.2	\$6.2	\$5.9	\$5.8
Investment Interest Payments	\$4.9	\$1.5	\$2.1	\$7.0	\$10.8
Total Regular Revenue	\$39.5	\$8.8	\$87.0	\$100.8	\$59.5

Source: Department of Natural Resources

In addition to tax revenue, principal payments made by borrowers also contribute to cash flow to the CWCB Construction Fund and the Severance Tax Perpetual Base Fund. These payments can be drawn upon for new water project commitments. In the last five years, \$150 million in principal payments have been made by borrowers on their loans, or about \$30 million on average annually. Table 3 displays loan principal payments over the last five fiscal years.

Table 3
Loan Principal Repayments
(Millions of Dollars)

Primary Cash Funds	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
CWCB Construction Fund	\$14.2	\$28.2	\$14.3	\$11.5	\$10.2
Severance Tax Perpetual Base Fund	\$7.2	\$15.0	\$26.4	\$9.8	\$13.2
Total Principal Repaid	\$21.4	\$43.2	\$40.7	\$21.3	\$23.4

Source: Department of Natural Resources

The three principal cash funds also support the Water Supply Reserve Cash Fund⁴ and Grant Program by providing regular transfers of source funding for the state's nine volunteer River Basin Roundtables. Grants from the reserve cash fund have a specific focus of supporting aging infrastructure and drought resilience projects often identified in basin implementation plans, which serve as a regional level implementation guidance for the statewide water plan.

⁴ Section 39-29-109.2(c), C.R.S.



Water Plan Implementation Cash Fund

The Water Plan Implementation Cash Fund (water plan cash fund) receives a portion of the sports betting revenue approved by voters in 2019 and 2024. The fund is used by the CWCB to help implement the Colorado Water Plan, which provides a guide to managing water resources through a wide variety of water development and conservation efforts across the state. The Water Plan Grant Program aligns with Water Plan implementation by providing funding to governmental and private entities for water storage and supply projects, conservation and land use projects, public engagement and water education programs, and for agricultural, environmental, and recreational projects.

Water Project Expenditures

Once revenue and loan principal payments are deposited in the three primary cash funds, they are either spent directly out of the fund or transferred to another subsidiary cash fund. Spending from the primary cash funds and the subsidiary cash funds are for the administrative and operating expenses of the CWCB various grants and loan programs to local water providers.

If a loan is less than \$10 million, the CWCB is authorized to originate the loan without additional spending authority. For all other program loans and grants, the CWCB must request spending authority from the legislature. The annual [CWCB projects bill](#) includes annual appropriations from the construction fund for the majority of the board’s programs. Table 4 displays CWCB projects bill appropriations for the last five years.

Table 4
Water Project Loan Award Totals
(Millions of Dollars)

Calendar Year	Projects Funding
2020	\$26.03
2021	\$4.40
2022	\$17.08
2023	\$97.03
2024	\$314.60

Source: Department of Natural Resources



Table 5 displays the total CWCB operating expenses, grant disbursements, and fund transfers from the CWCB Construction Fund, the Severance Tax Perpetual Base Fund, Water Plan Implementation Fund, and the Water Supply Reserve Fund over the past five fiscal years.

Table 5
CWCB Expenses and Transfers
(Millions of Dollars)

Fiscal Year	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Operating	\$29.4	\$17.4	\$32.3	\$20.8	\$27.3
Grant Disbursements	\$15.9	\$16.7	\$23.9	\$26.8	\$37.0
Transfers	\$14.3	\$58.3	\$11.0	\$33.5	\$63.2
Total Expenses	\$59.6	\$92.4	\$67.2	\$81.1	\$127.5

Source: Department of Natural Resources

Other Water Project Expenditures

In addition to the primary loan and grant programs for water projects, the CWCB also administers several smaller purpose assistance programs.

The **Turf Replacement Grant Program**⁵ created by [House Bill 22-1151](#) provides matching funds for local governments and other water providers to incentivize the removal of nonessential turf. Local programs can use funding to assist with the voluntary replacement of high water use turf with water-wise landscaping and efficient irrigation systems. The program was appropriated \$2.0 million in FY 2022-23, and another \$2.0 million in FY 2024-25. The CWCB has continuous spending authority for these funds through FY 2027-28.

The **Colorado Water shed Restoration Program** created in 2022 uses funds from the American Rescue Plan Act (ARPA). The program was appropriated \$10 million by [House Bill 22-1379](#) for watershed restoration and flood mitigation grants to protect stream channels and riparian areas susceptible to flood hazards and sediment erosion and deposition after wildfires. A total of \$5.0 million in ARPA funds was made available for award through December of 2024, including direct awards for developing projects and for leveraging other federal funding.

The **Wild and Scenic Rivers Fund**,⁶ created in 2009, is intended to foster collaborative approaches to protection and development of certain rivers with remarkable value. The CWCB awards grants to stakeholder groups working on alternative resource protections or considering developing such protections as alternatives to federal designation under the national Wild and

⁵ C.R.S. 37-60-135

⁶ C.R.S. 37-60-122.3



Scenic Rivers Act, while also protecting the state's ability to fully use its compact and decree entitlements. The fund receives an annual appropriation of \$400,000.

Finally, the CWCB also manages an emergency drought response grant program for water augmentation by agricultural water users, a weather modification grant program to assist with cloud seeding, and provides grant assistance for statewide education and outreach initiatives related to the Colorado Water Plan.