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# Understanding CWCB Funding

## The CWCB Finance Section

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The CWCB is proud to be a cash funded agency supported by its Water Project Loan Program. The loan program began in 1971 with an initial \$10 million investment from the legislature into what is known as the Construction Fund. Since that time, the fund has grown as principal and interest returns to the fund and new loans are approved, generating additional revenue. Construction Fund proceeds pay for the annual operations of the CWCB.

In 1997, the CWCB loan program began receiving funds from severance tax revenue into the Severance Tax Perpetual Base Fund. Similar to the Construction Fund, the Severance Tax Perpetual Base Fund is a revolving fund from which loans are approved, principal and interest then return to the account.

The Severance Tax Trust Fund resides in the office of the State Treasurer. The Fund is to be perpetual and held in trust as a replacement for depleted natural resources and for the development and conservation of the state's water resources. The CWCB's loan program receives up to 25% of revenues into the Severance Tax Trust Fund with an average of approximately \$40 million.

In addition, severance tax revenue also funds the Severance Tax Operational Account. This account is used to support Tier I operational account grant programs. Revenue into this account is typically about \$1 million. The Account exists primarily to provide grants for regional water resource planning studies and associated demonstration projects. The programs supported by the Account must promote natural resource planning, management and development related to minerals, energy, geology and water within the State of Colorado.

Once Tier I obligations are met, remaining funds are allocated to Tier II programs. This includes up to \$10 million annually into the Water Supply Reserve Fund (WSRF) - Basin Roundtable grants. In years when severance tax revenue cannot meet all of the Tier I obligations, no revenue goes to Tier II programs.

As a result of early repayment into the Severance Tax Perpetual Base (STPB) account in the last five-year period, the CWCB identified the availability of \$75 million. Staff recommended this funding be dedicated to the funding needs identified in Colorado's Water Plan. Staff recommended the \$75 million be placed in the Projects Bill annually as a \$25 million request for three years and be dependent on the Board's review of the CWCB's financial capacity at the annual Financial Committee meeting. After financial review, the Board will make recommendations whether or not to fund at the \$25 million level.

**The Funding Plan is comprised of the following:**

**(1) Water Supply Reserve Fund (WSRF) - \$10 million Supplemental Funding**

This supplemental funding will help offset the current year's low distribution of Severance Tax revenues. This will require transferring \$10 million from the STPB fund to the WSRF on July 1, 2017 for use in funding water supply projects under the criteria and guidelines developed for the WSRF.

**(2) Watershed Restoration Program - \$5 million**

This will require transferring \$5 million from the STPB fund to the Construction Fund for use in the Watershed Restoration Program on July 1, 2017 for planning, engineering, and implementation measures, aquatic habitat protection, restoration work, and monitoring efforts to address technical needs for watershed restoration and flood mitigation projects, and to support healthy stream and watershed goals.

**(3) Water Plan Implementation Funding - \$10 million**

This funding will assist in funding the implementation of the Colorado Water Plan through CWCB's Non Reimbursable Investments (NRI's). The 2017 Projects Bill will increase the current annual transfer from \$5 million to \$10 million from the Severance Tax Perpetual Base Fund to the Construction Fund for approved NRI projects considered in September 2017. Applications will be evaluated based on Financial Policy #12.

**(4) Creation of a Loan Guarantee Fund - \$30 million**

This \$30 million request is for General Assembly authorization to create a Fund within the DNR/CWCB that will allow regional project participants support for financing options. The Fund will homogenize project participant's credit ratings and therefore lower their market lending rates. It is anticipated that this may help leverage \$300 to \$400 million in market funds while lowering the overall cost of a regional water supply project. This funding would only be spent in the unlikely event of a default.

*Who does what in the CWCB Finance Section? Get to know the staff:*

<http://cwcb.state.co.us/about-us/CWCBStaff/Pages/FinanceSection.aspx>