



**Colorado's Water Plan  
Funding Strategy  
November 6, 2018  
DRAFT FINAL**

**INTRODUCTION**

Our iconic mountains, rivers, minerals, plains, communities, forests, snow, wildlife, and wilderness have drawn people by the millions to our centennial state. Our population has ballooned from 1 million in 1930 to over 5 million today, and could nearly double by 2050. Sustaining this growth requires water. While we grow at this pace, how do we preserve what we love about our state? Colorado's Water Plan has answers. This plan is a roadmap that leads to a productive economy, vibrant and sustainable cities, productive agriculture, a strong environment, and a robust recreation industry. It sets forth the measurable objectives, goals, and actions by which Colorado will address its projected future water needs and measure its progress—all built on our shared values. Just as it was created, this plan will be implemented by working collaboratively with the basin roundtables, local governments, water providers, other stakeholders, and the general public. It includes a set of policies and actions that all Coloradans and their elected officials can support and help implement.<sup>1</sup>

Yet to address these critical needs as Colorado's population grows and as our water supply is increasingly impacted by new demands and a changing climate, the Colorado Water Plan needs full funding. Colorado's Water Plan projects that full implementation of all aspects will cost approximately \$20 billion, with most funding coming from existing revenue from utility ratepayers, federal loan and grant programs, and highly variable state severance tax (which is allocated by law to only certain kinds of projects).

The purpose of this document is to address the "funding gap" – the \$3 billion in unfunded or underfunded projects that requires new revenue of \$100 million annually<sup>2</sup>. Without this \$100 million in annual revenue, some key state priorities related to healthy rivers, water quality, conservation and efficiency, infrastructure, productive agriculture, and inter-state compact obligations do not have adequate funding.

To address this funding gap, in 2018 the Gates Family Foundation and Walton Family Foundation convened an informal group of stakeholders with a keen interest in the future of water resources. These included state government, municipal and other water providers, agriculture interests, conservation and recreation organizations, and business. This group came together voluntarily to assess strategies for securing \$100 million in new annual sustainable funding to fully implement Colorado's Water Plan. *A list of participants in this process can be found in Appendix A.*

This document summarizes the group's recommendations and discussions about:

- Funding Needs
- Funding Distribution and Governance
- Sources of Funding

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<sup>1</sup> Excerpted from [CWP Executive Summary](#)

<sup>2</sup> Please see Chapter 9.2, page 19 in the [Water Plan](#) for more detail.

## **FUNDING NEEDS**

Because the goal of this process was to fund activities in the Water Plan, this group aligned its categories for funding with the plan itself and with input from the Interbasin Compact Committee (IBCC) Funding Work Group and the Ag-Irrigators for Water Investment and Planning (initiated by Colorado Cattlemen's Association). These groups have worked with the language in the water plan to develop these categories. These categories are further defined below and include:

- Healthy Rivers
- Watershed Health and Water Quality
- Conservation and Efficiency
- Productive Agriculture
- Infrastructure
- Colorado Compact Obligations

## **FUNDING DISTRIBUTION AND GOVERNANCE**

### **Distribution**

The intent of additional funding is to address projects throughout Colorado (across all basins for example) and for funding to be allocated in a balanced way across the above-mentioned categories. The group recommends emphasizing projects that meet multiple objectives (e.g., category areas), and demonstrate local support (e.g., roundtable support, matching funding). Recognizing that needs and priorities may shift over time but also that a steady supply of funding is needed to maintain momentum inside each category, the group recommends that each category receives a minimum amount (to be determined) each year, with some flexibility across categories to address fluctuating needs and priorities and projects submitted. Further and ongoing analysis will be performed to ensure the highest priorities across the state are being met with the funding available.

### **Overarching Principles**

Colorado's Water Plan will continue to guide how funding is distributed. As such:

- Colorado's Water Plan reaffirms the Doctrine of Prior Appropriation and, at a foundational level, any funding distributed to implement the plan would be consistent with the doctrine and would respect and be protective of water rights.
- Statewide stakeholders, including basin roundtables, will continue to be active participants in the process.
- If state funding is made available for all or part of a new transmountain diversion, the project should be consistent with the Conceptual Framework<sup>3</sup>
- Recognizing the interconnectedness between groundwater and surface water, aquifer health is critical to meeting multiple needs in many parts of the state and should be considered in the categories of funding, as appropriate.

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<sup>3</sup> Please see Chapter 8, page 11 in the [Water Plan](#) for more detail.

## **Governance**

The group discussed certain elements of governance that will be important in how this funding is administered. The Colorado Water Conservation Board (CWCB) administers the funding of water project grants and loans under various programs and has much of the technical expertise and infrastructure necessary to assist in funding decision-making for water projects across the state. This positions the CWCB to be the entity to provide oversight and governance for additional funding.

Whatever board or entity governs dispersal of new funds, it is critical that:

- It can disperse funds to meet the full range of categories below.
- It includes expertise in environment, forest health, recreation, agriculture, municipal water use, and finance.
- Funds are used exclusively for the categories below.

A smaller committee will further test these ideas for a legislative and/or ballot strategy.

## **SOURCES OF FUNDING**

The group discussed two strategies to secure funding. The first is to work with the 2019 Legislature to put in place either enabling mechanisms for funding and/or to provide additional funding through fees. The second is to pursue a 2020 ballot initiative for a measure to establish a sustainable funding mechanism. The group explored many possible sources of funding including how taxes and fees could be used to close the gap in funding. Many of the potentially viable options may not be sufficient to fund the gap on their own and would need to be combined with other complementary efforts. Others might face significant opposition if imposed on one segment of the state or industry.

Many members noted that a source of funding connected to water use would be helpful but needs further discussion and analysis to determine how it could be viably implemented in a fair way that would not penalize users who already fund many efforts through their utility bills. A smaller committee will further test these ideas and work toward the formation of a final legislative and/or ballot strategy.

## **RECOMMENDATIONS FOR CONTINUED OUTREACH AND PUBLIC ENGAGEMENT**

The group discussed that for any funding measure to succeed there will need to be a broader public campaign about the importance of water for the state. Members of this group will continue to work toward a coordinated public awareness campaign about the importance of water security in the state of Colorado and smart water use that works in concert with any future campaign. Clear communication and input opportunities will continue to be provided for the Interbasin Compact Committee, Basin Roundtables, Ag-Irrigators for Water Investment and Planning, and other interested stakeholders.

## **FUNDING NEEDS - CATEGORIES FOR FUNDING:**

Most of the categories below were originally defined by the IBCC. This group added a category for Colorado Compact obligations and further defined and added bulleted generic examples below each category. In addition, the Ag-Irrigators for Water Investment and Planning proposed the definition and bulleted list for the productive agriculture category.

### **Categories:**

**Healthy Rivers**— The flow of Colorado’s rivers serve as the backbone for our coveted natural environment and our valuable recreation economy. To maintain river, riparian, and groundwater health and resiliency, the Fund will support plans that respect community values and adhere to common approaches to identify stream, riparian, and groundwater needs, along with the implementation of collaborative solutions to meet them, such as market-based environmental and recreational water solutions. Examples include but are not limited to:

- Projects identified in stream management plans or similar projects, including, but not limited to, in-stream flows and habitat restoration
- Projects to promote the sustainability of fish and wildlife
- Projects that support healthy aquifer conditions as they connect to healthy rivers and streams
- Projects and methods that support economically important water-based recreation
- Projects that develop and support wetland habitat
- Fish passage construction for new or revised water diversion structures
- Stream restoration projects
- Environmental and recreational enhancements for new or revised water supply projects

**Watershed Health and Water Quality** – Colorado’s health and prosperity as a state depend on thriving watersheds and resilient water quality. The Fund will support basin and regional projects prior to treatment which address watershed and water quality needs. It will also fund joint projects to improve watershed functionality and reduce water quality risks to our communities, such as forest integrity, reduction of selenium and salts, and mine remediation. Examples include but are not limited to:

- Projects identified in collaborative and science-based watershed management plans that reduce the risk from and increase resilience to fires and/or floods, rehabilitate streams, or make landscapes resilient to climate change, including, but not limited to pre- and post-fire tree thinning and debris management
- Projects that address drinking water quality for under-resourced communities.
- Projects that address pollutants such as selenium, salts, and others, as well as mine remediation activities

**Conservation and Efficiency** – Colorado continues to lead the way with innovative water conservation and efficiency technologies on our farms and in our cities. The Fund will be used to accelerate these strategic improvements by: supporting agricultural water infrastructure that increases reliability and efficiency; assisting communities with water-smart community development and conservation programs; targeting smaller, fast-growing, and older communities with strategic, incentive-based grants;

and supporting reuse projects that efficiently stretch existing supplies to reduce pressure on rivers and streams. Examples include but are not limited to:

- Municipal and industrial water projects that promote efficiency, conservation, and green infrastructure particularly for small- and medium-sized municipalities with a goal of lowering overall per capita use
- Enhance conservation efforts for small- and medium-sized municipalities through additional capacity to implement state-of-the-art water efficiency, such as smart-meters/bills, turf replacement, and conservation outreach and education
- Increase leak detection for infrastructure repair and replacement
- Incentivize connecting water efficiency with land use planning, shrinking total water use
- Projects to update and improve agricultural infrastructure or implement technology for efficiency and storage, especially where improvements provide multiple benefits (i.e. benefits for municipal or industrial supply, recreation, and the environment)
- Incentivize outdoor landscaping practices for new and existing land uses to reduce overall consumptive water use

**Productive Agriculture-** Colorado agriculture feeds the state, nation, and the world while safeguarding the environment, fueling the state's economy, and enhancing our communities. By making a commitment to Colorado's diverse agriculture production, we are wisely investing in the state's water future.

The preservation of agriculture must keep pace with growing state, national, and global needs while using resources wisely and producing more with less. A productive and profitable agriculture system requires collaboration and investment in programs that include but are not limited to:

- Multiple-use storage that acknowledges regional priorities
- Developing innovative and functional water leasing
- Suitable agriculture efficiency and conservation approaches
- Technical assistance and technological innovation
- Dedicated resources for increasing community literacy about irrigated agriculture and supporting agricultural market growth

**Infrastructure** – The growing population of Colorado depends on robust water infrastructure to supply our farms, ranches, and homes. The Fund will strategically assist in upgrading aging infrastructure while incentivizing new storage and delivery projects that collaboratively address multiple needs, such as improved flows to meet demands, stream and watershed health, and habitat quality. Given that many infrastructure projects are eligible for other funding, this category would be subject to specific criteria to ensure efficient use of state funds. Examples include but are not limited to:

- Incentivize traditional water infrastructure projects to include public and environmental benefits including river health and habitat quality (beyond required mitigation)
- Multi-purpose projects and storage methods that are supported in the Water Plan and the Basin Implementation Plans
- Financial support for technical and practical storage innovations

- Adding or upgrading infrastructure to facilitate Alternative Transfer Mechanisms
- Other projects could include:
  - Reservoir dredging or expansion
  - New storage
  - Reuse
  - System automation
  - Stream gauge installation
  - Piping and lining of canals
  - Diversion structures and pumping infrastructure

**Colorado Compact Obligations especially focused on the Colorado River Basin** – Colorado is the headwaters state. All water flowing through our state originates in our state. Colorado is party to nine interstate agreements (“compacts”) committing the state to sharing a portion of each of our rivers and streams.

Colorado’s obligation as signatory to these compacts annually requires Colorado to curtail or reduce current water uses to comply with the terms of the compacts on the South Platte, Arkansas, Republican, and Rio Grande Rivers. The Colorado River is unique in that it is the river of statewide interest and use across Colorado. Accordingly, compact curtailment would have critical implications for all water users and Colorado’s entire economy.

Colorado and the other states of the Colorado River basin are examining ways to create and “bank” water to provide water supply security through voluntary, compensated, and temporary reductions in water consumption. This “banked” water would be used to avoid, delay, or mitigate a Colorado River compact curtailment order. Annual funding would be provided to compensate water users for their water savings if they choose to participate in such a program.

This fund would provide associated investments necessary to ensure water supply security and to reduce Colorado’s exposure to statewide risk related to its Colorado River water supplies (or water supplies from any other river in Colorado.)

Examples include but are not limited to:

- Voluntary, compensated reductions in consumptive use through fallowing, deficit irrigation, crop changes, or other means and dedication of the water savings to compact compliance purposes
- Programs that reduce municipal or industrial consumptive use through the implementation of conservation programs combined with allocation of savings to compact compliance purposes.
- Monitoring, measurement, and management of associated programs that reduce consumptive use

Funding will not be used to pay for litigation, penalties or settlements to other states as a result of compact obligations.

## **Appendix A: Colorado's Water Plan - funding strategy group**

Colorado's Water Plan - funding strategy group is an informal group that brought together a diverse set of leaders and perspectives from across Colorado to help identify a viable strategy to secure funding and implement the CWP. The individuals and organizations below have engaged in a robust and thoughtful process to develop options for how Colorado Water Plan's funding gap might be fulfilled.

The options identified in this document will need further consideration and have differing levels of support from individuals who have participated in this process. Regardless, all members support continued efforts to move forward to secure funding, recognizing these ideas will continue to be refined and revised.

### **Convening Organizations:**

Gates Family Foundation

Walton Family Foundation

### **Involved Organizations:**

Nathan Fey, American Whitewater

Terry Fankhauser, Colorado Cattlemen's Association

Bob Randall, Colorado Department of Natural Resources\*

Gail Klapper, Colorado Forum

Carrie Besnette Hauser, Colorado Mountain College

Sam Mamet, Colorado Municipal League

Andy Mueller, Colorado River District

Russ George, Colorado Water Conservation Board member\*

Becky Mitchell, Colorado Water Conservation Board\*

Kelly Brough, Denver Metro Chamber of Commerce

Jim Lochhead, Denver Water

Dan Grossman, Environmental Defense Fund

Johnny LeCoq, Fishpond

Paul Bruchez, Grand County Rancher and Outfitter

John Stulp, Interbasin Compact Committee\*

Joe Frank, Lower South Platte Water Conservancy District

Brad Wind, Northern Colorado Water Conservancy District

Carlos Fernandez, The Nature Conservancy

John McCloy, Upper Gunnison River Water Conservancy District

Jon Goldin-Dubois, Western Resources Advocates

Maria Handley

*\*denotes ex officio*

**Third Party Facilitator:** Keystone Policy Center

### **About Keystone Policy Center:**

Keystone Policy Center is a trusted non-profit organization founded in 1975 to drive actionable, shared solutions to contentious agriculture, environment, energy, education, and public health issues.