



COLORADO
**Colorado Water
Conservation Board**
Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203
P (303) 866-3441
F (303) 866-4474

Jared Polis, Governor
Dan Gibbs, DNR Executive Director
Lauren Ris, CWCB Director

TO: Colorado Water Conservation Board

FROM: Anna Mauss, P.E., Deputy Director
Kirk Russell, P.E., Finance Section Chief

DATE: March 13 - 14, 2024 Board Meeting

ITEM: 7. CWCB Policy #12 and #14 - Prioritization of Loan and Non-Reimbursable Investment Project Applications

Staff Recommendation:

Staff recommends the board approve revised Policy #12 - *Prioritization of Project Fund Applications from the Construction Fund and Severance Tax Trust Fund Perpetual Base Fund* and Policy #14 - *Approval and Prioritization of Construction Fund Applications for Non-Reimbursable Project Investments*.

Background:

The CWCB has two policies related to prioritization of the use of funds from the Construction Fund (CF) and Severance Tax Trust Fund Perpetual Base Fund (STPBF). The policies have not been revised since the early 2000s. Staff reviewed the strategies outlined in the policies to make sure they align with the overarching goals of the CWCB's Mission and the Colorado Water Plan. Attached to this memo are redlined copies of the policies.

[Policy #12](#) - Prioritization of Project Fund Applications from the Construction Fund and Severance Tax Trust Fund Perpetual Base Account was revised in 2000 to establish a framework for prioritizing loans and non-reimbursable project investments (NRI) in the event that requests for funding exceeded available funds.

[Policy #14](#) - Approval and Prioritization of Construction Fund Applications for Non-Reimbursable Project Investments was established in 2001 to establish a framework for the board to evaluate NRIs annually.

Both policies pre-date the CWCB's primary grant programs (Water Supply Reserve Fund Grants and Water Plan Grants) and were established at a time when NRIs were one of the few grant opportunities available for water supply studies and projects. Staff's suggested edits are to better align the policies with the current funding activities. Staff anticipates bringing all NRIs to the September Finance Committee meeting (as has been the standard practice) and Policy #14 can remain the framework for prioritization when evaluating the requests that are submitted by August 1 each year.



This practice aligns with [CWCB Policy 18](#) - Approval and Prioritization of Funding from the Severance Tax Trust Fund Operational Fund (updated in March 2022) that outlines a process for the Finance Committee to hear a high-level review of the plans for the Operational Funds annually at the September Finance Committee meeting.

The primary changes to Policy #12 are:

- Reference the Colorado Water Plan as CWCB's Long Range Plan.
- Connect the procedure to [Policy #13](#) - Target Growth, that provides a process to estimate the non-reimbursable funding available each year.
- Rebrand non-reimbursable investments as CWCB Projects/Programs & Projects Bill Grants.

The primary changes to Policy #14 are:

- Rebrand non-reimbursable investments as CWCB Projects/Programs & Projects Bill Grants.
- Remove the set aside for feasibility studies because other CWCB grant programs can support that type of request.
- Clarifying the procedure to bring funding requests to the Finance Committee annually.
- Updating the applicant type list to include Governmental entities and private entities (rather than an individual).

Attachments:

- Policy #12 - Prioritization of Project Fund Applications from the Construction Fund and Severance Tax Trust Fund Perpetual Base Fund (Redlined Version)
- Proposed Policy #12 - Prioritization of Project Fund Applications from the Construction Fund and Severance Tax Trust Fund Perpetual Base Fund (Clean Version)
- Policy #14 - Approval and Prioritization of Construction Fund Applications for Non-Reimbursable Project Investments (Redlined Version)
- Proposed Policy #14 - Approval and Prioritization of Construction Fund Applications for Non-Reimbursable Project Investments (Clean Version)

POLICY NUMBER: 12

SUBJECT: **PRIORITIZATION OF PROJECT FUND APPLICATIONS FROM THE CONSTRUCTION FUND AND THE SEVERANCE TAX TRUST FUND PERPETUAL BASE FUNDACCOUNT**

EFFECTIVE DATE: November 24, 1997

REVISED DATE: September 25, 2000
March 13, 2024 (if approved)

POLICY: The Colorado Water Conservation Board (CWCB) will give preference for funding from the Construction Fund and Severance Tax Trust Fund Perpetual Base FundAccount to those projects that are most cost effective, demonstrate the greatest need for assistance in financing, and that best relate to the Board's Mission and the Colorado Water Plan Long Range Plan. This policy reflects is in addition to the project priority order established in Sec. 37-60-121(1)(b)(I) and (II), CRS. That statute gives the first priority of funds to projects that increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters and the remainder of the funds to projects for the repair and rehabilitation of existing water storage and delivery systems, controlled maintenance of the satellite monitoring system authorized pursuant to section 37-80-102(10) and for investment in water management activities and studies as provided in Section 37-60-119(3)

PURPOSE: To establish a method to prioritize funding requests from the Construction Fund and Severance Tax Trust Fund Perpetual Base FundAccount in the event that the demand exceeds the available funds from either source in any given year.

APPLICABILITY: This policy and procedure apply to all requests for funding from the CWCB Construction Fund and Severance Tax Trust Fund Perpetual Base FundAccount.

PROCEDURE: Annually, staff prepared an estimate of fund available for Non-Reimbursable Investments (aka Projects Bill Programs, Projects, and Grants). This estimate is based on Policy #13 Target Growth and presented at the Annual CWCB Finance Committee Meeting. In the event that total requests for funding from the CWCB Construction Fund or the Severance Tax Trust Fund Perpetual Base Account exceed the funds available from either source in any given year, the requests for funding will be prioritized as described

here. The CWCB staff will prepare, for the Board's consideration, a summary of the technical and financial characteristics associated with each project funding application. The project characteristics will include the type of funding sought, type of project, the cost effectiveness of each project, the estimated total annual yield for water supply, the damages avoided for floodplain projects and the type of project sponsor as shown in the following list in order of priority:

1. Type of funding
 - a. loan
 - b. non-reimbursable investment
2. Type of project (structural or non structural)
 - a. development of compact entitlement
 - b. dam rehabilitation
 - c. infrastructure construction or rehabilitation
 - d. satellite monitoring system
 - e. water management activities and studies (including feasibility studies)
 - f. floodplain management
3. Estimated annual yield in acre-feet for water supply projects or damages avoided for floodplain projects
4. Cost effectiveness of the project*
5. Project sponsor
 - a. agricultural and municipal low income
 - b. municipal middle income
 - c. municipal high income
 - d. commercial/industrial

*For water supply projects cost effectiveness will be measured in terms of cost per acre-foot of water developed or supplied. For floodplain management projects, cost effectiveness will be based on the damages avoided as a result of the project.

POLICY NUMBER: 12

SUBJECT: **PRIORITIZATION OF PROJECT FUND APPLICATIONS FROM THE CONSTRUCTION FUND AND THE SEVERANCE TAX TRUST FUND PERPETUAL BASE FUND**

EFFECTIVE DATE: November 24, 1997

REVISED DATE: September 25, 2000
March 13, 2024 {if approved}

POLICY: The Colorado Water Conservation Board (CWCB) will give preference for funding from the Construction Fund and Severance Tax Trust Fund Perpetual Base Fund to those projects that are most cost effective, demonstrate the greatest need for assistance in financing, and that best relate to the Board's Mission and the Colorado Water Plan . This policy reflects the project priority order established in Sec. 37-60-121(1)(b)(I) and (II), CRS. That statute gives the first priority of funds to projects that increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters and the remainder of the funds to projects for the repair and rehabilitation of existing water storage and delivery systems, controlled maintenance of the satellite monitoring system authorized pursuant to section 37-80-102(10) and for investment in water management activities and studies as provided in Section 37-60-119(3)

PURPOSE: To establish a method to prioritize funding requests from the Construction Fund and Severance Tax Trust Fund Perpetual Base Fund in the event that the demand exceeds the available funds from either source in any given year.

APPLICABILITY: This policy and procedure apply to all requests for funding from the CWCB Construction Fund and Severance Tax Trust Fund Perpetual Base Fund.

PROCEDURE: Annually, staff prepared an estimate of fund available for Non-Reimbursable Investments (aka Projects Bill Programs, Projects, and Grants). This estimate is based on Policy #13 *Target Growth* and presented at the Annual CWCB Finance Committee Meeting. In the event that total requests for funding from the CWCB Construction Fund or the Severance Tax Trust Fund Perpetual Base Account exceed the funds available from either source in any given year, the requests for funding will be prioritized as described here. The CWCB staff will prepare, for the Board's consideration,

a summary of the technical and financial characteristics associated with each project funding application. The project characteristics will include the type of funding sought, type of project, the cost effectiveness of each project, the estimated total annual yield for water supply, the damages avoided for floodplain projects and the type of project sponsor as shown in the following list in order of priority:

1. Type of funding
 - a. loan
 - b. non-reimbursable investment
2. Type of project (structural or non structural)
 - a. development of compact entitlement
 - b. dam rehabilitation
 - c. infrastructure construction or rehabilitation
 - d. satellite monitoring system
 - e. water management activities and studies (including feasibility studies)
 - f. floodplain management
3. Estimated annual yield in acre-feet for water supply projects or damages avoided for floodplain projects
4. Cost effectiveness of the project*
5. Project sponsor
 - a. agricultural and municipal low income
 - b. municipal middle income
 - c. municipal high income
 - d. commercial/industrial

*For water supply projects cost effectiveness will be measured in terms of cost per acre-foot of water developed or supplied. For floodplain management projects, cost effectiveness will be based on the damages avoided as a result of the project.

Revised by the CWCB
September 25, 2000 Board Meeting
Agenda Item #13c

POLICY NUMBER: 14

SUBJECT: **APPROVAL AND PRIORITIZATION OF CONSTRUCTION FUND APPLICATIONS FOR NON-REIMBURSABLE PROJECT INVESTMENTS**

EFFECTIVE DATE: January 24, 2001
March 13, 2024 (if approved)

POLICY: The Colorado Water Conservation Board (CWCB) will accept applications for non-reimbursable project investments (aka CWCB Projects/Programs or Projects Bill Grants) from the Construction Fund until August 1 of each year.

Applications for funding requests for CWCB Projects/Programs and Projects Bill Grants~~non-reimbursable project investments~~ from the Construction Fund will be accepted for the following types of projects only:

1. Projects or studies of statewide impact or importance.
2. Projects/Programs/Grants that increase the beneficial consumptive use of undeveloped compact entitled waters.~~Feasibility studies and demonstration projects that are designed to answer questions related to statewide water issues or have significant potential to result in loans from either the Construction Fund or the Severance Tax Trust Fund Perpetual Base Account.~~
- 2.3. Water infrastructure or restoration projects that improve efficiency; public health and safety; or the environment
- 3.4. Studies and demonstration projects that are designed to answer questions related to statewide issues.

The CWCB may, in any year, recommend approval to the General Assembly any program, project or studies in the above categories that the Board deems worthy of funding.~~through non-reimbursable investments. In order to protect the long term integrity of the Construction Fund, Construction Fund loan applications are preferred over non-reimbursable investment applications.~~

~~Approximately 10% of the annual funds available for non-reimbursable investments will be set aside for feasibility studies and demonstration projects. Feasibility study and demonstration project investments will be limited to 50% of the total study or project cost, up to a maximum of \$100,000. The project applicant~~

must have completed a fully executed non-reimbursable investment funding contract with the CWCB within 2 years of the investment authorization by the General Assembly, or the Board will consider de-authorization of the investment.

PURPOSE: To establish an approval and prioritization process for non-reimbursable investments from the Construction Fund.

APPLICABILITY: This policy and procedure apply to applications for non-reimbursable investments from the Construction Fund.

PROCEDURE: Prior to the annual Finance Committee Meeting, composed of the Department of Natural Resources Executive Director, the CWCB Director, the State Engineer, or their representatives, and interested Board members, staff will prepare for the Committee's consideration a list of Non-Reimbursable Investment applications that includes CWCB Projects & Programs and Projects Bill Grant applications. The information will include November Board meeting, the CWCB staff will prepare for the Board's consideration a summary of the technical and financial characteristics of each proposed project, program or study as well as a description of the sponsoring entity for each non-reimbursable investment application from the CWCB Construction Fund. Each application will be reviewed for conformity with the goals and objectives of the CWCB Mission and the Colorado Water Plan-Long Range Plan.

Prior to the November Board meeting the CWCB staff will update application information as necessary for the Board's final consideration.

Non-reimbursable investment applications will be considered for only in the following two categories:

- a. Projects or studies of statewide impact or importance.
 - b. Projects/Programs/Grants that increase the beneficial consumptive use of undeveloped compact entitled waters.
 - c. Water infrastructure or restoration projects that improve efficiency; public health and safety; and the environment.
 - d. Studies and demonstration projects that are designed to answer questions related to statewide issues.
- ~~a. Projects of statewide impact or importance,~~
~~b. Feasibility studies and demonstration projects that are designed to answer questions related to statewide water issues or have significant potential to result in loans from the Construction Fund or Severance Tax Trust Fund Perpetual Base Account.~~

Projects ~~of statewide impact or importance~~ will be prioritized and recommended to the Finance Committee and subsequently the Board for consideration by a committee composed of the Department of Natural Resources Executive Director, the CWCB Director, the State Engineer, or their representatives, and interested Board members based on the following project types:

- Projects, programs or studies that have statewide impact or importance.
- Projects, programs or studies that assist in the administration of compact-entitled waters, or address problems relating to compact-entitled waters,
- Projects, programs or studies that facilitate solutions to regional water supply problems,
- Projects, programs or studies that address federal water rights issues,
- Projects, programs or studies that assist in the recovery of threatened or endangered wildlife species or the conservation of existing wildlife species within riparian ecosystems,
- State satellite monitoring system improvements and other projects, programs, studies, instrumentation or supplies that assist in the collection and development of hydrologic and climatologic data,
- Water, river restoration, and floodplain management projects, activities and studies affecting agriculture, recreation, or other industries that economically impact significant areas of the state, and
- The use of funds to leverage non-state funds.
- The need for financial assistance as demonstrated by the project sponsor's inability to obtain funds elsewhere resulting in the Project, program or study's failure to advance.

Each year the committee ~~may~~ will establish project priorities depending on the specific needs of the State and the availability of other project funding sources.

The applications will be further prioritized based on the type of applicant in the following order:

1. CWCB or other state agency
2. Governmental entities
- 2.3. Multiple entities
3. ~~Private entities~~ A single entity representing more than one individual
4. ~~An individual~~

~~Applications for feasibility studies and demonstration projects will be considered by the Board based on available funds in each year. CWCB staff will evaluate each application based on the following:~~

- ~~• Soundness of the work plan or plan of study,~~
- ~~• The need for the proposed project,~~
- ~~• The likelihood of the project sponsor to pursue implementation of the identified project through a Construction Fund or Severance Tax Trust Fund Perpetual Base Account loan, and~~
- ~~• The need for financial assistance as demonstrated by the project sponsor's inability to obtain funds elsewhere.~~

Applications will be prioritized and recommended to the Board by the CWCB staff, following statutory guidelines, based on the types of projects, programs or studies in the following order:

1. Development of compact-entitled waters
2. Dam rehabilitation
3. Infrastructure construction or rehabilitation
4. Other water management activities and studies
5. Floodplain management projects

The applications will then be further prioritized based on the type of project applicants in the following order:

1. Agricultural or municipal low income
2. Municipal middle income
3. Municipal high income
4. Commercial/industrial water users

NOTE:

Recognizing that future needs and responses to those needs cannot be predicted with certainty, the Colorado Water Conservation Board reserves the right to recommend for funding any project, program or study that it determines worthy of non-reimbursable investment funding.

Approved by the CWCB
January 24, 2001 Board Meeting
Agenda Item #12a.

POLICY NUMBER: 14

SUBJECT: **APPROVAL AND PRIORITIZATION OF CONSTRUCTION FUND APPLICATIONS FOR NON-REIMBURSABLE PROJECT INVESTMENTS**

EFFECTIVE DATE: January 24, 2001
March 13, 2024 {if approved}

POLICY: The Colorado Water Conservation Board (CWCB) will accept applications for non-reimbursable project investments (aka CWCB Projects/Programs or Projects Bill Grants) from the Construction Fund until August 1 of each year.

Applications for funding requests for CWCB Projects/Programs and Projects Bill Grants from the Construction Fund will be accepted for the following types of projects only:

1. Projects or studies of statewide impact or importance,
2. Projects/Programs/Grants that increase the beneficial consumptive use of undeveloped compact entitled waters,
3. Water infrastructure or restoration projects that improve efficiency; public health and safety; or the environment,
4. Studies and demonstration projects that are designed to answer questions related to statewide issues.

The CWCB may, in any year, recommend approval to the General Assembly any program, project or studies in the above categories that the Board deems worthy of funding.

The project applicant must have completed a fully executed non-reimbursable investment funding contract with the CWCB within 2 years of the investment authorization by the General Assembly, or the Board will consider de-authorization of the investment.

PURPOSE: To establish an approval and prioritization process for non-reimbursable investments from the Construction Fund.

APPLICABILITY: This policy and procedure apply to applications for non-reimbursable investments from the Construction Fund.

PROCEDURE: Prior to the annual Finance Committee Meeting, composed of the Department of Natural Resources Executive Director, the CWCB Director, the State Engineer, or their representatives, and interested Board members, staff will prepare for the Committee's

consideration a list of Non-Reimbursable Investment applications that includes CWCB Projects & Programs and Projects Bill Grant applications. The information will include a summary of the technical and financial characteristics of each proposed project, program or study as well as a description of the sponsoring entity. Each application will be reviewed for conformity with the goals and objectives of the CWCB Mission and the Colorado Water Plan.

Prior to the November Board meeting the CWCB staff will update application information as necessary for the Board's final consideration.

Non-reimbursable investment applications will be considered for the following categories:

- a. Projects or studies of statewide impact or importance.
- b. Projects/Programs/Grants that increase the beneficial consumptive use of undeveloped compact entitled waters.
- c. Water infrastructure or restoration projects that improve efficiency; public health and safety; and the environment.
- d. Studies and demonstration projects that are designed to answer questions related to statewide issues.

Projects will be prioritized and recommended to the Finance Committee and subsequently the Board for consideration based on the following project types:

- Projects, programs or studies that have statewide impact or importance,
- Projects, programs or studies that assist in the administration of compact-entitled waters, or address problems relating to compact-entitled waters,
- Projects, programs or studies that facilitate solutions to regional water supply problems,
- Projects, programs or studies that address federal water rights issues,
- Projects, programs or studies that assist in the recovery of threatened or endangered wildlife species or the conservation of existing wildlife species within riparian ecosystems,
- State satellite monitoring system improvements and other projects, programs, studies, instrumentation or supplies that assist in the collection and development of hydrologic and climatologic data,
- Water, river restoration, and floodplain management projects, activities and studies affecting agriculture,

recreation, or other industries that economically impact significant areas of the state, and

- The use of funds to leverage non-state funds.
- The need for financial assistance as demonstrated by the project sponsor's inability to obtain funds elsewhere resulting in the Project, program or study's failure to advance.

Each year the committee may establish project priorities depending on the specific needs of the State and the availability of other project funding sources.

The applications will be further prioritized based on the type of applicant in the following order:

1. CWCB or other state agency
2. Governmental entities
3. Multiple entities
4. Private entities

Applications will be prioritized and recommended to the Board by the CWCB staff, following statutory guidelines, based on the types of projects, programs or studies in the following order:

1. Development of compact-entitled waters
2. Dam rehabilitation
3. Infrastructure construction or rehabilitation
4. Other water management activities and studies
5. Floodplain management projects

The applications will then be further prioritized based on the type of project applicants in the following order:

1. Agricultural or municipal low income
2. Municipal middle income
3. Municipal high income
4. Commercial/industrial water users

NOTE:

Recognizing that future needs and responses to those needs cannot be predicted with certainty, the Colorado Water Conservation Board reserves the right to recommend for funding any project, program or study that it determines worthy of non-reimbursable investment funding.

Approved by the CWCB
January 24, 2001 Board Meeting
Agenda Item #12a.