# MEMORANDUM

JOINT BUDGET COMMITTEE

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| TO | Members of the Joint Budget Committee |
| FROM | Amanda Bickel, JBC Staff |
| DATE | February 1, 2022 |
| SUBJECT | Overview of Presentation on ARPA Coronavirus State Fiscal Recovery Fund |

The February 1, 2022 presentation on the Coronavirus State Fiscal Recovery Fund money included in the American Rescue Plan Act (ARPA) will address the following items:

- Ed DeCecco, Senior Attorney for Special Projects, Office of Legislative Legal Services: Review of the U.S. Treasury's Final Rule on Coronavirus State and Local Fiscal Recovery Funds, issued January 6, 2022
- Kate Watkins, Chief Economist, Legislative Council Staff/Executive Branch Representatives, as available: Controller's Calculation of Revenue Loss, which establishes the amount of Coronavirus State Fiscal Recovery Funds that may be used for general government services under the rule
- JBC Staff: Review of Legislative Allocations to-date and Recommendations from Task Forces on use of the Coronavirus State Fiscal Recovery Funds

Memos from Ed DeCecco and JBC Staff are attached. Materials from the Executive Branch on revenue loss will be provided under separate cover. *[Memos from the Controller's Office and Kate Watkins were subsequently added to this packet and are now attached]*

To: Joint Budget Committee Members
From: Robert Jaros, Colorado State Controller
Date: January 31, 2022
**Subject: Current Estimates of Colorado's CY21 ARPA Revenue Loss Calculations**

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As a part of implementing the American Rescue Plan Act's (ARPA) State and Local Fiscal Recovery Funds (SLFRF), the US Treasury has provide detailed guidance for calculating the amount of SLFRF that can be categorized as "Revenue Replacement" for purposes of expenditure reporting. This expenditure category provides the State with broad latitude to spend SLFRF funds on "government services."

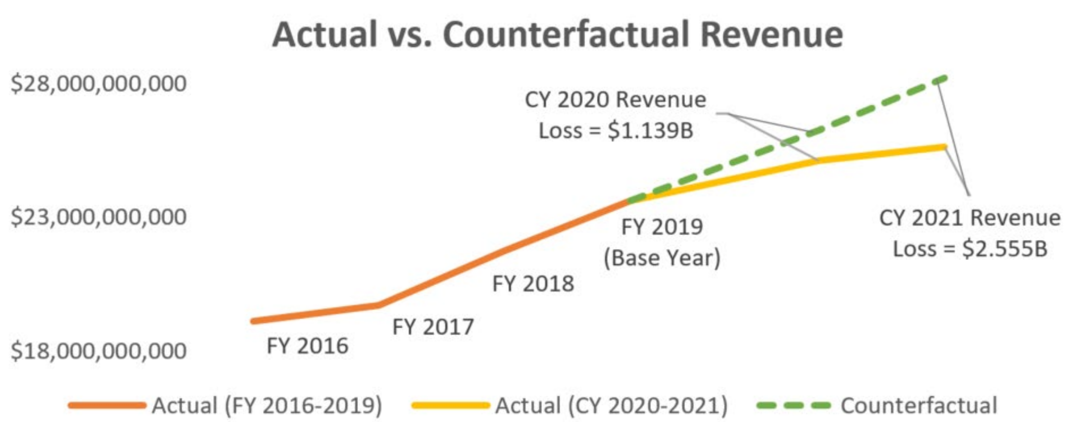
Each year in January, Colorado is required to estimate how much revenue was lost due to the COVID-19 pandemic using the methodology and requirements outlined in the US Treasury guidance. ***This calculation does not mean Colorado receives extra funding***, but it does provide for more flexibility on allowable uses and reporting requirements.

The revenue loss calculation does not change the previous allocation of funds made into the various cash funds: Revenue Loss Restoration; Economic Recovery and Relief; Workers, Employers, and Workforce Centers; Behavioral and Mental Health; and Affordable Housing and Home Ownership. The Governor's Budget also already requests uses for the funds that are in the Revenue Loss Restoration cash fund for budget integrity prepays.

The following is an estimate of Colorado's revenue loss calculations with numbers from calendar year 2020 and estimates from calendar year 2021. CY21 numbers are still estimates as they have not been officially reported to the US Treasury.

**Core Components of the Number (short explanation):**

- Counterfactual and pre-pandemic growth - equal to the average annual revenue growth from FY16 to FY19. This average is 7.367%.
- CY revenue – January 1, 2021 to December 31, 2021 revenue as defined in the final rule. Note that accruals are accounted for in the calendar year corresponding to the same fiscal year. For example, FY 2020 accruals are accounted for in CY 2020 because they occur in the middle of that calendar year.



**Specific Calculations of Revenue Loss:**

| CY2020 | CY2021 | Estimated Total |
|---|---|---|
| $1,139,220,251* | $2,555,432,998** | $3,694,653,249 |

*CY2020 has been updated from previous calculations based upon updated audited financials
**CY2021 is still an estimate because it has not been submitted to US Treasury

**CY2021 Calculation**
Based upon US Treasury's formulas, Colorado has calculated a revenue loss of $2,555,432,998 for Calendar Year 2021.

**Step 1 - Identify Revenues in FY 2019 to Establish Baseline Revenue**
FY 2019 Revenue = $23,603,251,050

**Step 2a - Calculate Average Annual Growth Rate Prior to COVID-19 Emergency**

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|
| **Revenue** | $19,092,792,462 | $19,713,621,894 | $21,748,242,480 | $23,603,251,050 |
| **Growth Rate** | N/A | 3.252% | 10.321% | 8.529% |

Average Annual Growth Rate = average (3.252%, 10.321%, 8.529%) = **7.367%**

**Step 2b - Using Average Growth Rate from 2a, Estimate Counterfactual Revenue**
Counterfactual Revenue = $23,603,251,050.66 * [(1+.07367) ^ (30/12)] = $28,193,709,588

**Step 3 - Identify Actual Revenue Collected in CY 2021**
CY 2021 Revenue = $25,638,276,590

**Step 4 - Calculate Reduction in Revenue**
Reduction in Revenue = Counterfactual Revenue - Actual Revenue
Reduction in Revenue = $28,193,709,588 - $25,638,276,590 = **$2,555,432,998**

**Summary of Key Reasons for Revenue Loss Calculation**
While Colorado has seen strong revenue growth in the last year, the "revenue loss" amount is larger than expected because:

1. The counterfactual growth rate is 7.367%. That growth rate is applied for every 12 months from the base period. In order to have zero revenue loss for CY 2020, the state would need to have collected 11.25% more revenue in CY 2020 than in FY 2019.
2. The formula takes into account nearly all revenue sources that are collected for and by state entities. That includes not only general fund sources like income and sales taxes that have remained strong over the course of most of the pandemic, but also sources such as highway fees, tuition and fees, and other receipts that have experienced slower recoveries.

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# Memorandum

January 31, 2022

TO: Joint Budget Committee

FROM: Kate Watkins, Chief Economist, 303-866-3446

SUBJECT: CY 2021 ARPA Revenue Loss

## Summary

Among the allowable uses of federal American Rescue Plan Act (ARPA) funds, states have the most flexibility in spending the portion of funding used to offset the state revenue loss attributable to the COVID-19 pandemic. This memorandum provides information on the revenue loss reported for calendar year (CY) 2020 and the preliminary loss calculated for CY 2021, estimated at $1.14 billion and $2.55 billion, respectively. The preliminary cumulative two-year revenue loss is $3.69 billion, compared with the $3.83 billion total ARPA allocation for the state of Colorado. Additional revenue losses are possible in CY 2022 and CY 2023.

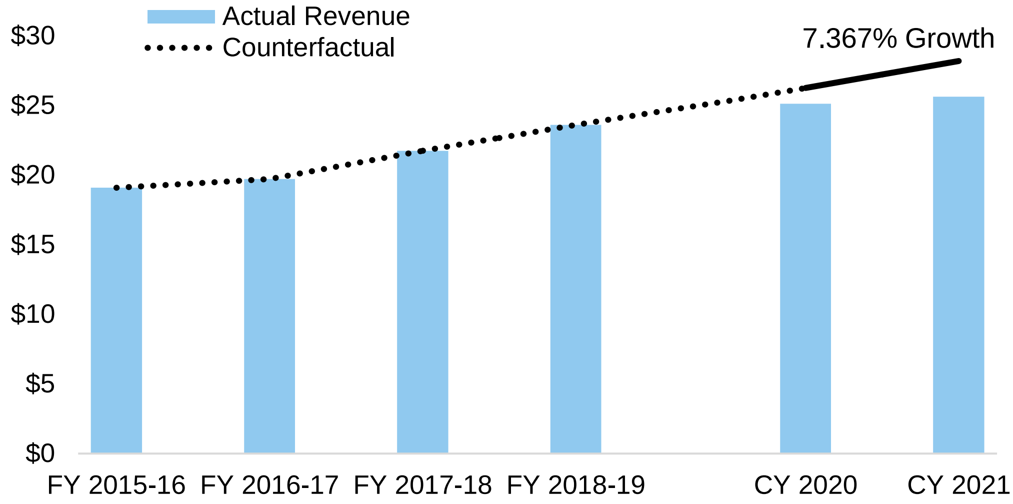
## Revenue Loss Methodology

Guidance issued by the U.S. Department of Treasury provides a methodology for how to calculate state revenue losses. These losses are based on the difference between actual state "general revenue from own sources"" and a "counterfactual," an alternative amount intended to approximate revenue that would have been collected if not for the pandemic. "General revenue" includes all General Funds and most cash funds. This includes about $10 billion more than what is included in the quarterly revenue forecasts for revenue subject to TABOR, and includes revenue streams such as higher education tuition and fees.

The counterfactual is calculated based on average annual growth in state general revenue between FY 2015-16 and FY 2018-19 (which is 7.367 percent for the state of Colorado). The counterfactual is grown from FY 2018-19 revenue amounts and compared to actual collections on a calendar year basis. The difference between actual revenue and the counterfactual is calculated at four points in time: calendar years 2020, 2021, 2022, and 2023.[1] Figure 1 provides a visual representation of actual general revenue and the counterfactual for the state of Colorado through CY 2022.

[1] For additional details and information on the U.S. Treasury guidance under the final rule, see: https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf

**Figure 1**
**Colorado Actual "General Revenue" vs. the ARPA Counterfactual**
*Dollars in Billions*




*Source: Data provided by the Office of the State Controller. p = Preliminary.*

**How does Colorado's calculation address the TABOR limit?** Colorado's methodology for calculating the revenue loss effectively treats TABOR as if it does not exist. In other words, revenue is treated as if it is not limited by the Referendum C cap.

**How does Colorado's calculation address accruals?** U.S. Treasury guidance allows states to apply the revenue loss calculation on either a calendar year or fiscal year basis, though initial guidance only allowed a calendar year calculation. Colorado's revenue loss is based on a calendar year calculation. There are benefits to using the calendar year calculation, in that it provides information on the revenue loss six months ahead of the fiscal year calculation, and may result in a larger revenue loss..

Consistent with state accounting practices, revenue is moved into the fiscal year in which the underlying economic activity occurs. This is done through an "accrual adjustment" at the end of the fiscal year. For example, sales tax collections are typically remitted a month after a sale takes place. Each year, accrual adjustments are made to shift July collections back into the prior fiscal year.

In order to estimate calendar year revenue, fiscal year accruals were included in the calendar year ending the fiscal year (e.g., FY 2019-20 accruals are applied to CY 2020).

## CY 2020 Revenue Loss Update

In May 2021, preliminary calculations based on available data suggested a $1.3 billion revenue loss for CY 2020.[2] As the Office of the State Controller (OSC) has finalized financial reporting for FY 2020-

[2] The $1.3 billion amount was reported in the Legislative Council Staff memorandum dated May 20, 2021, available at: https://leg.colorado.gov/sites/default/files/r21-994_legislative_changes_and_flexibility_in_use_of_american_rescue_plan_funds.pdf

21 in conjunction with the release of the Comprehensive Annual Financial Report (CAFR), this amount has changed slightly to $1.14 billion. The $1.14 billion amount has been officially reported to the U.S. Treasury.[3]

## Preliminary CY 2021 Revenue Loss

With the close of calendar year 2021, preliminary state revenue collections suggest a $2.55 billion revenue loss. This additional revenue loss may be surprising considering strong growth in General Fund collections and the TABOR surplus situation in FY 2020-21 and expected in FY 2021-22. That said, the nuances of the ARPA revenue loss calculation result in different pools of revenue and different time periods than forecast revenue subject to TABOR. The following provides additional context for the CY 2021 revenue loss.

**Large income tax accrual adjustments boosted CY 2020 revenue and reduced CY 2021 revenue.** Delayed income tax filing deadlines resulted in large accrual adjustments over the past two fiscal years. In 2020, instead of the usual April income tax filing deadlines, filing deadlines were pushed to July (into the next fiscal year). As a result, FY 2019-20 income tax accrual adjustments were very large (more than $1.0 billion) because they pulled the delayed income tax filings from FY 2020-21 back into FY 2019-20. For the purposes of the ARPA revenue loss calculation, the large positive FY 2019-20 accrual was added to the monthly collections for the twelve months of CY 2020, thus boosting the revenue amount in that calendar year and reducing the revenue loss.

FY 2020-21 accrual adjustments were also very large but in the opposition direction (-$1.1 billion) because what was accrued into FY 2019-20 was pulled out of FY 2020-21. When this large negative FY 2020-21 accrual was combined with the twelve months of collections for CY 2021, it resulted in a calendar year-over-year decline in income tax revenue. This was one of the largest factors contributing to the revenue loss in CY 2021.

**Slower growth in some revenue streams.** The other primary reason for the additional revenue loss is that some other revenue streams grew at a slower pace than the counterfactual. In particular, higher education tuition and fees, which make up about 11 percent of general revenue, were basically flat (up only 0.1 percent above prior calendar-year levels). These slow growth revenue streams, coupled with the decline year-over-year in the income tax streams due to the accrual adjustments, slowed total revenue growth. Total general revenue grew at a pace of 2.1 percent year-over-year in CY 2021, compared to the 7.367 percent counterfactual.

[3] For additional information on the amounts reported, see the Office of the State Controller memorandum to the Joint Budget Committee, dated January 31, 2022.

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# MEMORANDUM

TO: Joint Budget Committee

FROM: Ed DeCecco

DATE: February 1, 2022

SUBJECT: Update on the Allowable Uses of Money from the Coronavirus State Fiscal Recovery Fund

## Introduction

In response to COVID-19, Congress passed the $1.9 trillion American Rescue Plan Act of 2021 (ARPA),[1] which established the Coronavirus State Fiscal Recovery Fund (CSFRF), and its companion fund, the Coronavirus Local Fiscal Recovery Fund to provide state, local, and tribal governments "with the resources needed to respond to the pandemic and its economic effects and to build a stronger, more equitable economy during the recovery."[2]

APRA established the following uses for the CSFRF money:

> (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

[1] Pub. L 117-2.

[2] United States Department of the Treasury, 31 CFR Part 35 Final Rule, *Supplementary Information (Supplementary Information)*, p. 2. https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf

> (B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
>
> (C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
>
> (D) to make necessary investments in water, sewer, or broadband infrastructure.[3]

To implement the provisions related to these funds and provide guidance to state, local, and tribal governments, the United States Department of the Treasury (Treasury) issued an interim final rule (IFR) on May 10, 2021, and the state used that guidance for its initial disbursements of the CSFRF money. As an interim rule, Treasury sought and received public comments about the IRF, and on January 6, 2022, Treasury issued the final rule, which is codified at 31 CFR part 35, to adopt the IRF, with amendments to take effect on April 1, 2022. The final rule, along with ample supplementary information and a helpful overview,[4] provides substantial guidance about the allowable uses of the CSFRF money.

In addition to restructuring and clarifying provisions, the final rule makes several changes to the IRF, including:

- Clarifying that capital expenditures are permissible, but with additional required information;
- Expanding the presumptions about households that are "impacted" or "disproportionately impacted" by COVID-19 or its negative economic impacts;
- Expanding the enumerated allowable uses;
- Allowing more essential workers that may receive premium pay without written justification;
- Modifying the revenue loss calculation; and

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[3] 42 U.S.C. § 802 (c)(1).

[4] United States Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds: Overview of the Final Rule (Overview)*, January 2022, https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf

- Broadening the types of permissible investments for water, sewer, and broadband infrastructure.

The Joint Budget Committee has previously received several briefings about the CSRFR money, and so this memorandum will focus on the material changes in the final rule from the IFR that relate to each of the four allowable uses.

## Analysis of the Changes in the Final Rule

### 1. Responding to the Public Health Emergency or its Negative Economic Impacts.

#### 1.1. Clarifies that capital expenditures that support public health or economic responses are permissible.

The final rule makes explicit the state's authority to make capital expenditures to respond to the public health emergency or its negative economic impacts.[5] A "capital expenditure" is defined as "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life."[6] "Capital assets include lands, facilities, equipment, and intellectual property."[7]

Unlike a program or service, however, for a capital expenditure of over $1 million, the state must prepare a written justification for the use, and, if it is $10 million or more, the state must submit this justification to Treasury.[8] The justification must include these elements:

- Describe the harm or need to be addressed;
- Explain why the capital expenditure is appropriate; and

[5] 31 CFR § 35.6 (b). The citations to 31 CFR part 35 in this memorandum refer to the final rule version, which takes effect on April 1, 2022.

[6] 31 CFR § 35.3 and 2 CFR § 200.1.

[7] *Supplementary Information,* p. 208.

[8] 31 CFR § 35.6 (b)(4).

- Compare the proposed capital expenditure to at least two alternative capital expenditures and demonstrate why the proposed capital expenditure is superior.[9]

**1.2. Expands presumptions.**

In the final rule, Treasury clearly lays out the standard for the state to use money for a program, service, or capital expenditure to respond to the public health emergency or its negative economic impact, as follows:

> (i) A program, service, or capital expenditure is eligible … if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative economic impacts and the program, service, or capital expenditure responds to such harm.
>
> (ii) A program, service, or capital expenditure responds to a harm or impact experienced by an identified beneficiary or class of beneficiaries if it is reasonably designed to benefit the beneficiary or class of beneficiaries that experienced the harm or impact and is related and reasonably proportional to the extent and type of harm or impact experienced.[10]

To assist the recipient governments, Treasury has provided a number of presumptions related to impacted persons or populations and enumerated uses that allow the state to provide responses without further analysis. This chart demonstrates how the presumptions relate to the general use requirement:[11]

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[9] *Id.*

[10] 31 CFR § 35.6 (b)(1).

[11] *Overview*, p. 13.

| Step | 1. Identify COVID-19 public health or economic impact | 2. Design a response that addresses or responds to the impact |
|---|---|---|
| Analysis | • Can identify impact to a specific household, business or nonprofit or to a class of households, businesses, or nonprofits (i.e., group)<br>• Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class | • Types of responses can include a program, service, or capital expenditure<br>• Response should be related and reasonably proportional to the harm<br>• Response should also be reasonably designed to benefit impacted individual or class |
| Simplifying Presumptions | • Final Rule presumes certain populations and classes are impacted and disproportionately impacted | • Final Rule provides non-exhaustive list of enumerated eligible uses that respond to pandemic impacts and disproportionate impacts |

### 1.2.1 Presumed impacted and disproportionately impacted beneficiaries.

The final rule provides an expanded set of households and communities that are presumed to be "impacted" or "disproportionately impacted" by the pandemic. This presumption allows the state to provide responses to a broad set of households and entities without requiring additional analysis of the impact to them. The final rule identifies the following households or populations that are presumed to be impacted communities:

- Households or populations that experienced unemployment; experienced increased food or housing insecurity; qualify for CHIP, federal childcare subsidies, or Medicaid;
- If funds are to be used for affordable housing, households or populations that qualify for the National Housing Trust Fund or the Home Investment Partnership Program;
- If funds are to be used to address impacts of lost instructional time for K-12 students, any student who did not have access to in-person instruction for a significant period of time;
- Low- and moderate-income households and populations; and
- The general public for uses related to COVID-19 mitigation and prevention and behavioral health care.[12]

The IFR identified households and populations residing in a qualified census tract as being disproportionately impacted by the public health emergency or its negative economic impacts. The final rule expands this category to include:

[12] 31 CFR § 35.6 (b)(2)(i), (b)(2)(ii), (b)(3)(i)(A), and (b)(3)(i)(C).

- Households and populations receiving services by a Tribal government;
- Low-income households and populations;
- Households that qualify for TANF, SNAP, Free and Reduced Price School Lunch or Breakfast programs, Medicare Part D Low-income Subsidies, Supplemental Security Income, Head Start, Early Head Start, the Special Supplemental Nutrition Program for Women, Infants, and Children, Section 8 Vouchers, The Low-Income Home Energy Assistance Program, Pell Grants, and, if the funds are to be used to address educational disparities, Title I eligible schools; and
- Small businesses and nonprofit organizations operation in a qualified census tract, operated by a Tribal government, or on Tribal lands.[13]

One final presumption worth mentioning was included in the Supplementary Information for the final rule. ARPA permits aid to "other impacted industries" as a response, but the IFR made it clear that the other industries must be impacted comparably to the tourism, travel, and hospitality industries. The final rule maintains this standard and establishes that an industry is presumed to be impacted if it has an employment loss of at least 8%.[14]

### 1.2.2. Enumerated eligible uses for impacted and disproportionately impacted communities.

Like the IFR, the final rule includes a number of enumerated eligible uses. It also makes explicit that for such uses, the state's response is presumed reasonably proportional and permitted unless it is grossly disproportionate to the harm caused or exacerbated by the public health emergency or its negative economic impacts.[15] Many of the uses identified in the final rule were also included in the IFR, but the final rule provides "a broader set of uses available for these communities as part of COVID19 public health and economic response."[16] Several uses that were previously only for disproportionately impacted communities are now generally included as an allowable

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[13] 31 CFR § 35.6 (b)(2)(iii)(A), (b)(2)(iii)(B), and (b)(2)(iii)(C).

[14] *Supplementary Information*, p. 165.

[15] 31 CFR § 35.6 (b)(3).

[16] *Overview*, p. 5.

response to the public health impacts or its negative economic impacts, and others are altogether new. Some notable additions are:[17]

- Preventing and responding to increased violence resulting from the public health emergency;
- Paid sick, medical, or family leave programs, or assistance to expand access to health insurance;
- *Childcare, early learning services, home visiting, or assistance for child welfare-involved families or foster youth;
- Programs to address the impacts of lost instructional time for students in K-12 grade;
- *Development, repair, and operation of affordable housing and services or programs to increase long-term house security;
- Financial services that facilitate the delivery of federal, state, or local benefits for unbanked and underbanked individuals; and
- Assistance for individuals who are employed but seeking a position with greater opportunities for economic advancement.[18]

In addition, the final rule enumerates additional programs, services, or capital expenditures that may be provided to disproportionately impacted households, populations, or communities, including:

- Investments in communities to promote improved health outcomes and public safety, such as parks, recreation facilities, and programs that increase access to healthy foods;
- Capital expenditures and other services to address vacant or abandoned properties; and
- For disproportionately impacted businesses, rehabilitation of commercial properties, storefront and façade improvements, business incubators, grants for start-ups or expansion costs, and programs or services to support microbusinesses.[19]

Finally, the final rule allows for a broader set of uses to restore and support government employment, including allowing the money to be used to hire up to 7.5%

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[17] A * denotes that a version of this use was included in the IFR, but only for disproportionately impacted communities.

[18] 31 CFR § 35.6 (b)(3)(i)(D), (b)(3)(ii)(A)(2) to (b)(3)(ii)(A)(6), (b)(3)(ii)(A)(8).

[19] 31 CFR § 35.6 (b)(3)(ii)(A)(11)(iii), (b)(3)(ii)(A)(11)(iv), (b)(3)(ii)(A)(11)(v), and (b)(3)(ii)(B)(2).

more state employees than the number of pre-pandemic employees and for costs associated with addressing the administrative needs of the state caused or exacerbated by the pandemic.[20] And the supplementary information also establishes that funds may be provided to employees that experienced pay cuts or furloughs, to avoid layoffs, and to provide retention incentives.[21]

### 2. Premium Pay for Eligible Workers Performing Essential Work

The IFR defined "essential work" and "eligible workers" and established parameters regarding the amounts of the premium pay and conditions when additional justification for the pay is required. The final rule broadens eligibility by expanding the definition of "eligible workers" to include all public employees of state and local governments.[22]

If the premium pay is to be given to certain higher-income workers, then the IRF required the state to provide written justification explaining how the premium pay is responsive to those eligible workers performing essential work during the pandemic. The final rule allows the state to also assume premium pay is responsive to the pandemic by demonstrating that the eligible worker is not exempt from the Federal Labor Standards Act (FLSA) overtime provision.[23] So, the written justification is now required for an eligible worker only if the worker's total wages are above the thresholds or the worker is exempt from the FLSA overtime provisions.

Finally, the final rule clarifies that the $25,000 cap on premium pay is total cap over the performance period and not an annual limit.

### 3. Government Services to the Extent of the Reduction in Revenue Due to the Public Health Emergency

In the final rule, Treasury reiterated that this is a very flexible category and it includes any service traditionally provided by a government. The IFR focused on the lost revenue calculation, which loss is presumed to be due to the pandemic. The final rule makes several adjustments to this calculation by:

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[20] 31 CFR § 35.6 (b)(3)(ii)(E)(2)(ii) and (b)(3)(ii)(E)(4).

[21] *Supplementary Information*, p. 7.

[22] 31 CFR § 35.3.

[23] 31 CFR § 35.6 (c)(2).

- Allowing a standard allowance of $10 million, instead of using the amount determined under the formula;
- Allowing the state to make a one-time election to determine the revenue loss based on a fiscal year, rather than a calendar year; and
- Requiring adjustments for any law, regulation, or administrative interpretation made after January 6, 2022, which increases or decreases tax revenue, and permitting similar adjustments for changes made between January 27, 2020, until January 6, 2022.[24]

This last change is a departure from the IFR's presumption that all revenue loss was due to the pandemic. For these changes, the increase or decrease in the tax revenue was due to the discretionary policy decisions of the state legislative or administrative body, and not the pandemic.[25] For determining the amounts, the state may rely on actual amounts or estimates at the time the tax policy was adopted.

### 4. Water, Sewer, and Broadband Infrastructure

Congress seemingly gave the state broad authority to use the CSFRF money when it authorized it to be used "to make necessary investments in water, sewer, or broadband infrastructure,"[26] but Treasury significantly narrowed the possibilities in the IFR. The final rule broadens the allowable uses by:

- Subject to certain conditions, specifying that permissible projects include additional lead remediation and household water quality testing; drinking water projects to support increased populations; and for the rehabilitation of dams, reservoirs, and private wells.
- Allowing the state to determine that it is necessary to provide service to households and business with an identified need; and
- Permitting investment in cybersecurity infrastructure investments.[27]

The final rule also added an additional requirement for broadband infrastructure projects. A service provider of a completed broadband infrastructure will be required for the life of the infrastructure to either participate in the Federal Communication

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[24] 31 CFR § 35.6 (d)(1), (d)(2)(i), and (d)(2)(ii)(E).

[25] *Supplementary Information*, pp. 251 to 256.

[26] 42 U.S.C. § 802 (c)(1)(D).

[27] 31 CFR § 35.6 (e)(1)(iv) to (e)(1)(vii), (e)(2)(i)(A), and (e)(2)(ii).

Commission's Affordable Connectivity Program or otherwise provide low-income consumers in the service area access to a commensurate broad-based affordability program.[28]

### 5. Established restrictions on the use.

In addition to the explicit requirements in ARPA and those previously inferred by Treasury, the final rule also established these three new restrictions:[29]

1) The state may not use the funds for an expenditure that conflicts or contravenes the statutory purpose of ARPA; i.e. something that would undermine efforts to stop the spread of COVID-19;
2) The state may not use the funds in violation of specified conflict-of-interest requirements; and
3) Other Federal and state laws still apply (for example, environmental laws and federal civil rights and nondiscrimination requirements).[30]

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[28] 31 CFR § 35.6 (e)(2)(i)(C).

[29] *Supplementary Information*, p. 10.

[30] *Supplementary information*, p. 346.

# MEMORANDUM

JOINT BUDGET COMMITTEE

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| TO | Members of the Joint Budget Committee |
| FROM | Amanda Bickel, Abby Magnus, Craig Harper, Andrea Uhl, JBC Staff |
| DATE | February 1, 2022 |
| SUBJECT | Update: ARPA Coronavirus State Fiscal Recovery Funds |

## CONTENTS



## BACKGROUND

The federal American Rescue Plan Act (ARPA), signed into law on March 11, 2021, provided significant funding to assist state and local governments in addressing the health and economic impacts of the coronavirus pandemic. This included $3,828,761,790 awarded to the Colorado state government from the Coronavirus State and Local Fiscal Recovery Fund and received on March 18, 2021. Colorado's Coronavirus State Fiscal Recovery Fund money is subject to appropriation by the General Assembly.

The State may use the funds for costs incurred from March 3, 2021 through December 31, 2024. A cost is considered to be incurred if the state has an obligation for the cost by December 31, 2024. Obligations must be expended by December 31, 2026.

The ARPA law specifies that the funds may be expended:

> "a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
> b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
> c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
> d) To make necessary investments in water, sewer, or broadband infrastructure."

The law also specifies that eligible uses do not include:

- "depositing funds into any pension fund" or
- "directly or indirectly offset[ting] a reduction in the net tax revenue of [the] State or territory resulting from a change in law, regulation, or administrative interpretation."

Based on legislative action during the 2021 legislative session, $2.6 billion remains available in the cash funds established by the General Assembly to hold the Coronavirus State Fiscal Recovery Fund money. Staff anticipates that these funds will be appropriated or transferred for expenditure during the 2022 or 2023 legislative sessions.

| 2021 LEGISLATIVE SESSION ALLOCATION OF CORONAVIRUS STATE FISCAL RECOVERY FUND MONEY AND BALANCES REMAINING[2] | | | | | |
|---|---|---|---|---|---|
| | INITIAL **FEDERAL FUNDS** TRANSFER TO CASH FUND | SPENDING AUTHORITY PROVIDED IN 2021 LEGISLATIVE SESSION, INCLUDING CONTINUOUS APPROPRIATION | BALANCE **FEDERAL FUNDS** AVAILABLE FOR FUTURE LEGISLATIVE APPROPRIATION/TRANSFER | NET **GENERAL FUND**[1] DEPOSITED TO CASH FUND AND AVAILABLE FOR FUTURE LEGISLATIVE APPROPRIATION/TRANSFER | TOTAL BALANCE AVAILABLE |
| Transportation-related Cash Funds | $380,000,000 | $380,000,000 | $0 | $0 | **$0** |
| Revenue Loss Restoration Cash Fund | 1,000,000,000 | 0 | 1,000,000,000 | 0 | **1,000,000,000** |
| Economic Recovery and Relief Cash Fund | 848,761,790 | 166,090,149 | 682,671,641 | 14,478,042 | **697,149,683** |
| Workers, Employers, and Workforce Centers Cash Fund | 200,000,000 | 145,000,000 | 55,000,000 | 40,000,000 | **95,000,000** |
| Behavioral and Mental Health Cash Fund | 550,000,000 | 99,330,000 | 450,670,000 | 0 | **450,670,000** |
| Affordable Housing and Home Ownership Cash Fund | 550,000,000 | 165,000,000 | 385,000,000 | 14,800,000 | **399,800,000** |
| Balance in American Rescue Plan Act of 2021 Cash Fund | 300,000,000 | 300,000,000 | 0 | 0 | **0** |
| **TOTAL** | **$3,828,761,790** | **$1,255,420,149** | **$2,573,341,641** | **$69,278,042** | **$2,642,619,683** |

[1]The General Fund amounts shown are based on appropriations and transfers *into* funds that were authorized in S.B. 21-232, S.B. 21-242, S.B. 21-243, and H.B. 21-1264 less appropriations *from* the funds that were authorized in S.B. 21-291 and H.B. 21-1329.
[2]The JBC has voted to includes some additional and modified appropriations from these funds in its supplemental budget package. This includes the following amounts for FY 2021-22: $9,073,128 from the Revenue Loss Restoration Cash Fund and $58,689 from the Economic Recovery and Relief Cash fund for the Judicial Department; and an adjustment within the Workers, Employers, and Workforce Centers Cash Fund to reduce the appropriation that originates as federal funds by $1,750,000 and increase the amount that originates as General Fund by the same amount. Other changes extend the length of time when previously-appropriated funds may be expended.

## REVENUE LOSS RESTORATION CASH FUND

Staff anticipates that the Joint Budget Committee will take primary responsibility for appropriations from the Revenue Loss Restoration Cash Fund, since, under current law, these funds must be appropriated in the Long Bill. Staff also currently anticipates that most of the amounts in the cash fund will be appropriated during the 2023 legislative session. However, **the Governor's January 2022 budget submission appears to propose that $500 million of these funds be deposited in the Unemployment Insurance Trust Fund**.[1]

As discussed in the staff briefing on November 17, 2022:

- Staff recommends that funds in the Revenue Loss Restoration Cash Fund be used for purposes and in ways that support long-term state budget stability.

[1] The Governor's January 3 letter indicates that the Governor's Office proposes to modify its proposal to use $500 million General Fund for the Unemployment Insurance Trust Fund by refinancing this amount with "ARPA Budget Integrity" funds.

- Using federal funds for certain expenditures could reduce near-term demands on the General Fund, enabling the State to reverse complex budget mechanisms adopted during previous budget downturns that complicate the budget and expose the State to greater risk, such as the "paydate shift" and "accelerated" use of Tobacco Settlement receipts, as well as to enhance reserves.
- The federal government expressly prohibits using the federal funds for rainy day funds. However, State funds that are not required in FY 2022-23 or FY 2023-24, whether or not as a result of increased federal funds expenditures, can be retained in the General Fund (the simplest, and preferred solution from a staff perspective). Alternatively, if desired, these funds could be deposited in a new **"Mitigating Cliff Effects" fund** that could support budget expenditures in future years.

See the November 17, 2021 briefing for further information:
https://leg.colorado.gov/sites/default/files/arpa-11-17-21.pdf.

## TASK FORCE ON ECONOMIC RECOVERY AND RELIEF CASH FUND

**OVERVIEW**

Senate Bill 21-291 created the Economic Recovery and Relief Cash Fund (ERRCF) to provide assistance to small businesses, individuals, nonprofit organizations, public health responses, industries, unemployed workers, communities disproportionately impacted by the COVID-19 pandemic, or for certain infrastructure projects. Money in the fund may be transferred or appropriated to principal departments or the Judicial Department and used for purposes permitted under the federal "American Rescue Plan Act of 2021" and not for any purposes prohibited by the act.

*TASK FORCE RECOMMENDATIONS:* The Task Force did not provide explicit recommendations on using the ERRCF, however they did develop a metric to use for analyzing proposals on how to use the ERRCF. The following is a summary of the Final Report of the Task Force on Economic Recovery and Relief Cash Fund, available here: https://leg.colorado.gov/publications/final-report-task-force-economic-recovery-relief-cash-fund

**SUMMARY OF FINDINGS**

Although macroeconomic indicators point to a broad economic recovery in Colorado, these indicators mask persistent challenges. One primary challenge is that the overall labor market has yet to fully reach pre-pandemic levels. The state's unemployment rate remains elevated and the overall number of jobs has not fully recovered. Additionally, some industries and populations have been disproportionately impacted by the pandemic and are still struggling with the pandemic's effects.

Elevated unemployment rates combined with strong labor demand indicates that there are matching challenges in the labor market. Employers are struggling to find workers with the skills and attributes they need, while workers are also struggling to find the right employer based on their interests, skills, and compensation needs.

**SECTORS**

In Colorado, industries with lower wages lost the most jobs during the onset of the pandemic, and these industries remain furthest from full recovery. Early pandemic-related job losses were concentrated in four industries: retail trade; accommodation and food services; arts, entertainment and recreation; and health care and social assistance. The industries currently furthest below their

February 2020 levels are mining and logging, educational services, arts, entertainment, recreation, and accommodation and food services.

The pandemic has also had negative impacts on homelessness in the state, especially as housing cost growth has accelerated. Higher housing costs are especially problematic as unemployment remains elevated, particularly for lower-wage workers. Additionally, people experiencing homelessness are particularly vulnerable to COVID, as many live in congregate settings and are older adults or have underlying medical conditions.

**WORKERS**

Prior to the pandemic in Colorado, 406,500 households with income under $75,000, had at least one adult worker employed in one of the most affected industries. Of these households, 223,500 of them were already housing cost stressed and likely the most vulnerable. The profile of these households most affected by pandemic-related job losses is as follows:

- The majority of the households with children are single parent households;
- The majority of the households are in rental housing;
- As a share of households by race and ethnicity, at least half of the households in every racial and ethnic cohort are housing cost burdened;
- 66 percent of the workers in these households lack a college degree;
- 60 percent of the workers in these households are female;
- Just over 40 percent of the workers in the most affected industries and living in these households are over the age of 40.

The pandemic has exacerbated labor force shortages that existed pre-pandemic due to several factors.

- An increased number of retirements;
- An increase in self-employment;
- A sharp drop in immigration;
- Difficulties in accessing childcare; and
- A larger than usual proportion of individuals not working as they search for improved working conditions and/or higher compensation.

Women over the age of 20 have experienced greater losses in labor force participation and employment rates than men over the course of the pandemic, at both the aggregate level and among White, Black, and Hispanic workers. Labor market pandemic impacts also differ by race, with Black men and women and Hispanic women experiencing disproportionately high declines in labor force participation and employment. The largest losses in labor force participation have been concentrated in workers aged 55 and older.

**REGIONS**

The impact of the pandemic on economic activity has differed by region. In 2021, retail sales along the I-25 corridor appeared to recover, and there was also more activity in rural, scenic areas as travel appeared to become increasingly localized.

**PANDEMIC**

As the Colorado economy experiences a strong recovery in many sectors, it is critical to note that the state, country, and world continue to battle an evolving pandemic. The sub-panel finds in general that higher public confidence with respect to health risks will promote more economic vibrancy. New variants, additional information about vaccine efficacy, and ongoing public health needs should be considered in tandem with economic goals.

**PROPOSAL RATING METRIC**

The sub-panel developed a metric for evaluation of proposals on how to allocate ERRCF funding based on the following categories: Relevance to Affected Group, Multi-year Benefit, Economic Multiplier Effect, Low Administrative Burden, Low Start-up Costs, Leverages Other Efforts, Ease of Federal Reporting/Accountability, Financial Sustainability, Feasibility to Achieve, and Appropriateness for one-time funds.

The task force report includes two examples utilizing this metric as shown below. One looks at a $600 million Unemployment Insurance Trust Fund (UITF) infusion, and the other a one-time $1,500 hero payment to all "essential" workers in the state.

EVALUATION SCORES OF UITF INFUSION AND HERO PAY PROPOSALS

| UITF INFUSION PROPOSAL RATING | High | Medium | Low |
|---|---|---|---|
| Relevance to Affected Group | X | | |
| Multi-year Benefit | | See Discussion | |
| Economic Multiplier Effect | | X | |
| Low Administrative Burden | X | | |
| Low Start-up Costs | X | | |
| Leverages other Efforts | | | X |
| Ease of Reporting and Audit | X | | |
| Financial Sustainability | X | | |
| Feasibility to Achieve | X | | |
| Appropriate for One-Time Funds | X | | |

| HERO PAY PROPOSAL RATING | High | Medium | Low |
|---|---|---|---|
| Relevance to Affected Group | X | | |
| Multi-year Benefit | | | X |
| Economic Multiplier Effect | | X | |
| Low Administrative Burden | | | X |
| Low Start-up Costs | | X | |
| Leverages other Efforts | | | X |
| Ease of Reporting and Audit | X | | |
| Financial Sustainability | X | | |
| Feasibility to Achieve | X | | |
| Appropriate for One-Time Funds | X | | |

## H.B. 21-1330 STUDENT SUCCESS AND WORKFORCE REVITALIZATION TASK FORCE

### LEGISLATION

House Bill 21-1330 required that, no later than August 1, 2021, the Colorado Commission on Higher Education (CCHE) convene a task force to systematically re-examine the operations and interactions of the state institutions of higher education and how they can most effectively and efficiently meet workforce needs. The task force was required to include at least one representative from the governing board of each state institution of higher education and local district college, representatives from the area technical colleges, the Colorado Workforce Development Council, postsecondary students, private higher education, the K-12 system, the business community, advocacy groups, and CCHE itself.

The legislation established wide-ranging responsibilities for the task force, including:

- Review the role and mission and service area of each state institution of higher education and examine the history and benefit of service areas, including whether these should be redrawn;
- Examine ways to drive student success, including through leveraging data and technology, creation of multiple and linked pathways to credentials, ensuring equitable access, minimizing student costs, and increasing student retention and completion;
- Develop effective strategies for leveraging federal higher education reforms;
- Review how the roles of higher education and the state workforce development council may be integrated to improve efficiency and meet workforce needs; and
- **Review possible uses of money transferred to the Workers, Employers, and Workforce Center Cash Fund.**

As outlined in the table above, a total of $**95.0 million remains available in the Workers, Employers, and Workforce Centers Cash Fund**, including $55.0 million originating as federal funds and $40.0 million originating as General Fund.

### TASK FORCE PROCESS AND REPORT

The Task Force membership was assembled as required and included knowledgeable representatives from higher education, K-12, government, nonprofits, and industry.[2] The Task Force leadership developed a robust structure of working groups (67 participants in total) to compile recommendations that were ultimately winnowed down to those included in the Task Force report. The full report may be viewed here:
https://highered.colorado.gov/Publications/Reports/Legislative/1330/2021_SSWR_Task_Force_Report.pdf[3]

The Report discusses the weaknesses in Colorado's current educational structure, including low levels of funding and fragmentation. It highlights three principles that run through its recommendations:

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[2] https://cdhe.colorado.gov/sites/highered/files/Student%20Success%20and%20Workforce%20Revitalization%20Task%20Force%20Membership.pdf

[3] Report: Process and materials:: https://cdhe.colorado.gov/higher-education-student-success-legislation-hb21-1330

- Building a learner-centered talent ecosystem;
- Obtaining better results from increases in state investment; and
- Developing a flexible and adaptive talent development system.

The report emphasizes the need to build more flexible educational pathways that enable students to move seamlessly between K-12, workforce, and postsecondary education. It highlights a need to focus more on most students' primary goal in pursuing postsecondary education: career advancement. It also highlights the need to stretch limited public resources through collaboration with industry partners.

**TASK FORCE RECOMMENDATIONS**
The Task Force organized its recommendations into three priority tiers. The top (Tier 1) recommendations follow. **No dollar amounts were attached to the recommendations. The Governor's November 1 budget letter proposed that the $95 million in the Workers, Employers, and Workforce Centers Cash Fund be spent on activities similar to recommendations 1 and 2,** with $92 million recommended for "regional talent collaborative programs" and $3 million for a "higher education dashboard".

1 **INNOVATION AND SCALING PARTNERSHIP GRANTS:** Leverage American Rescue Plan Act funds, additional anticipated federal funds, and matching local, private, and philanthropic dollars to create a competitive statewide and regional grant program to spark innovation and scale postsecondary, workforce, and community partnerships. The proposal includes:

- Setting aside a third of funding for "seeding" innovation (incubating and evaluating new types of initiatives).
- Allocating approximately 80 percent of funds on a regional basis, with the balance reserved for statewide initiatives.
- Allowing for feasibility and planning grants, including technical assistance, to incent and support regional stakeholder collaboration.
- Prioritizing the following outcomes:
  - incent collaboration among education, workforce, industry, and community partners to build high-quality, high-need, high-ROI and equity oriented workforce pathways;
  - require evidence-based approaches, such as those consistent with the definitions in S.B. 21-284;
  - support initiatives that focus on aligned pathways, including credit transfer and application of work experience to postsecondary degrees and certificates;
  - support pilots that use an upskilling/reskilling revolving fund model;
  - distribute funds "intentionally and equitably" across regions;
  - apply best practices learned from the implementation of other grants, such as dedicating adequate time to the design phase to help develop models and programs that can be adequately evaluated and scaled and are sustainable over the long-term.

2 **ENHANCE TRANSPARENCY OF POSTSECONDARY AND WORKFORCE DATA THROUGH A STATEWIDE STUDENT SUCCESS DATA INTERFACE:** The Task Force recommends that one-time federal funds should be used to create a user-friendly data system that includes tools such

as dashboards and visualizations that viewers can use to explore data on student success in depth. The proposal notes that:

- The focus should be on "actionable metrics needed to erase equity gaps and improve credentials and career attainment";
- The data interface should ultimately and seamlessly compliment work already underway to create a longitudinal data system within state government that spans education and workforce, building on offerings like the Colorado Data Trust, the Linked Information Network of Colorado, and Department of Education efforts; and
- The State should negotiate a statewide procurement, rather than having individual institutions of higher education negotiate their own contracts.

The report highlights multiple examples from other states of the types of data/dashboards that could be developed.

3 **DEVELOP NEW STATEWIDE SUCCESS MEASURES**: The task force recommends that CCHE add new success measures, in collaboration with higher education institutions and other stakeholders, which focus on the end-goal of postsecondary education for most students: enhanced career opportunities.

4 **DEVELOP STACKABLE CREDENTIAL/WORK-BASED LEARNING PATHWAYS:** The task force recommends lawmakers pursue legislation that requires the development of stackable credential pathways in high-need, high-demand, high value fields at large scale.

5 **ELIMINATE EQUITY GAPS:** The task force recommends that postsecondary institutions be required to submit multi-year plans to eliminate racial, regional, and socio-economic equity gaps in credential attainment and other measures of student success. The recommendation references the grants proposed under recommendation 1, as well as potential changes to the current higher education funding formula, as a mechanism for achieving this.

6 **CREATE A STRATEGIC TALENT FINANCE PLAN:** The task force recommends that state leaders from higher education institutions and business and industry identify options for additional sustainable funding for postsecondary education.

## BEHAVIORAL HEALTH TASK FORCE

Senate Bill 21-137 required the Executive Committee of the Legislative Council to create a task force to meet during the 2021 interim and issue a report with policy recommendations to create transformational change in the area of behavioral health using money the state receives from the American Rescue Plan Act of 2021. The Behavioral Health Transformational Task Force was made up of a bipartisan cohort of ten legislators representing both chambers of the Colorado General Assembly, five executive agency directors, and the Lieutenant Governor. A Subpanel of 25 volunteers representing a variety of perspectives related to the behavioral health system was appointed to develop draft recommendations for the Task Force to consider. The Task Force started their work in August 2021 and met for the final time on January 5, 2022. The Task Force adopted recommendations for policies and funding allocations at that last meeting – and the group's final report[4] became public on January 28, 2022.

As outlined in the table on page 1 of this document, $**450.7 million remains available in the Behavioral and Mental Health Cash Fund**, all of which originated as federal funds. The funding recommendations submitted by the Task Force approximately match the balance of the fund. The report also includes a number of "policy discussion items" that the Task Force discussed but which do not represent agreements by the Task Force. Finally, the report includes a recommended framework for the Community Behavioral Health Care Continuum Gap Grant included in the funding recommendations (referred to as the "Continuum of Care Gap Grants" in the table below).

**FUNDING RECOMMENDATIONS**

The final report contains eight categories of funding recommendations (and a total of ten different recommendations, many of which have multiple components) that received unanimous support from the Task Force. Similar to the recommendations from the Affordable Housing Task Force, the report provides a potential range of funding for each recommendation, with the "Low End" recommendations totaling $450.0 million and the "High End" recommendations totaling $568.5 million, although the report notes that all of the recommendations are "contingent on a full fiscal analysis" and that "funding allocations will not necessarily fall within the ranges provided." The table on the following page summarizes the Task Force's recommendations.

[4] https://leg.colorado.gov/sites/default/files/images/bhttf_recommendations_report_final.pdf

| BEHAVIORAL HEALTH TASK FORCE FUNDING RECOMMENDATION ($ IN MILLIONS) | | |
|---|---|---|
| CATEGORY AND DESCRIPTION | LOW END | HIGH END |
| **A - Native American Direct Investments.** One-time funds to renovate existing Southern Ute 16-bed facility for inpatient services. Facility is expected to serve both the Southern Ute and the Ute Mountain Ute tribes. | $5.0 | $10.0 |
| **B - Children, Youth, and Families** | 110.5 | 146.5 |
| **B1 - Youth and Family Residential Care.** Intensive residential and outpatient care, including 16 new beds at Fort Logan, start-up costs for in-home and residential respite, and operational support for 30 additional beds across the State. | *54.0* | *66.5* |
| **B2 - Children, Youth, and Families Community Services.** Through the Continuum of Care Gap Grants (see E below), ensure there is a youth and family-oriented care access point within a two-hour drive of every community.[1] | *45.0* | *55.0* |
| **B3 - School and Pediatric Care Integration.** Expand behavioral health investments in schools, including school-based health centers, school-based services, and school mental health resources. | *11.5* | *25.0* |
| **C - Adult Inpatient and Residential Care.** Invest in adult inpatient and residential care statewide to fill gaps, including integrated step-up and step-down care. Includes 16 additional beds at Fort Logan, at least 125 residential step-down beds statewide, and recovery services. | 65.0 | 71.0 |
| **D - Primary Care Integration.** Improve integration of physical and behavioral health care. Increase access to mental health and substance use disorder screening and workforce training, increase access to treatment, and better coordinate referrals to other levels of care and social services. | 35.0 | 37.6 |
| **E - Continuum of Care Gap Grants.** Provide funding to local governments and community-based organizations to address identified needs along the continuum of care through evidence-based programs. Calls for county or regional level assessments to identify gaps prior to the receipt of grant funds.[1] | 45.0 | 100.0 |
| **F - Criminal Justice Grants.** Through the Continuum of Care Gap Grants, expand pre-arrest early intervention programs, increase access to diversion through the Judicial Branch, provide intensive community-based services as alternatives to criminal justice involvement, expand medication-assisted treatment (MAT), implement information and data sharing in criminal justice, and stand up one-stop-shop resource centers to improve access to a variety of services.[1] | 65.0 | 70.0 |
| **G - Workforce.** Direct relevant state agencies to develop a plan and invest in workforce expansion, recruitment, training, and retention. Specifies a number of goals to expand the workforce in areas of particular need and ensure an adequate workforce in each region. | 80.3 | 82.7 |
| **H - Care Navigation and Coordination, Immediate Pandemic Relief.** Train existing navigators in the safety net system to use the navigation hub funded in S.B. 21-137 and use the navigators to support and improve the system in serving the safety net population. Support maintenance and stabilization after discharge from hospitals or behavioral health facilities. Develop record system to interface with information exchanges. Continue Naloxone bulk purchase funds for five additional years. Fund harm reduction through CDPHE HIV/STI program. Provide grants for programs supporting survivors of domestic violence and preventing sexual abuse and assault. | 44.2 | 50.7 |
| **TOTAL** | **$450.0** | **$568.5** |

[1] The recommendations indicate that funding associated with B2, E, and F would flow through the Continuum of Care Gap Grants, anticipating a total range of $155 million to $225 million for that program.

## AFFORDABLE HOUSING TRANSFORMATIONAL TASK FORCE

House Bill 21-1329 required the Executive Committee of the Legislative Council to create a task force to meet during the 2021 interim and issue a report with policy recommendations related to housing using money the state receives from the American Rescue Plan Act of 2021. The Affordable Housing Transformational Task Force was made up of a bipartisan cohort of legislators from both chambers of the Colorado General Assembly and six executive agency directors. A Subpanel of housing experts was appointed to develop draft recommendations for the Task Force to consider. The Task Force started their work in August and wrapped up on January 6, 2022 with adoption of a report[5] including recommendations to be sent to the Governor and General Assembly.

As outlined in the table on page 1 of this document, $**399.8 million remains available in the Affordable Housing and Home Ownership Cash Fund**, including $385.0 million originating as federal funds and $14.8 million originating as General Fund. The funding recommendations submitted by the Task Force approximately match the balance of the fund. The report also includes conceptual policy recommendations that do not have specific cost estimates associated with them at this time.

### FUNDING RECOMMENDATIONS

The final report contains funding recommendations that incorporate proposals submitted by the Subpanel and one-time investments contained in the Governor's budget package; the excerpt on the following page summarizes these recommendations. The costs shown in the "Low End" column are the suggested funding amounts based on the balance in the Affordable Housing and Home Ownership Cash Fund and the "High End" column is in case additional money becomes available.

[5] https://leg.colorado.gov/sites/default/files/images/affordable_housing_report_final.pdf

| *Funding Recommendation Summary* | *Funding Range* | |
|---|---|---|
| | *Low End* | *High End* |
| **Revolving Loan Fund: New and Existing Capacity**<br>This includes aspects of the following recommendations appropriate for loans:<br>• Gap Financing to Align with Expansion of Tax Credit and Other Funding Programs<br>• Maintain Existing Affordable Housing<br>• Governor's Office Proposal: Green Energy for Affordable Housing | **$150M**<br>(37.5%) | **$222M**<br>(55.5%) |
| **Nonprofit and Local Government Grants**<br>This includes aspects of the following recommendations appropriate for grants:<br>• Gap Financing to Align with Expansion of Tax Credit and Other Funding Programs<br>• Maintain Existing Affordable Housing<br>• Sustainable Rental Assistance<br>• Governor's Office Proposal: Strong Communities<br>• Governor's Office Proposal: Green Energy for Affordable Housing | **$150M**<br>(37.5%) | **$222M**<br>(55.5%) |
| **Resident Owned Communities, Mobile Home Parks, and Land-Banking** | **$35M**<br>(8.75%) | **$51M**<br>(12.75%) |
| **Property Conversion for Transitional or Long-Term Housing**<br>The Task Force expressed support for this recommendation, but removed funding with the expectation that the Task Force on Economic Recovery and Relief Cash Fund will provide $200M of funding. | **N/A*** | **N/A*** |
| **Permanent Supportive Housing and Supportive Services Fund**<br>The Task Force expressed support for this recommendation, but removed funding with the expectation that the Task Force on Economic Recovery and Relief Cash Fund will provide $200M of funding. | **N/A*** | **N/A*** |
| **Innovative Housing Incentive Program** | **$40M**<br>(10%) | **$48M**<br>(12%) |
| **CHFA Middle Income Access Program**<br>(Governor's Office Proposal) | **$25M**<br>(6.25%) | **$25M**<br>(6.25%) |
| ***Totals*** | **$400M**<br>(100%) | **$568M**<br>(142%) |

* Allocation to be accessed through other ARPA funds.

**POLICY RECOMMENDATIONS**

The Task Force adopted six policy recommendations that came from the Subpanel via consensus:

- **Expand the State Tax Credit Program** administered through the Colorado Housing and Finance Authority (CHFA).
- Establish **a standing or interim committee** or task force on housing and homelessness.
- Provide funding for the Division of Housing within the Department of Local Affairs for a **statewide housing needs assessment** in order to incorporate and consolidate existing local data and needs assessments with the State's efforts.
- Ensure **sustainable funding for supportive services** by creating an ongoing supportive services fund or funding mechanism in partnership with DOLA's Division of Housing, the Office of Behavioral Health, and the Department of Health Care Policy and Finance.
- Support and examine the work of the Legislative Oversight Committee Concerning Tax Policy and Task Force in developing **recommendations around short-term rentals**.
- Develop a **statewide strategy for homelessness prevention and resolution** and provide sustainable funding for the Office of Homelessness.

These recommendations do not have specific cost estimates associated with them at this time. The Task Force and Subpanel discussed additional policy ideas on which consensus was not reached; those ideas are summarized in the report.

## BALANCE IN AMERICAN RESCUE PLAN ACT OF 2021 CASH FUND/INTEREST

Senate Bill 21-288 specified that the lesser of $300.0 million or any money remaining in this fund, after transfers to other funds, would be continuously appropriated to any department designated by the Governor for any allowable purpose under the American Rescue Plan Act of 2021. The Governor's Office provides regular reports on stimulus and emergency spending and posts this on its website. https://www.colorado.gov/governor/ospb/emergency_funds

In its briefing to the JBC on January 11, 2022, OSPB indicated that additional funding might be required to address emergency costs and has proposed that interest earnings on Coronavirus State Fiscal Recovery Funds be placed in the State Emergency Reserve.