

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2022-23

DEPARTMENT OF LOCAL AFFAIRS

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF LOCAL AFFAIRS

DEPARTMENT OVERVIEW

The Department of Local Affairs (DOLA) is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department's budget is comprised of four sections:

- The *Executive Director's Office (EDO)* provides leadership and support, including strategic planning, policy management, accounting, budgeting, purchasing, human resources administration, and public information. Additionally, the State Demographer's Office is housed within the EDO.
- The *Division of Property Taxation* operates under the leadership of the *Property Tax Administrator*, who is appointed by the *State Board of Equalization*. This division: (1) coordinates and administers the implementation of property tax law throughout the state, including issuing appraisal standards and training county assessors; (2) grants exemptions from taxation for eligible entities; and (3) values multi-county companies doing business in Colorado, including railroads, pipelines, and other public utilities. The *Board of Assessment Appeals* is a quasi-judicial body that hears individual taxpayer appeals concerning the valuation of real and personal property, property tax abatements, and property tax exemptions.
- The *Division of Housing* administers state and federal affordable housing programs, including: (1) providing funding to private housing developers, housing authorities, and local governments to increase the inventory of affordable housing; and (2) offering rental assistance statewide through local housing authorities and not for profit service organization. This division also regulates the manufacture of factory-built residential and commercial buildings, and approves multi-family construction in counties with no construction codes.
- The *Division of Local Government* provides technical assistance and information to local government officials. This division also makes state and federal financial resources available to support community infrastructure and services through various statutory formula distributions and grant programs.

SUMMARY: FY 2022-23 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF LOCAL AFFAIRS: RECOMMENDED CHANGES FOR FY 2022-23						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	\$326,146,188	\$47,566,505	\$177,126,262	\$18,870,766	\$82,582,655	209.6
Other Legislation	115,932,883	7,775,044	104,677,159	3,488,829	(8,149)	12.3
CURRENT FY 2022-23 APPROPRIATION:	\$442,079,071	\$55,341,549	\$281,803,421	\$22,359,595	\$82,574,506	221.9
RECOMMENDED CHANGES						
Current FY 2022-23 Appropriation	\$442,079,071	55,341,549	\$281,803,421	\$22,359,595	\$82,574,506	221.9
S1 Manufactured Buildings Program	0	0	0	0	0	0.0
Statewide S2 ARPA stimulus roll-forward	0	0	0	0	0	0.0
SNP OIT Real time billing*	35,166	10,435	7,140	11,392	6,199	0.0
SNP Annual fleet supplemental true-up*	(6,315)	(5,672)	0	(643)	0	0.0
RECOMMENDED FY 2022-23 APPROPRIATION:	\$442,107,922	\$55,346,312	\$281,810,561	\$22,370,344	\$82,580,705	221.9
RECOMMENDED INCREASE/(DECREASE)	\$28,851	\$4,763	\$7,140	\$10,749	\$6,199	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2022-23 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$130,477	\$0	\$130,477	\$0	\$0	1.0

*Represents the requested appropriation change and not staff recommendation. These items will be addressed in future staff supplemental recommendations for the Department of Personnel and the Office of Information Technology.

REQUEST/RECOMMENDATION DESCRIPTIONS

S1 MANUFACTURED BUILDINGS PROGRAM: The Department requests an increase of \$130,477 cash funds and an associated 1.0 FTE for the Manufactured Buildings Program. This program supports, licenses, and regulates the residential and non-residential factory-built industry in Colorado and is entirely fee-funded. The FY 2023-24 R5 Accelerate Production of Manufactured Buildings decision item requests \$540,471 cash funds and 4.0 FTE for the same purpose. The supplemental request is to hire two of those requested employees for half of the current fiscal year instead of waiting until FY 2023-24. No corresponding budget amendment was submitted to reflect the presumptive changes to R5.

STATEWIDE S2 ARPA STIMULUS FUNDING ROLL-FORWARD (H.B. 1289 DOLA PORTION ONLY): OSPB submitted a statewide supplemental requesting the extension of spending authority provided in seven different American Rescue Plan Act (ARPA) funded bills across multiple departments. The portion related to the Department of Local Affairs seeks an extension of spending authority for \$5.0 million provided for the Interconnectivity Grant Program by H.B. 21-1289 (Funding for Broadband Deployment). The Department requests the current expiration of the appropriation clause be extended from the close of FY 2022-23 through December 31, 2026. Staff has determined that it would be more appropriate to evaluate this request during the Figure Setting process, as it does not impact FY 2022-23 and the Committee will receive a briefing on ARPA-related issues in early February.

OIT REAL TIME BILLING: The request includes an increase of \$35,166 total funds, including \$10,435 General Fund, to reflect the Department’s share of the change request submitted by the Governor’s Office of Information Technology (OIT) for adjustments to OIT billing. The recommendation is pending committee common policy decisions. This request item will be addressed in a separate staff supplemental presentation for OIT on January 20th. Staff will incorporate the Committee’s action into the supplemental bill for the Department of Local Affairs. Note, the dollar amount in the summary table above represents the requested appropriation change.

DPA ANNUAL FLEET SUPPLEMENTAL TRUE-UP: The request includes a decrease of \$6,315 total funds, including \$5,672 General Fund, for an adjustment to the Department’s share of expenses related to leasing fleet vehicles through the Department of Personnel. The recommendation is pending committee common policy decisions. This request item will be addressed in a separate staff supplemental presentation for the Department of Personnel on January 24th. Staff will incorporate the Committee’s action into the supplemental bill for the Department of Local Affairs. Note, the dollar amount in the summary table above represents the requested appropriation change.

PRIORITIZED SUPPLEMENTAL REQUESTS

S1 MANUFACTURED BUILDINGS PROGRAM

	REQUEST	RECOMMENDATION
TOTAL	\$130,477	\$0
FTE	1.0	0.0
General Fund	0	0
Cash Funds	130,477	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **NO**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff disagrees that the request is a result of data that was not available when the original appropriation was made, as discussed in greater detail below.

DEPARTMENT REQUEST: The Department requests an increase of \$130,477 cash funds and a corresponding 1.0 FTE for the Division of Housing’s Manufactured Buildings Program. Specifically, the request seeks to hire one engineer and one inspector for half of FY 2022-23 (1.0 FTE), annualizing to 2.0 FTE in FY 2023-24 and decreasing the FY 2023-24 R5 Accelerate Production of Manufactured Buildings request by a corresponding amount.

STAFF RECOMMENDATION: Staff recommends that the Committee deny the request on the grounds that it does not meet supplemental criteria. If the Committee chooses to approve the request, staff has provided suggested amounts calculated consistent with Legislative Council Staff Fiscal Note assumptions.

STAFF ANALYSIS:

BACKGROUND

The supplemental budget request seeks to hire one engineer and one inspector for half of FY 2022-23 (1.0 FTE) in order to help the Manufactured Buildings Program process certifications and inspections more quickly. The program registers and certifies manufacturers, sellers, installers, and independent installation inspectors. It also reviews and approves construction plans for factory-built structures prior to construction and certifies factory-built structures once they have passed inspections. Additionally, the program inspects and certifies the installation of manufactured homes before occupancy. The Manufactured Buildings Program is entirely fee-funded by revenue collected from the registration, certification, and inspection fees paid by manufactured home sellers and installers. Fees are set administratively with approval from the State Housing Board and deposited in the Building Regulation Fund.

The crux of this request is that the program’s staffing levels have remained flat since FY 2015-16 while manufactured housing activity has gradually rebounded from the Great Recession, and therefore the Department urgently needs additional spending authority to hire more employees in order meet the demand for plan review and inspection services in a timely manner.

The request describes how “...demand for plan review and inspections services has seen a marked increase in the last seven years,” and “starting in FY 2016-17 the program began seeing this industry turn the corner with revenue brought in from plan reviews and inspections fees breaking \$800,000 for the first time since FY 2009.” Based on these statements that the increase in demand occurred over several years, staff disagrees that this request is due to data that was not available when the original appropriation was made or an unforeseen contingency.

Staff also believes that ongoing issues with the Building Regulation Fund’s balance should have signaled the need to request increased spending authority sooner. For many years the Building Regulation Fund had a cash fund waiver that increased its maximum reserve from the standard 16.5 percent to 33 percent. The Department was aware that the waiver was expiring during the FY 2022-23 budget cycle and their projections showed that the fund would have been well out of compliance with a 33 percent maximum for FY 2021-22 and FY 2022-23, meaning the fund balance was too high whether or not a waiver was in place. Staff believes that given the ongoing need for a waiver and the number of years with a balance in excess of 16.5 percent and 33 percent, the Department could have reasonably foreseen a need to increase the appropriation from this cash fund with a FY 2022-23 budget request or budget amendment.

Recent legislation has impacted this fund, but the issues addressed by the Department’s S1 and R5 request exist independently of the legislative changes. H.B. 22-1282 (Innovative Housing Incentive Program) will potentially have an impact on the Manufactured Building Program, but no impact was calculated in the Legislative Council Staff Fiscal Note nor was an appropriation included in the bill. A footnote was added to the FY 2022-23 Long Bill to mitigate concerns about the impact of H.B. 22-1282; it allows DOLA to spend an additional 15 percent (approximately \$119,000) from the Building Regulation Fund in the current fiscal year. The Department states that they are utilizing the extra spending authority to mitigate the existing backlog of activity and not in response to increased demands resulting from the legislation. While the footnote also states that “...it is the General Assembly’s intent to revisit this policy during the 2023 legislative session”, staff believes that this supplemental request is unrelated to the situation that resulted in the inclusion of the footnote. The General Assembly will still be able to revisit the footnote and the appropriation for the Manufactured Buildings Program during Figure Setting.

FTE CALCULATIONS

The request assumes a January 1st starting date and salaries at the range midpoint. Staff calculations assume a March 1st start date and salaries at the range minimum, as well as other minor differences based on Legislative Council Staff assumptions for calculating new employee costs. Additionally, the staff calculation excludes the cost of leasing a fleet vehicle due to timing issues with vehicle purchasing that render acquiring vehicles for these employees in the current fiscal year basically impossible. Should the Committee decide to approve an increase to hire these employees in the current fiscal year, staff recommends using the amounts calculated below instead of the Department request.

S1 REQUEST AND STAFF CALCULATION			
	FY 2022-23	FY 2023-24	OUT-YEAR INCREASE
Request			
Personal Services	\$98,274	n/a	n/a
FTE	1.0	n/a	n/a
Operating Expenses	10,659	n/a	n/a
Health, Life, Dental	11,033	n/a	n/a
AED & SAED	8,700	n/a	n/a

S1 REQUEST AND STAFF CALCULATION			
	FY 2022-23	FY 2023-24	OUT-YEAR INCREASE
Short-term Disability	139	n/a	n/a
Vehicle Lease Payments	1,672	n/a	n/a
Total Request	130,477	n/a	n/a
JBC Staff Calculation			
Personal Services	\$57,568	\$172,705	\$115,137
FTE	0.6	2.0	1.4
Operating Expenses	14,769	17,888	3,119
Health, Life, Dental	6,600	22,000	15,400
AED & SAED	5,097	15,290	10,193
Paid Family Leave Initiative	0	688	688
Short-term Disability	82	245	163
Vehicle Lease Payments	0	3,344	3,344
Total JBC Staff Calculation	\$84,116	\$232,160	\$148,044
Request Above/(Below) Staff Calculation	46,361	n/a	n/a

CONCLUSION

Staff believes the Department either knew about or should have reasonably foreseen the need for an increase in spending authority for the Manufactured Buildings Program prior to the deadline for FY 2022-23 Budget Amendments but failed to submit a request. While JBC staff agrees that additional employees are needed to administer this program and there is an excess balance in the Building Regulation Fund to support the request, staff is recommending denial on the grounds that the request does not meet the Committee’s supplemental criteria.

STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
OIT real-time billing	\$35,166	\$10,435	\$7,140	\$11,392	\$6,199	0.0
Annual fleet supplemental true-up	(6,315)	(5,672)	0	(643)	0	0.0
DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS	\$28,851	\$4,763	\$7,140	\$10,749	\$6,199	0.0

STAFF RECOMMENDATION: The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee acts on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.