



Colorado General Assembly
Joint Budget Committee

JOINT BUDGET COMMITTEE STAFF FY 2017-18 BUDGET BRIEFING SUMMARY

Department of Local Affairs

The Department of Local Affairs is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department's FY 2016-17 appropriation represents approximately 1.1 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF LOCAL AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
FY 2016-17 Long Bill (H.B. 16-1405)	306,083,310	25,983,310	194,098,487	10,915,745	75,085,768	173.4
Other legislation	29,270	29,270	0	0	0	0.5
TOTAL	\$306,112,580	\$26,012,580	\$194,098,487	\$10,915,745	\$75,085,768	173.9
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$306,112,580	26,012,580	\$194,098,487	\$10,915,745	\$75,085,768	173.9
R1 Housing Development Grant Program	2,000,000	2,000,000	0	0	0	0.0
R2 Rural economic stabilization	104,927	0	0	104,927	0	1.0
R3 Supportive housing for behavioral health	4,000,000	0	4,000,000	0	0	1.0
R4 Supportive housing and rapid rehousing	12,319,900	0	12,319,900	0	0	1.0
R5 Kit Carson mitigation plan	515,095	515,095	0	0	0	0.0
NP1 Annual fleet vehicle request	(7,757)	(6,980)	0	(777)	0	0.0
NP2 OIT Secure Colorado	17,850	6,960	1,250	9,640	0	0.0
NP3 OIT Deskside support	7,138	2,785	500	3,853	0	0.0
Centrally appropriated line items	844,463	304,723	46,560	355,678	137,502	0.0
Indirect cost assessment	124,553	(124,553)	33,824	185,970	29,312	0.0
Informational funds adjustment	20,000	20,000	0	0	0	0.0
Annualize prior year budget actions	(8,750,000)	0	(8,752,940)	1,996	944	0.0
Annualize prior year legislation	(67,306)	(67,306)	0	0	0	(0.3)
TOTAL	\$317,241,443	\$28,663,304	\$201,747,581	\$11,577,032	\$75,253,526	176.6
INCREASE/(DECREASE)	\$11,128,863	\$2,650,724	\$7,649,094	\$661,287	\$167,758	2.7
Percentage Change	3.6%	10.2%	3.9%	6.1%	0.2%	1.6%

R1 HOUSING DEVELOPMENT GRANT PROGRAM: The Department requests an increase of \$2,000,000 General Fund for affordable housing grants and loans. The Department provides gap financing to facilitate the development of affordable units throughout the State. By increasing state support from the current \$8.2 million General Fund, the Department anticipates that it will support development of an additional 250 units. The target population would be low-income Coloradans spending 50 percent or more of their income on housing.

R2 RURAL ECONOMIC STABILIZATION: This request is for \$104,927 reappropriated funds from energy and mineral impact assistance funds (severance tax and federal mineral lease receipts) to hire 1.0 FTE to coordinate state

resources in rural communities. The position would help coordinate resources for rural communities that are economically impacted by closures of major employers such as coal production facilities. The request would annualize to \$100,224 and 1.0 FTE in FY 2018-19.

R3 SUPPORTIVE HOUSING FOR BEHAVIORAL HEALTH: The Department requests ongoing support of \$4,000,000 per year from the Marijuana Tax Cash Fund and 1.0 FTE to support the development of permanent supportive housing (PSH) units (housing with intensive support services) for behavioral health consumers, including those exiting or at risk of entering hospitals or state mental health institutes. The funds would be used both for grants to facilitate construction of new units and for state housing rental vouchers, with a mix between the two that would change over time. During the first year, the Department anticipates 125 PSH units would be constructed and 105 people would be served by housing vouchers; by the fifth year, it anticipates 35 units would be constructed and 300 people would be served by housing rental vouchers. The request would support a 1.0 FTE housing navigator position and administrative funding, but treatment and case management services would be provided through other funding streams. The Department indicates that legislation would be required to implement this program.

R4 SUPPORTIVE HOUSING AND RAPID REHOUSING: This request is for \$12,319,900 per year from the Marijuana Tax Cash Fund and 1.0 FTE to support permanent supportive housing and rapid rehousing initiatives. Permanent supportive housing (PSH) services (housing paired with intensive support services) would be targeted to people who are permanently disabled, dually diagnosed with mental illness and substance abuse issues (including the chronically homeless), and youth with these issues who are at risk of homelessness. Individuals receiving PSH are expected to require them permanently, although up to sixty percent may ultimately transition from the program. The rapid rehousing (RRH) portion of the proposal is targeted to individuals with “minimal” mental illness who are discharged from the Department of Corrections and at risk of homelessness. RRH services last two years, after which residents transition out. The requested funding would be used both for construction of new PSH and RRH units and for PSH and RRH housing rental vouchers. The mix between construction funding and voucher funding would change over time. During the first year, the Department anticipates that the funds would be used to construct 300 units and would also be used for rent subsidies; however the Department also anticipates that federal rental vouchers will ultimately take the place of state vouchers, allowing most funding to be used for construction subsidies. The request anticipates that 300 revolving RRH placements and 1,200 PSH placements will have been created by the program by year 5. The request also includes funding for case management, an employment counselor, and administration (1.0 FTE), training and evaluation. The Department indicates that legislation would be required to implement this program.

R5 KIT CARSON MITIGATION PLAN: To minimize the impact of the closure of Kit Carson Correctional Center on the local community, the Department requests a one-time appropriation of \$515,095 General Fund to backfill property taxes lost as a result of the closure of the facility. The proposal would backfill two-thirds of a full-year of property taxes lost to Kit Carson County, the City of Burlington, the health district, the fire district and the cemetery district. The Department has requested this funding in the Rural Economic Development Initiative line item (REDI), although the proposal differs from the REDI program.

NP1 ANNUAL FLEET VEHICLE REQUEST: The request adjusts the Department’s payment to the Department of Personnel (DPA) for fleet vehicles. This includes an adjustment to align actual and appropriated base payment amounts and to cover the net incremental cost of replacing five vehicles with CNG vehicles, based on DPA’s vehicle replacement methodology.

NP2 OIT SECURE COLORADO: This request is for the Department’s share of a Governor’s Office of Information Technology (OIT) initiative to improve statewide information security.

NP3 OIT DESKSIDE SUPPORT: This request is for the Department’s share of an initiative to improve end-user support for state agencies.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items, as detailed in the table below.

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Health, life, and dental	\$199,390	\$89,834	\$3,607	\$52,221	53,728
Short-term disability	712	787	(487)	486	(74)
AED	50,080	27,187	(8,676)	26,862	4,707
SAED	55,922	28,270	(7,763)	29,428	5,987
Salary survey	332,562	71,388	42,984	148,715	69,475
Workers’ compensation	19,433	18,033	600	800	0
Legal services	7,489	6,665	524	75	225
Payment to risk management / property funds	1,890	1,760	110	20	0
Capitol Complex leased space	114,118	38,800	6,846	59,342	9,130
Payments to OIT	125,940	49,120	8,815	68,005	0
CORE operations	(63,073)	(27,121)	0	(30,276)	(5,676)
Total	\$844,463	\$304,723	\$46,560	\$355,678	\$137,502

INDIRECT COST ASSESSMENT: The request includes a net increase of \$124,553 in the department’s statewide indirect cost assessment, which offsets General Fund otherwise required.

INFORMATIONAL FUNDS ADJUSTMENT: The request includes an increase of \$20,000 General Fund Exempt based on the September 2016 OSPB forecast for volunteer firefighter retirement plans. The volunteer firefighter retirement benefit amount is shown in the Long Bill for informational purposes as it is continuously appropriated by statute.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second-year impact of prior year budget actions.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 16-17 Local Government Permanent Fund	(\$8,750,000)	\$0	(\$8,750,000)	\$0	\$0	0.0
Annualize prior year salary survey	0	0	(2,940)	1,996	944	0.0
Total	(\$8,750,000)	\$0	(\$8,752,940)	\$1,996	\$944	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second- and third-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize HB 16-1175 (Prop Tax Exempt Admin)	(\$2,352)	(\$2,352)	\$0	\$0	\$0	0.0
Annualize HB 15-1033 (Strategic Planning Group)	(64,954)	(64,954)	0	0	0	(0.3)
Total	(\$67,306)	(\$67,306)	\$0	\$0	\$0	(0.3)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

AFFORDABLE HOUSING REQUEST OVERVIEW: The Department of Local Affairs has submitted three significant requests to increase funding for affordable housing. The need for affordable housing far outstrips the State's ability to address the problem.

REQUESTS FOR PERMANENT SUPPORTIVE HOUSING AND RAPID REHOUSING: The Department of Local Affairs has submitted two decision items totaling \$16.3 million from the Marijuana Tax Cash Fund for housing and services for homeless individuals with high needs. The requests would fund permanent supportive housing and rapid rehousing, adding over 1,500 new housing units and associated services over five years.

RURAL ECONOMIC DEVELOPMENT: The Department of Local Affairs requests \$104,927 from mineral and energy impact funds and 1.0 FTE to enhance rural services coordination on the Western Slope and \$515,095 General Fund to backfill property taxes lost to local governments as a result of the closure of the Kit Carson Correctional Center on the Eastern Plains. Although the Department has general statutory responsibilities related to promoting economic development in rural areas, related new legislation may be required.

BP AMERICA COURT DECISION, S.B. 16-218, AND THE EXECUTIVE SEVERANCE TAX REQUEST: Under current law, the Department of Local Affairs receives 50 percent of state severance tax revenues. As a result of the BP America State Supreme Court ruling and S.B. 16-218, the General Fund is backfilling some severance tax refunds to oil and gas companies, while \$28.4 million is reserved in the Department of Local Affairs to potentially repay the General Fund. The Governor has requested that a portion of the reserved funds be transferred to the General Fund.

LOCAL GOVERNMENT SEVERANCE TAX AND MINERAL IMPACT FUNDS: Fifty percent of all severance tax revenues and over 40 percent of the state's share of federal mineral lease revenues are distributed by the Department of Local Affairs to local governments via direct distributions and grants. Combined Local Government Severance Tax Fund and Local Government Mineral Impact Fund receipts fell sharply in FY 2015-16, contributing to a significant decline in funds available for distribution in FY 2016-17. The Department currently anticipates distributing \$107.0 million in FY 2016-17 and \$115.0 million in FY 2017-18.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2017-18_locbrf.pdf