JOINT
BUDGET
COMMITTEE

# STAFF FIGURE SETTING
# FY 2017-18

# DEPARTMENT OF LOCAL AFFAIRS

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

PREPARED BY:
AMANDA BICKEL, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR · DENVER · COLORADO · 80203
TELEPHONE: (303) 866-2061 · TDD: (303) 866-3472
*https://leg.colorado.gov/agencies/joint-budget-committee*

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## HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

# 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. While current law creates a number of divisions[1], the Department's section of the Long Bill currently consists of the following:

- The *Executive Director's Office* provides the comprehensive departmental management and administration, including strategic planning, policy management, budget, accounting, purchasing, and human resources administration and public information.

- The *Division of Property Taxation* and the Property Tax Administrator, under the supervision and control of the *State Board of Equalization*, have three primary responsibilities: (1) administering property tax laws, including issuing appraisal standards and training county assessors; (2) granting exemptions from taxation for charities, religious organizations, and other eligible entities; and (3) valuing multi-county companies doing business in Colorado, including railroads, pipelines, and other public utilities.

- The *Division of Housing* administers state and federal low-income housing programs, and regulates the manufacture of factory-built residential and commercial buildings.

- The *Division of Local Governments* provides technical assistance to local government officials. This division also administers several state and federal programs to assist local governments in capital construction and community services, including: administering the federal Community Services Block Grant and the Community Development Block Grant; making state grants to communities negatively impacted by mineral extraction and limited gaming activities; distributing Conservation Trust Fund moneys (derived from lottery proceeds) for parks, recreation, and open space; and allocating the state contribution for volunteer firefighter pension plans.

[1] Divisions, offices, and boards created in Sections 24-1-125, 39-2-101, 39-9-101, and 39-2-123, and Article 32 of Title 24,C.R.S., include: the Division of Local Governments; the Division of Planning; the Division of Commerce and Development; the Division of Housing; the Office of Rural Development; the Office of the Colorado Youth Conservation and Service Corps; the Office of Smart Growth; the Division of Property Taxation; the State Board of Equalization; and the Board of Assessment Appeals.

# SUMMARY OF STAFF RECOMMENDATIONS

| 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 RECOMMENDED 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 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| R2 Rural economic stabilization | 83,525 | 0 | 0 | 83,525 | 0 | 1.0 |
| R3 Supportive housing for behavioral health | 4,000,000 | 2,000,000 | 2,000,000 | 0 | 0 | 1.0 |
| R4 Supportive housing and rapid rehousing | 0 | 0 | 0 | 0 | 0 | 0.0 |
| R5 Kit Carson mitigation plan | 0 | 0 | 0 | 0 | 0 | 0.0 |
| BA1 Refinance OIT line item | 0 | 51,937 | 9,322 | 71,905 | (133,164) | 0.0 |
| BA2 Roll-forward authority for REDI | 0 | 0 | 0 | 0 | 0 | 0.0 |
| BA3 Kit Carson mitigation plan | 0 | 0 | 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 |
| NPBA3 OIT HRIS | 28,360 | 11,060 | 1,985 | 15,315 | 0 | 0.0 |
| Informational funds adjustment | 5,471,316 | 20,000 | 0 | 0 | 5,451,316 | 0.0 |
| Centrally appropriated line items | 832,450 | 300,883 | 45,369 | 352,552 | 133,646 | 0.0 |
| Homeless Prevention Activities Program Fund | 60,000 | 0 | 60,000 | 0 | 0 | 0.0 |
| BAA Cash Fund adjustment | 0 | (75,000) | 75,000 | 0 | 0 | 0.0 |
| Net $0 technical adjustment | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Severance tax and FML revenue reduction | (25,000,000) | 0 | (25,000,000) | 0 | 0 | 0.0 |
| Annualize prior year budget actions | (8,750,000) | 0 | (8,752,940) | 1,996 | 944 | 0.0 |
| Eliminate unused appropriations | (230,000) | (100,000) | (30,000) | (100,000) | 0 | 0.0 |
| Indirect cost assessment | (128,956) | (68,617) | 8,682 | (250,789) | 181,768 | 0.0 |
| Annualize prior year legislation | (67,306) | (67,306) | 0 | 0 | 0 | (0.3) |
| **TOTAL** | **$282,429,200** | **$28,088,302** | **$162,517,655** | **$11,102,965** | **$80,720,278** | **175.6** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **($23,683,380)** | **$2,075,722** | **($31,580,832)** | **$187,220** | **$5,634,510** | **1.7** |
| Percentage Change | (7.7%) | 8.0% | (16.3%) | 1.7% | 7.5% | 1.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$317,360,620** | **$28,825,291** | **$201,757,697** | **$11,661,126** | **$75,116,506** | **176.6** |
| Request Above/(Below) Recommendation | $34,931,420 | $736,989 | $39,240,042 | $558,161 | ($5,603,772) | 1.0 |

## DESCRIPTION OF INCREMENTAL CHANGES

**R1 HOUSING DEVELOPMENT GRANT PROGRAM:** Staff recommends the Committee deny this request, so the amount shown is $0. 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:** Staff recommends $83,525 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 was for $104,927, including centrally appropriated amounts that are not recommended. The recommendation would annualize to $92,869 and 1.0 FTE in FY 2018-19.

**R3 SUPPORTIVE HOUSING FOR BEHAVIORAL HEALTH**: Staff recommends $4,000,000 total funds, including $2,000,000 General Fund and $2,000,000 cash funds 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. This represents an appropriation that staff believes can be made under existing statutory authority. 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 recommendation would support a 1.0 FTE administrative position and a funding for a contracted housing navigator, but treatment and case management services would be provided through other funding streams. This represents an *alternative recommendation* based on a version of the Department's request that staff does not believe would require new legislation. The Department previously indicated that its request would require legislation, and the Committee has not thus far agreed to carry such legislation.

**R4 SUPPORTIVE HOUSING AND RAPID REHOUSING:** Staff recommends the Committee deny this request in the absence of new legislation to create a state program to address homelessness. The Committee has not thus far been interested in sponsoring such a bill. The *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:** Staff recommends the Committee deny this request based on previous decisions not to carry legislation that would allow for emergency backfill of local government entities related to the closure of the Kit Carson Correctional facility. The *request* is to minimize the impact of the closure of Kit Carson Correctional Center on the local community by providing 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 requested this funding in the Rural Economic Development Initiative line item (REDI), although the proposal differs from the REDI program.

**BA1 REFINANCE OIT LINE ITEM:** The amount shown is the *requested* refinance, as the total Payments to OIT line item is not yet set and the Department is still working to refine its request. The Department requests adjustments to the fund-splits for its FY 2016-17 appropriation for Payments to OIT line item. The original request included more in federal funds than the Department believes it can generate from this source. Staff recommends adjusting the funding splits to align with workload measures. Specific adjustments are *pending*.

**BA2 ROLL FORWARD AUTHORITY FOR REDI:** The Department requested roll-forward authority to enable the $750,000 General Fund appropriated in this line item to roll forward to the following fiscal year. Staff recommends the change, which was previously approved on a supplemental basis.

**BA3 KIT CARSON MITIGATION PLAN:** Staff does not recommend the request. The request is for $102,830 General Fund for the City of Burlington, associated with the closure of the Kit Carson Correctional Center. The request would backfill lost utilities and per-diem revenue. Staff previously recommended this assistance on a supplemental basis, but only if the JBC approved separate authorizing legislation to allow for such backfill. The Committee declined to sponsor such legislation.

**NP1 ANNUAL FLEET VEHICLE REQUEST:** The amount shown is the *request*, as common policy on this item is pending. 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:** The amount shown is the *request*, as common policy on this item is pending. 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:** The amount shown is the *request*, as common policy on this item is pending. This request is for the Department's share of an initiative to improve end-user support for state agencies.

**NPBA3 OIT HRIS:** The amount shown is the *request*, as common policy on this item is pending. This request is for the Department's share of the Human Resources Information System initiative in the Governor's Office of Information Technology.

**INFORMATIONAL FUNDS ADJUSTMENT:** Staff recommends a net increase of $5.5 million to federal funds amounts shown for informational purposes in the Division of Housing, based on updated estimates from the Department. Staff also recommends an adjustment to the General Fund Exempt amount shown for Volunteer Firefighter Retirement Plans. The General Fund adjustment shown is the request. The recommended adjustment is pending whichever March 2017 forecast is used by the JBC to balance the budget.

**CENTRALLY APPROPRIATED LINE ITEMS:** The recommendation includes adjustments to centrally appropriated line items, as detailed in the table below. *The items with asterisks (most of the line items) reflect the request*, as Committee common policy action is still pending. Amounts shown include non-prioritized budget amendments that adjust the Health, Life, Dental and Payment to Risk Management amounts.

| CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS | | | | | |
|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS |
| Health, life, and dental | $187,064 | $85,702 | $2,398 | $49,092 | $49,872 |
| 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 |
| Merit pay* | 0 | 0 | 0 | 0 | 0 |
| Workers' compensation* | 19,433 | 18,033 | 600 | 800 | 0 |
| Legal services* | 7,489 | 6,665 | 524 | 75 | 225 |
| Payment to risk management / property funds* | 2,203 | 2,052 | 128 | 23 | 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** | **$832,450** | **$300,883** | **$45,369** | **$352,552** | **$133,646** |

*Requested change

**HOMELESS PREVENTION ACTIVITIES PROGRAM FUND:** The recommendation increases spending authority from the Homeless Prevention Activities Program Fund by $60,000 to enable spend-down of reserves in the Fund for homeless prevention grants.

**BAA CASH FUNDS ADJUSTMENT:** The recommendation increases appropriations from the Board of Assessment Appeals (BAA) Cash Fund by $75,000 and decreases appropriations from the General Fund by the same amount to spend down reserves in the Fund.

**NET $0 TECHNICAL ADJUSTMENT:** The recommendation includes various adjustments to line item fund sources that do not affect total line item appropriations.

**SEVERANCE TAX AND FML REVENUE REDUCTION**: The recommendation decreases the line item for Local Government Mineral and Energy Impact Grants and Disbursements based on anticipated severance tax and federal mineral lease (FML) revenue available for distribution to local governments. This line item is shown for informational purposes only in the Long Bill.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The recommendation 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** |

**Eliminate unused appropriations:** The recommendation reduces the appropriation for the Firefighter Heart and Circulatory Malfunction Benefit by $100,000 General Fund and $100,000 reappropriated funds. The program appears to have stabilized at a lower appropriation level than was originally estimated to be required. The recommendation also eliminates the Other Local Government Grants line item, as no funding source remains for this line item.

**Indirect cost assessment:** The recommendation includes adjustments to indirect cost assessments including an increase in appropriations that offset General Fund otherwise required.

**Annualize prior year legislation:** The recommendation 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)** |

## Major Differences from the Request

- The request includes three decision items for affordable housing that provide for an increase of $18.3 million total funds, including $2.0 million from the General Fund (R1) and $16.3 million from Marijuana Cash Tax Funds (R3 and R4). Requests R3 and R4, as requested, require legislation. Based on Committee action thus far, which has not included authorizing such legislation, the staff recommendation includes $2.0 million General Fund and $2.0 million Marijuana Tax Cash Funds for Request R3 and does not include requests R1 or R4. Staff believes the staff recommendation for R3 could be implemented without separate legislation based on existing statutory authority.

- The request includes $617,925 General Fund for two requests related to the closure of the Kit Carson Correctional Center. Funding these initiatives as requested would require legislation, and the Committee has indicated it does not wish to sponsor such a bill.

- The recommendation adds $5.5 million federal funds and reduces $25.0 million cash funds (severance tax and mineral impact funds) based on funds anticipated to be available. These amounts are shown for informational purposes only, and no changes were requested. The recommendation also makes smaller adjustments (not requested) to indirect cost collections and line item appropriations that are not anticipated to be used.

# DECISION ITEMS AFFECTING MULTIPLE DIVISIONS

## ➔ R2 Rural Economic Stabilization

*Request:* The Department requests $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 new position would assist local communities in responding to the economic impact of energy transformation in western parts of the state, as well as in other rural areas. The request highlights Delta and Gunnison counties, which have seen over 750 coal employees laid off, and Moffat, Montrose, Routt, Clear Creek, and Kit Carson counties, where new layoffs have been announced.

The Department proposes to use the new position, located in Grand Junction, to:
- Create a coordinated response for impacted Western Slope communities;
- Create a focal point in state government to align state and federal agencies to fund and support local and regional community and economic development priorities;
- Align that funding with job retraining programs.

The request indicates that current demands require assistance at a higher level than the State has been able to provide. The goal is to diversify rural economies and create long-term employment opportunities, following a model that has already been employed in Delta, Gunnison, and Rifle. This includes developing a data-driven strategic action plan and then funding prioritized projects designed to have the largest possible impact.

The Department indicates it is in a unique position to work with state and federal authorities to align resources. At the State level, the Department is already working to improve coordination with key partners including OEDIT and the Departments of Labor and Employment, Natural Resources, and Public Health and Environment.

Success would be measured based on new business starts, business expansion, number of workers retrained, and public infrastructure investments and dollars leveraged.

The request would annualize to $100,224 and 1.0 FTE in FY 2018-19.

*Recommendation:* **Staff recommends the request, with:**
- an adjustment to eliminate the centrally appropriated components in the first year, consistent with Committee common policy; and
- an adjustment to the vehicle mileage rate to reflect variable costs associated with an existing state vehicle (19.4 cents/mile), rather than costs associated with a private vehicle last year (54.0 cents/mile).

| **Recommendation R2** | **FY 2017-18** | **FY 2018-19** |
|---|---|---|
| *Local Government, Field Services, Program Costs* | | |
| Comm and Economic Devt IV(1.0 FTE) | $60,060 | $60,060 |
| PERA (10.15%) | 6,096 | 6,096 |
| Medicare (1.45%) | 871 | 871 |
| Regular operating | 500 | 500 |
| Regular telecommunications | 450 | 450 |
| One-time office/computer | 4,703 | |
| Travel per diem* | 6,480 | 6,480 |
| Mileage/fleet** | 4,365 | 4,365 |
| Subtotal | 83,525 | 78,822 |
| *Centrally-appropriated* | | |
| AED | - | 3,003 |
| SAED | - | 3,003 |
| STD | - | 114 |
| HLD | - | 7,927 |
| **Total - Recommendation** | **$83,525** | **$92,869** |
| *12 travel weeks at 4 days and 3 nights/travel week @ $60 per diem for days and $100 per hotel per night | | |
| **50 weeks at 450 miles/week @variable cost for state vehicle $0.194 per mile | | |

- According to the Department: "The Enhanced Rural Services Coordination position was discussed with the Energy Impact Advisory Committee at the November 2016 meeting. While there was no vote taken, the Department received general support for the concept…"

- Department staff have indicated that the position is one that has been *requested* by the affected communities because the Department currently has insufficient capacity to meet their needs for technical assistance.

- Counties outside Front Range corridor continue to face economic challenges when compared to the state's more populous areas:

  - Rural parts of the State have experienced flat or declining population for decades. The total population of the State outside the 12 urban Front Range comprised just 17.5 percent of the state's total population in 2010 and less than 15 percent if Mesa county is excluded.
  - Most job growth has been occurring in the Front Range.
  - Natural gas production in the northwest part of the state has declined every year since 2013, and numerous coal mines in the region have closed or announced plans to close since 2013.
  - The crash in oil prices has dramatically reduced drilling since late 2014. OSPB estimates that mining and logging sector employment has fallen 20.6 percent in the last year.

  - Grand Junction and Pueblo, as well as more remote areas, have experienced slower growth throughout the economic expansion and have substantially higher unemployment rates than the Denver metro area.

- Some of the Department's key statutory functions, per Section 24-32-801 et. seq. include:
  - "Cooperating with and providing technical assistance to local officials for the orderly development of rural Colorado";
  - "Encouraging and, when requested, assisting local governments to develop mutual and cooperative solutions to rural community development"; and
  - "Serving as a clearinghouse for rural development information, including state and federal programs designed for rural development" (24-32-803, C.R.S.)

- There appears to be a direct relationship between the role of the staff person and the needs of mineral-impacted communities, as the role of the new position is described as "assisting local communities in responding to the economic impact of energy transformation in western parts of the state.." suggesting that use of mineral impact funds is appropriate.

- Staff continues to be concerned about the lack of statutory authority for funding department administration with this funding source. However, OLLS has indicated that there is "implied" authority based on the General Assembly's longstanding practice of using these funds for this purpose.

- The Department argues that success would be measured based on new business starts, business expansion, number of workers retrained, and public infrastructure investments and dollars leveraged. *It is not clear to staff how the differential impact of funding versus not funding the initiative could ever be assessed.* However, if desired, the Committee could ask the Department to report on these impacts.

## ➔ Staff Recommendation: Indirect Cost Assessments Adjustment

The staff recommendation includes adjustments to indirect cost assessment line items in each division and to line items in the Executive Director's Office that are offset with indirect cost collections. The Department projects indirect cost assessments from line items in Property Taxation, the Division of Housing, and the Division of Local Government totaling $2,090,756. The staff recommendation is largely based on a plan submitted by the Department at the end of January 2017. However, staff has applied a larger General Fund offset than the Department plan, based on greater use of funds in the Indirect Cost Excess Recoveries Fund. Specifically, the staff recommendation uses $350,000 from the Indirect Costs Excess Recoveries Fund, while the Department proposal reflects using $281,383 from the Fund.

| Indirect Cost Collections+Excess Recoveries Fund Used to Offset Department General Fund in FY 2017-18 | |
|---|---|
| FY 2017-18 Indirect Assessments | $2,097,588 |
| Indirect Costs Excess Recoveries Fund | 350,000 |

| INDIRECT COST COLLECTIONS+EXCESS RECOVERIES FUND USED TO OFFSET DEPARTMENT GENERAL FUND IN FY 2017-18 | |
|---|---|
| **Total IC Cost Collections Used** | **$2,440,756** |

With this adjustment, total indirect cost offsets to General Fund in FY 2017-18 will still be slightly higher than the FY 2016-17 amount, resulting in a reduced General Fund need of $68,617.

| APPLICATION OF INDIRECT COST RECOVERIES AND EXCESS IC FUND | | | |
|---|---|---|---|
| | FY 2016-17 | FY 2017-18 | CHANGE |
| Executive Director's Office (personal services, operating expenses, payments to OIT) | 1,952,477 | $2,021,094 | 68,617 |
| Board of Assessment Appeals | 63,155 | 63,155 | 0 |
| Division of Local Government | 356,507 | 356,507 | 0 |
| **Total** | $2,372,139 | **$2,440,756** | **68,617** |

Staff recommends using more from the Indirect Costs Excess Recoveries Fund based on the June 30, 2016 balance in this Fund and the portion of this balance that was anticipated to be used in the FY 2016-17 budget pursuant to FY 2016-17 figure setting.

| INDIRECT COSTS EXCESS RECOVERIES FUND | |
|---|---|
| Indirect Cost Excess Recoveries Fund Balance | |
| June 30, 2016 Excess IC fund balance | $664,645 |
| Spending in FY 2016-17 projected from Fund (FY 2016-17 figure setting) | 152,426 |
| Balance remaining June 30, 2017 if otherwise no net fund change | $512,219 |

**The Department has indicated that further refinements to the indirect cost plan may be required. Staff requests Committee permission to make minor adjustments. Staff will bring more significant adjustments (amounts exceeding $10,000) back to the JBC during figure setting comebacks.**

## ➔ STAFF RECOMMENDATION: SEVERANCE AND MINERAL IMPACT RFI

Staff recommends a request for information to examine the basis for the use of severance and mineral impact funds in the Department of Local Affairs budget. While there is no specific statutory authority for using energy impact funds for departmental administration, the JBC began refinancing Department General Fund with energy impact funds starting in FY 2001-02, and the share of administrative funding from this source has grown significantly in recent years. Because much of the refinancing occurred long ago, the Department has no current methodology for explaining the amount of cash funds from this source it its budget.

N Department of Local Affairs, Executive Director's office – The Department of Local Affairs is requested to submit a report by September 1, 2017 on the use of local government severance tax and mineral impact funds for Department administration. This report should compare:
- workload related to serving energy-impacted communities;
- workload related to administering energy impact grant and direct distribution programs; and
- the appropriation of energy impact funds throughout the Department.

The report may provide more than one approach to the analysis.

The staff recommendation for FY 2017-18 includes more than $7.6 million for Department administrative expenses in the Department's budget. The JBC should be aware that the requested analysis could indicate that these cash funds are over-represented in the Department's budget or could potentially indicate that these funds are under-represented (though this may be less likely). No matter the results, the JBC will not be required to make a budget adjustment, given that the existing authority for use of these funds is simply the General Assembly's practice. However, staff believes some additional analysis on the use of these funds could be helpful so that a consistent approach is used for year-to-year.

## ⓘ BUDGET CLEAN-UP ISSUES

In conversations with JBC staff, Department staff have indicated that prior to the November 1, 2018 budget submission, they will work on addressing the following issues:

- Identifying the basis and an appropriate methodology for fund-splits for various line items in the EDO that are centrally appropriated. Centrally appropriated amounts that relate to personnel (e.g., salary survey, merit, health/life/dental) are based on current employee assignments. However, funding splits for many other line items in the EDO are historically based and should be more closely aligned with current workload and program needs. The Department plans to address this issue for the Payments to OIT line item for FY 2017-18 figure setting, but other line items appear to need similar attention.

- Ensuring that federal grant amounts that are reflected in the Long Bill are *spent* in line items that correspond to the General Assembly's appropriations so that actual expenditures can be related to amounts that are reflected in the Long Bill. For example, at present the Department assigns one-third of Community Development Block Grant funding to the Division of Housing to spend on housing development programs, in some cases related spending may be reflected in a line item in the Division of Local Government. Similarly, the expenditures related to administration of grants are often expended in the grants line item, even if the appropriation has reflected the federal portion of administration in a separate line item.

**Department staff have indicated that they will provide a proposal for the methodology to be used to fund-split various centrally-appropriated line items by October 1, 2017**. Staff hopes that changes necessary to ensure federal fund expenditures are reflected in appropriate line items will also be completed by October 1. Based on this commitment, staff has not recommended a formal RFI at this time.

# (1) EXECUTIVE DIRECTOR'S OFFICE

This section of the Long Bill includes funding for administrative functions and all centrally-appropriated funds. It also includes several miscellaneous functions statutorily assigned to the Department, including administration of the Moffat Tunnel Improvement District.

| EXECUTIVE DIRECTOR'S OFFICE | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
|---|---|---|---|---|---|---|
| **FY 2016-17 Appropriation** | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $7,538,275 | $1,653,785 | $731,687 | $3,940,985 | $1,211,818 | 14.2 |
| **TOTAL** | **$7,538,275** | **$1,653,785** | **$731,687** | **$3,940,985** | **$1,211,818** | **14.2** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $7,538,275 | $1,653,785 | $731,687 | $3,940,985 | $1,211,818 | 14.2 |
| R2 Rural economic stabilization | 0 | 0 | 0 | 0 | 0 | 0.0 |
| BA1 Refinance OIT line item | 0 | 51,937 | 9,322 | 71,905 | (133,164) | 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 |
| NPBA3 OIT HRIS | 28,360 | 11,060 | 1,985 | 15,315 | 0 | 0.0 |
| Centrally appropriated line items | 832,450 | 300,883 | 45,369 | 352,552 | 133,646 | 0.0 |
| Net $0 technical adjustment | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Annualize prior year budget actions | (7,624) | (1,261) | (4,909) | 689 | (2,143) | 0.0 |
| Indirect cost assessment | 0 | (68,617) | 0 | 68,617 | 0 | 0.0 |
| **TOTAL** | **$8,408,692** | **$1,950,552** | **$785,204** | **$4,462,779** | **$1,210,157** | **14.2** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$870,417** | **$296,767** | **$53,517** | **$521,794** | **($1,661)** | **0.0** |
| Percentage Change | 11.5% | 17.9% | 7.3% | 13.2% | (0.1%) | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$8,422,739** | **$1,894,616** | **$785,204** | **$4,532,762** | **$1,210,157** | **14.2** |
| Request Above/(Below) Recommendation | $14,047 | ($55,936) | $0 | $69,983 | $0 | 0.0 |

## DECISION ITEMS - EXECUTIVE DIRECTOR'S OFFICE

### ➔ BA1 REFINANCING PAYMENTS TO OIT LINE ITEM

*REQUEST:* The Department requests adjustments to the funding splits in its Payments to OIT line item. It reports that the federal funds portion of the line item exceeds what is allowable under the Department's various federal grant agreements. The refinancing proposed in the Department's January 3, 2017 budget amendment includes the following adjustments. As shown, these would result in an increase in the General Fund share of the line item.

| Payments to OIT – FY 2017-18 | Total Funds | General Fund | Cash Funds | Reappropriated | Federal Funds |
|---|---|---|---|---|---|
| FY 2017-18 Request | $1,782,537 | $331,072 | $124,254 | $789,313 | $537,898 |
| Requested Appropriation | $1,782,537 | $383,009 | $133,576 | $861,219 | $404,734 |
| Budget Amendment Adj | $0 | $51,937 | $9,322 | $71,906 | ($133,164) |

At the time it submitted this request, the Department also submitted a supplemental budget adjustment. However, it subsequently requested that the supplemental request be denied, on the grounds that it needed to do further work on the appropriate funding splits.

*RECOMMENDATION:* **Staff requests permission from the Committee to apply new funding splits to the line item, based on further work with the Department. Staff anticipates that new funding splits will drive an additional General Fund obligation, but the additional amount required is not yet certain.** At the time this document went to print, the Department was still refining requested funding splits, and the total Payments to OIT common policy amount had not yet been finalized by the Committee.

The Department is taking steps to align the funding splits in the line item with the actual IT workload that results from various Department functions. OIT's charges to the Department are based on such workload, and the Department reports that federal audits demand alignment between the amounts charged to various grants and the associated workload. Up to this point, the Department largely relied on the number of Department FTE assigned to various funding sources to determine the funding splits in the Payments to OIT line item. It has recently determined that there is little relationship between this FTE breakdown and the actual OIT workload and is thus attempting to resolve the discrepancy.

## ➔ MOFFAT TUNNEL IMPROVEMENT DISTRICT RFI

The Department has administrative authority over the Moffat Tunnel Improvement District, which owns the Moffat Tunnel train tunnel. The Moffat Tunnel train tunnel and a parallel water tunnel run 6.2 miles under the Continental Divide between Rollinsville and Winter Park. The tunnel is more than three times the length of the Eisenhower Tunnel and is considered a major engineering achievement of the 20th century.

*History:* In 1922, the General Assembly authorized creation of the Moffat Tunnel Improvement District, a special taxing district consisting of the City and County of Denver, Grand, Moffat, and Routt counties, and portions of 5 other counties, to fund construction of the train tunnel and water tunnels. After more than five years of construction, the train tunnel was completed in 1928. The bonds associated with the construction were paid off in 1983.

The Moffat Tunnel Commission, an elected body which previously controlled the Improvement District, was dissolved by the General Assembly in 1997, following efforts by Commissioners to increase payments from users. The administration of the Moffat Tunnel Improvement District was transferred to the State. Prior to this, the land on which the Winter Park Resort operates was sold to the resort. In 1998, the water tunnel that runs alongside the train tunnel was sold to the Denver Water Board. Although statute suggests that the General Assembly anticipated that the train tunnel would also be sold, it was not.

*Current Operations and Responsibilities:* Freight trains, passenger trains, and fiber optic cables continue to run through the train tunnel bore. Statute specifies that tunnel users are responsible for maintenance and improvements at their sole cost, and the Department appears to have no involvement in Tunnel operations. However, the Department of Local Affairs has administrative authority for the Improvement District in statute, with rights to enter into contracts and to effect sale of the property. It also receives annual lease revenues.

There are currently two lessees, Union Pacific Railroad (UP) and Century Link (formerly Qwest). The leases require UP pay the District $12,000 per year and Century Link to pay $14,659 per year. The UP lease term ends in 2025 with a right to renew and the Century Link lease term ends 2091 with right to renew. Funds received from the leases are deposited in the Moffat Tunnel Cash Fund. Statute specifies that revenue from the property is to be distributed to the nine Improvement District counties, after the Department has set aside sufficient revenue for administrative costs.

Staff observations about the Cash Fund:

- In each of the last six actual years (FY 2010-11 through FY 2015-16) the Department has spent between $0 and $71 in this line item, *i.e.*, there has been virtually no activity. As of June 30, 2016, the Department reported a fund balance in the cash fund of $215,820, and this balance continues to grow. The General Assembly transferred $86,758 from the Moffat Tunnel Cash Fund to the General Fund in 2009 but has not made any transfers since that time.

- The Department reports that it has sought to accumulate a balance in this cash fund to address any legal issues that may arise related to the right-of-way or any future transfer of the property.

- It is uncertain what kinds of legal or other work may be required related to the Tunnel. Statute added in 1996 and 2002 anticipates a possible sale for fair market value to users, but no offer has been made to date that the Department felt met the fair market value requirement.

- Staff assumes that once cash fund reserves appear sufficient to cover administrative costs, including potential future legal work, lease proceeds will be distributed to the counties comprising the Moffat Tunnel Improvement District pursuant to the provisions of 32-8-124, C.R.S. However, it's uncertain what level of reserve is needed.

Staff observations about the overall role of the Department:

- The current UP lease expires in 2025, and the Tunnel will hit its 100-year anniversary not long after.

- The Department has taken no action related to the Tunnel for many years. Some of the institutional knowledge about the Department's role related to the Tunnel appears to have been lost.

- Staff is concerned that DOLA has no expertise in administration of a major piece of infrastructure like a train tunnel. On its face, the tunnel is a valuable piece of the State's transportation and communications infrastructure, may present significant maintenance issues, and might more reasonably be overseen by CDOT, which has a division with expertise in this area. That said, there is history and doubtless rationale behind the Improvement District's location in DOLA.

- While current statute contemplates the sale of this asset, it is not clear whether that is a viable option or whether it is actually in the long-term interest of the State to transfer an important route across the Continental Divide to a private entity.

- It is possible that no change to the legal or administrative structure is needed at this time, but staff believes a "check in" is appropriate.

**Staff recommends a Request for Information to determine whether any additional administrative or legislative steps should be considered related to the Tunnel.**

N Department of Local Affairs, Executive Director's Office, Moffat Tunnel Improvement District – The Department is requested to submit a report by October 1, 2017, concerning the Moffat Tunnel Improvement District. The report should address: (1) What land/property is owned by the Improvement District? (2) What are the State and Improvement District's legal and functional responsibilities for the Tunnel and any related lands versus that of other entities? (3) Does Union Pacific or another entity have legal responsibility for ensuring the structural soundness and safety of the Tunnel? (4) Does the State or should the State or the Improvement District have any related responsibility for ensuring the Tunnel's soundness, given its length and age? (5) Does the State anticipate again attempting to sell the Tunnel or to renegotiate lease agreements and, if so, is this anticipated to occur in 2025 or at another time? (6) What steps are likely to be required prior to sale or renegotiation of lease amounts (e.g., legal, engineering, consultation with other State and local entities)? (7) How does the Department propose to use money accumulating in the Moffat Tunnel Cash Fund? How much is likely to be required and when? (8) Does the Department recommend any statutory or administrative changes related to the Tunnel or the Improvement District?

## LINE ITEM DETAIL — EXECUTIVE DIRECTOR'S OFFICE

### PERSONAL SERVICES

This line item funds the 14.2 FTE in the Executive Director's Office, including the Executive Director, accounting, budget, purchasing, human resources, and general support staff. The source of reappropriated funds is indirect cost assessments collected from several cash and federally-funded programs administered by the Department. The workload for staff supported by this line item is driven by both the number of Department employees and the number and complexity of grants and contracts administered.

*STATUTORY AUTHORITY:* Article 32 of Title 24, C.R.S.

*REQUEST:* The Department requests $1,382,981 in reappropriated funds and 14.2 FTE for FY 2017-18. The budget request annualizes (builds into the base) FY 2016-17 centrally-appropriated increases for salary survey and merit pay. The fund source is primarily indirect cost collections.

*RECOMMENDATION:* Staff recommends approving the Department request, which is calculated consistent with JBC common policy. The recommendation includes an adjustment to the share of total indirect cost recoveries appropriations that are from statewide versus department indirect recoveries.

| EXECUTIVE DIRECTOR'S OFFICE, PERSONAL SERVICES | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | REAPPROPRIATED FUNDS | FTE |
| | | | | |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | 1,381,026 | 0 | 1,381,026 | 14.2 |
| **TOTAL** | **$1,381,026** | **$0** | **$1,381,026** | **14.2** |
| | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $1,381,026 | $0 | $1,381,026 | 14.2 |
| Annualize prior year budget actions | 1,955 | 0 | 1,955 | 0.0 |
| Indirect cost assessment | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$1,382,981** | | **$1,382,981** | **14.2** |
| | | | | |
| **INCREASE/(DECREASE)** | **$1,955** | **$0** | **$1,955** | **0.0** |
| Percentage Change | 0.1% | n/a | 0.1% | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,382,981** | **$0** | **$1,382,981** | **14.2** |
| Request Above/(Below) Recommendation | $0 | $0 | $0 | 0.0 |

## HEALTH, LIFE, AND DENTAL

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for State employees.

*STATUTORY AUTHORITY:* Sections 24-50-611 and 24-50-603 (9), C.R.S.

*REQUEST:* The Department requests $1,624,511 total funds, including $382,455 General Fund, for FY 2017-18. The Department's request includes a common policy adjustment, modified through a non-prioritized budget amendment, and adjustment to statewide indirect cost assessments in this line item and an increase of $7,927 reappropriated funds for R2 Rural economic stabilization.

*RECOMMENDATION:* Consistent with common policy, staff recommends the request, with the exception of the adjustment for R2. Based on common policy, staff does not include "pots" adjustments for small personal services increases such as this one.

| EXECUTIVE DIRECTOR'S OFFICE, HEALTH, LIFE, AND DENTAL | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,429,520 | $296,753 | $262,556 | $545,246 | $324,965 | 0.0 |
| **TOTAL** | **$1,429,520** | **$296,753** | **$262,556** | **$545,246** | **$324,965** | **0.0** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $1,429,520 | $296,753 | $262,556 | $545,246 | $324,965 | 0.0 |
| Centrally appropriated line items | 187,064 | 85,702 | 2,398 | 49,092 | 49,872 | 0.0 |
| R2 Rural economic stabilization | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$1,616,584** | **$382,455** | **$264,954** | **$594,338** | **$374,837** | **0.0** |
| | | | | | | |

| Executive Director's Office, Health, Life, And Dental | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
|---|---|---|---|---|---|---|
| **INCREASE/(DECREASE)** | **$187,064** | **$85,702** | **$2,398** | **$49,092** | **$49,872** | **0.0** |
| Percentage Change | 13.1% | 28.9% | 0.9% | 9.0% | 15.3% | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,624,511** | **$382,455** | **$264,954** | **$602,265** | **$374,837** | **0.0** |
| Request Above/(Below) Recommendation | $7,927 | $0 | $0 | $7,927 | $0 | 0.0 |

## Short-term Disability

This line item provides funding for the employer's share of State employees' short-term disability insurance premiums.

*Statutory Authority:* Sections 24-50-611, C.R.S., and 24-50-603 (13), C.R.S.

*Request:* The Department requests $22,479 total funds (including $4,801 General Fund) for FY 2017-18. This includes $114 reappropriated funds for Request R2.

*Recommendation:* Consistent with common policy, staff recommends the request, with the exception of the adjustment for R2. Based on common policy, staff does not include "pots" adjustments for small personal services increases such as this one.

| Executive Director's Office, Short-term Disability | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
|---|---|---|---|---|---|---|
| | | | | | | |
| FY 2016-17 Appropriation | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $21,653 | $4,014 | $3,378 | $9,515 | $4,746 | 0.0 |
| **TOTAL** | **$21,653** | **$4,014** | **$3,378** | **$9,515** | **$4,746** | **0.0** |
| | | | | | | |
| FY 2017-18 Recommended Appropriation | | | | | | |
| FY 2016-17 Appropriation | $21,653 | $4,014 | $3,378 | $9,515 | $4,746 | 0.0 |
| Centrally appropriated line items | 712 | 787 | (487) | 486 | (74) | 0.0 |
| R2 Rural economic stabilization | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$22,365** | **$4,801** | **$2,891** | **$10,001** | **$4,672** | **0.0** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$712** | **$787** | **($487)** | **$486** | **($74)** | **0.0** |
| Percentage Change | 3.3% | 19.6% | (14.4%) | 5.1% | (1.6%) | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$22,479** | **$4,801** | **$2,891** | **$10,115** | **$4,672** | **0.0** |
| Request Above/(Below) Recommendation | $114 | $0 | $0 | $114 | $0 | 0.0 |

## S.B. 04-257 Amortization Equalization Disbursement

Pursuant to S.B. 04-257, this line item provides additional funding to increase the State contribution for Public Employees' Retirement Association (PERA).

*Statutory Authority:* Section 24-51-411, C.R.S.

*Request:* The Department requests $613,891 total funds (including $131,133 General Fund) for FY 2017-18. This includes an increase of $3,003 reappropriated funds for request R2.

*RECOMMENDATION:* Consistent with common policy, staff recommends the request, with the exception of the adjustment for R2. Based on common policy, staff does not include "pots" adjustments for small personal services increases such as this one. Staff notes that this amount may change depending upon final Committee action on salary survey and merit pay amounts.

| EXECUTIVE DIRECTOR'S OFFICE, S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $560,808 | $103,946 | $87,633 | $246,315 | $122,914 | 0.0 |
| **TOTAL** | **$560,808** | **$103,946** | **$87,633** | **$246,315** | **$122,914** | **0.0** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $560,808 | $103,946 | $87,633 | $246,315 | $122,914 | 0.0 |
| Centrally appropriated line items | 50,080 | 27,187 | (8,676) | 26,862 | 4,707 | 0.0 |
| R2 Rural economic stabilization | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$610,888** | **$131,133** | **$78,957** | **$273,177** | **$127,621** | **0.0** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$50,080** | **$27,187** | **($8,676)** | **$26,862** | **$4,707** | **0.0** |
| Percentage Change | 8.9% | 26.2% | (9.9%) | 10.9% | 3.8% | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$613,891** | **$131,133** | **$78,957** | **$276,180** | **$127,621** | **0.0** |
| Request Above/(Below) Recommendation | $3,003 | $0 | $0 | $3,003 | $0 | 0.0 |

## S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT

Pursuant to S.B. 06-235, this line item provides additional funding to increase the State contribution for PERA.

*STATUTORY AUTHORITY:* Section 24-51-411, C.R.S.

*REQUEST:* The Department requests $613,891 total funds (including $131,133 General Fund) for FY 2017-18. This includes an increase of $3,003 reappropriated funds for request R2.

*RECOMMENDATION:* Consistent with common policy, staff recommends the request, with the exception of the adjustment for R2. Based on common policy, staff does not include "pots" adjustments for small personal services increases such as this one. Staff notes that this amount may change depending upon final Committee action on salary survey and merit pay amounts.

| EXECUTIVE DIRECTOR'S OFFICE, S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $554,966 | $102,863 | $86,720 | $243,749 | $121,634 | 0.0 |
| **TOTAL** | **$554,966** | **$102,863** | **$86,720** | **$243,749** | **$121,634** | **0.0** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $554,966 | $102,863 | $86,720 | $243,749 | $121,634 | 0.0 |
| Centrally appropriated line items | 55,922 | 28,270 | (7,763) | 29,428 | 5,987 | 0.0 |
| R2 Rural economic stabilization | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$610,888** | **$131,133** | **$78,957** | **$273,177** | **$127,621** | **0.0** |

| EXECUTIVE DIRECTOR'S OFFICE, S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
|---|---|---|---|---|---|---|
| **INCREASE/(DECREASE)** | **$55,922** | **$28,270** | **($7,763)** | **$29,428** | **$5,987** | **0.0** |
| Percentage Change | 10.1% | 27.5% | (9.0%) | 12.1% | 4.9% | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$613,891** | **$131,133** | **$78,957** | **$276,180** | **$127,621** | **0.0** |
| Request Above/(Below) Recommendation | $3,003 | $0 | $0 | $3,003 | $0 | 0.0 |

## SALARY SURVEY

The Department uses this line item to pay for annual increases for salary survey and senior executive service positions.

*STATUTORY AUTHORITY:* Section 24-50-104, C.R.S.

*REQUEST:* The Department requests $332,562 total funds, including $71,388 General Fund, for FY 2017-18.

*RECOMMENDATION:* The staff recommendation is **pending** a Committee common policy decision on this item.

## MERIT PAY

This line item funds pay increases relating to employee performance evaluations.

*STATUTORY AUTHORITY*: Pursuant to Section 24-50-104 (1) (c), C.R.S.

*REQUEST:* The Department requests no merit pay funding for FY 2017-18.

*RECOMMENDATION:* The staff recommendation is **pending** a Committee common policy decision on this item.

## WORKERS' COMPENSATION

This line item is used to pay the Department's estimated share for inclusion in the State's workers' compensation program for state employees.

*STATUTORY AUTHORITY:* Section 24-30-1510.7, C.R.S.

*REQUEST:* The Department requests $128,068 total funds (including $106,478 General Fund) for FY 2017-18.

*RECOMMENDATION:* The staff recommendation is **pending** a Committee common policy decision for this line item.

## OPERATING EXPENSES

This line item includes funding for operating expenses for the Executive Director's Office as well as funding for capital outlay, motor-pool, and software maintenance agreements.

*STATUTORY AUTHORITY:* Article 32 of Title 24, C.R.S.

*REQUEST:* The Department requests continuation funding of $132,888 total funds.

*RECOMMENDATION:* **Staff recommends the requested continuation of $132,888 total funds.** The fund source is indirect cost recoveries.

## LEGAL SERVICES

This line item provides funding for the Department to purchase legal services from the Department of Law. Most of the appropriation funds legal services to the Board of Assessment Appeals and to the Property Tax Administrator. The balance of the legal services hours provides staffing for rule and regulation review, contract processing, and other miscellaneous legal needs.

*STATUTORY AUTHORITY:* Sections 24-31-101 (1) (a), C.R.S., and 24-75-112 (1) (i), C.R.S.

*REQUEST:* The Department requests $176,678 total funds (including $156,086 General Fund) to purchase **1,780** hours of legal services from the Department of Law in FY 2017-18. This incorporates the Department of Law's proposed new billing methodology.

*RECOMMENDATION:* **Staff recommends the Committee authorize 1,780 hours of legal services from the Department of Law in FY 2017-18.** This continues to include 80 hours added pursuant to H.B. 15-1376 (Retail Marijuana Taxes) related to start-up for the Local Government Retail Marijuana Impact Grant Program. It is unclear whether these additional hours will continue to be used, but the Department has indicated there may still be some need as it refines guidelines and processes. Over the last five years, the average utilization has been 1,484 hours, with a high of 1,613 and a low (in FY 2015-16) of 1,190. **The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services by the Committee.** Staff requests permission to adjust the line item after the Committee has determined the rate.

## PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

The Department's share of liability and property insurance carried by the Department of Personnel and Administration is appropriated through this line item. The State's liability program is used to pay liability claims and expenses brought against the State.

*STATUTORY AUTHORITY:* Section 24-30-1510 and 24-30-1510.5, C.R.S.

*REQUEST:* The Department requests $51,655 total funds (including $48,084 General Fund) for this purpose for FY 2017-18.

*RECOMMENDATION:* The staff recommendation is **pending** the Committee common policy decision for this line item.

### VEHICLE LEASE PAYMENTS

This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles.

*STATUTORY AUTHORITY:* Section 24-30-1104 (2), C.R.S.

*REQUEST:* The Department requests $90,241 total funds (including $81,074 General Fund) for FY 2017-18. The DPA common policy request for the Department includes replacing five older vehicles with CNG vehicles.

*RECOMMENDATION:* The staff recommendation is **pending** the Committee common policy decision for this line item.

### INFORMATION TECHNOLOGY ASSET MAINTENANCE

This line item funds routine replacement of technology to keep it current and minimize work interruptions.

*STATUTORY AUTHORITY:* Article 32 of Title 24, C.R.S.

*REQUEST:* The Department requests continuation funding of $80,469 total funds (including $29,913 General Fund) for this purpose for FY 2017-18.

*RECOMMENDATION:* **Staff recommends continuation of $80,469 total funds, including $29,913 General Fund.** *Staff notes the line item was significantly underspent in FY 2015-16,* but, given that it was fully spent the prior year, staff will wait for an additional actual year to determine if an adjustment is needed.

### LEASED SPACE

This line item funds leased space needs for the Department. Each office is strategically located throughout the State to maximize the impact of DOLA's field staff. The Department currently leases space at the following locations:

| SUMMARY OF LEASED SPACE | | | |
|---|---|---|---|
| CITY | ADDRESS | FY 2016-17 LEASE PAYMENTS | SPACE (SQ FT) |
| Alamosa | 610 State Street | $6,240 | 291 |
| Frisco | 602 Galena Street | 3,301 | 294 |
| Loveland | 150 East 29th Street | 12,768 | 955 |
| Pueblo | 132 West B Street | 13,968 | 900 |

| Summary of Leased Space | | | |
|---|---|---|---|
| **City** | **Address** | **FY 2016-17 Lease Payments** | **Space (sq ft)** |
| Sterling | 109 North Front Street | 5,951 | 500 |
| Durango | 1000 Rim Drive | 14,551 | 355 |
| Glenwood Springs | 818 Colorado Avenue | 6,588 | 336 |
| **Total** | | $63,367 | 3,631 |

The space leased in the locations above has not changed since FY 2013-14, although there have been modest adjustments to rates at some locations.

*Statutory Authority:* Article 32 of Title 24, C.R.S.

*Request:* The Department requests continuation funding of $65,000 in total funds (including $22,376 in General Fund) for this purpose in FY 2017-18.

*Recommendation:* **Staff recommends continuation level funding of $65,000 total funds (including $22,376 General Fund) for FY 2017-18.** The Department anticipates small increases at some locations in FY 2017-18, but details are not yet available. Staff assumes these can be accommodated within the current appropriation.

## Capitol Complex Leased Space

This line item is used to pay the Department of Personnel and Administration for the costs of maintaining State buildings that are part of the Capitol Complex. The Department currently leases space in the Complex at 1313 Sherman and in Grand Junction at 2228 6th St.

At both locations, DOLA provides financial support to local communities and professional and technical services to community leaders in the areas of governance, housing, and property tax administration.

*Statutory Authority:* Section 24-30-1104 (4) and Part 1 of Article 82 of Title 24, C.R.S.

*Request:* The Department requests $792,500 total funds, including $148,967 General Fund, for FY 2017-18.

The Department proposes to use slightly less space at both the Denver and Grand Junction locations in FY 2017-18. Anticipated square footage is shown below.

| Capitol Complex Lease Space | |
|---|---|
| **Location** | **Space (sq ft)** |
| Denver – 1313 Sherman Street | 38,107 |
| Grand Junction – 222 S. 6th Street | 3,783 |

*RECOMMENDATION:* Staff recommends the requested space allotment. The cost for this space is **pending** the Committee common policy decision for capitol complex leased space.

## PAYMENTS TO OIT

This line item includes the consolidated Department appropriations for information technology services.

*STATUTORY AUTHORITY:* Section 24-37.5-104, C.R.S.

*REQUEST:* The Department requests $1,516,456 total funds, including $394,069 General Fund. This includes the following increases that are related to requests in the Governor's Office of Information Technology and that will be figure-set during that presentation:

- $125,940 for a common policy adjustment
- $17,850 for NP2 OIT Secure Colorado
- $7,183 for NP3 Deskside support
- $28,360 for NPBA3 OIT HRIS maintenance

The request also includes a request from the Department of Local Affairs to change the fund splits in this line item: BA1 Refinancing Payments to OIT line item, which increases General Fund in this line item by $51,937, cash funds by $9,322, and reappropriated funds by $71,905, while reducing federal funds by $133,164.

*RECOMMENDATION:* The staff recommendation is **pending** the Committee common policy decision for this line item and additional work on appropriate funding splits. Staff requests permission from the Committee to work with the Department on appropriate fund splits for the line item. At the time this document went to print, the Department was still refining requested funding splits.

## CORE OPERATIONS

This line item funds operation of the Colorado Operations Resource Engine (CORE), the new accounting system which was launched in July 2014.

*STATUTORY AUTHORITY:* Section 24-30-209, C.R.S.

*REQUEST:* The Department requests $404,028 in total funds (including $174,685 General Fund) for FY 2017-18.

*RECOMMENDATION:* The staff recommendation is **pending** the Committee common policy decision for this line item.

## MOFFAT TUNNEL IMPROVEMENT DISTRICT

This line item funds the Department's administration of the Moffat Tunnel Improvement District. The Moffat Tunnel train tunnel, owned by the district, runs 6.2 miles under the Continental Divide between Rollinsville and Winter Park.

Freight trains, passenger trains, and fiber optic cables run through the tunnel bore. The Department of Local Affairs is provided custodial authority by statute, with rights to enter into contracts and to effect sale of the property. However, revenue from the property is to be distributed to the nine Improvement District counties, after the Department has set aside sufficient revenue for administrative costs.[1]

Cash funds are received from annual lease revenues. There are currently two lessees, Union Pacific Railroad (UP) and Century Link (formerly Qwest). The leases require UP pay the District $12,000 per year and Century Link to pay $14,659 per year. The UP lease term ends in 2025 with a right to renew and the Century Link lease term ends 2091 with right to renew. The appropriation provides spending authority from reserves in the Moffat Tunnel Cash Fund in case moneys are needed to protect the right-of-way from legal challenges.

*STATUTORY AUTHORITY:* Sections 32-8-101 through 126, C.R.S.

*REQUEST:* The Department requests continuation funding of $100,000 in total funds (all of which is cash funds) for FY 2017-18.

*RECOMMENDATION:* **Staff recommends an appropriation of $100,000** cash funds spending authority. While it seems unlikely the appropriation will be used based on recent history, this provides the Department spending authority to address legal or other issues that arise related to the tunnel. **Staff also recommends a request for information, discussed above.**

[1] Administrative costs do not include physical maintenance of the tunnel, since, pursuant to statute, the users of the tunnel are responsible for the cost of maintaining the tunnel, its approaches, and equipment. Users also have the right to construct and repair, for their own benefit and at their sole cost, improvements to the Tunnel.

# (2) PROPERTY TAXATION

This section provides funding for the Division of Property Taxation, which: issues appraisal standards and provides training and technical assistance to county assessors; values multi-county companies; and grants taxation exemptions. This section also provides funding for the State Board of Equalization, which supervises the administration of property tax laws by local county assessors, as well as the Board of Assessment Appeals, which hears petitions for appeal on valuation, abatements, exemptions, and valuation of state-assessed properties.

| PROPERTY TAXATION | | | | | |
|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FTE |
| | | | | | |
| **FY 2016-17 Appropriation** | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $3,865,576 | $1,408,546 | $1,296,715 | $1,160,315 | 49.9 |
| Other legislation | 29,270 | 29,270 | 0 | 0 | 0.5 |
| **TOTAL** | **$3,894,846** | **$1,437,816** | **$1,296,715** | **$1,160,315** | **50.4** |
| | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | |
| FY 2016-17 Appropriation | $3,894,846 | $1,437,816 | $1,296,715 | $1,160,315 | 50.4 |
| BAA CashFund adjustment | 0 | (75,000) | 75,000 | 0 | 0.0 |
| Annualize prior year budget actions | 2,679 | 710 | 1,969 | 0 | 0.0 |
| Indirect cost assessment | (17,068) | 0 | (5,354) | (11,714) | 0.0 |
| Annualize prior year legislation | (2,352) | (2,352) | 0 | 0 | 0.0 |
| **TOTAL** | **$3,878,105** | **$1,361,174** | **$1,368,330** | **$1,148,601** | **50.4** |
| | | | | | |
| **INCREASE/(DECREASE)** | **($16,741)** | **($76,642)** | **$71,615** | **($11,714)** | **0.0** |
| Percentage Change | (0.4%) | (5.3%) | 5.5% | (1.0%) | 0.0% |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$3,918,352** | **$1,436,174** | **$1,310,928** | **$1,171,250** | **50.4** |
| Request Above/(Below) Recommendation | $40,247 | $75,000 | ($57,402) | $22,649 | (0.0) |

## DECISION ITEMS – PROPERTY TAXATION

The Executive Branch did not submit any decision items for this division.

### ➔ STAFF TECHNICAL ADJUSTMENT: BOARD OF ASSESSMENT APPEALS CASH FUND

*BACKGROUND:* The Board of Assessment Appeals (BAA) hears appeals from property owners on the valuation of their property for tax purposes. S.B. 13-146 established the Board of Assessment Appeals Cash Fund (BAA Cash Fund), which offsets General Fund otherwise required for operations of the BAA. The BAA Cash Fund only partially supports the BAA. Prior to this bill, fees collected by the BAA for appeals heard by the BAA were deposited to the General Fund, and the BAA was supported exclusively from the General Fund.

BAA cash fund revenue fluctuates on a two-year cycle depending upon whether the given fiscal year is a year in which properties are assessed. Property is assessed in odd-numbered years, which drives heightened BAA activity in even-numbered state fiscal years. The JBC took action in FY 2014-15 to lower anticipated funding from the cash fund and to again increase it in FY 2015-16 based on the revenue swings. For FY 2016-17 it held cash funds appropriations from this source flat (the Department had proposed a reduction).

*REQUEST:* The Department did not include an appropriation change in the fund source this year. In response to staff questions, the Department indicated that it would likely revert General Fund in FY 2016-17 and FY 2017-18, based on fully expended BAA cash fund appropriations but still proposed that current fund splits not be modified.

*RECOMMENDATION:* ***Staff recommends increasing the appropriation from the BAA cash fund by $75,000 and decreasing the General Fund appropriation by the same amount.*** Actual data submitted indicates that:

- the Department substantially under-spent (reverted) the FY 2015-16 appropriation from this funding source while spending virtually all of its General Fund appropriation that year; and
- revenue for FY 2015-16 came in higher than projections. As a result, the fund balance at the beginning of FY 2016-17 had grown to $310,941.

Even assuming lower revenues in FY 2016-17, *an additional $75,000 can be easily accommodated for FY 2017-18. For the present, staff assumes this is a one-time adjustment and that General Fund will need to be restored in FY 2018-19.* However, staff anticipates that the fund split adjustment for the line item will be reconsidered as part of FY 2018-19 figure setting.

The table below reflects staff's assumptions/recommendations for the fund source. These assumptions reflect more revenue than the Department's assumptions for both FY 2016-17 and FY 2017-18. However, even at the Department's assumed revenue levels for these years, available funds would be sufficient to cover the staff-recommended adjustment for FY 2017-18. (General Fund would need to be restored in FY 2018-19 under the Department's current revenue projections.)

| BOARD OF ASSESSMENT APPEALS CASH FUND - STAFF PROJECTION/RECOMMENDATION | | | | | | | |
|---|---|---|---|---|---|---|---|
| | FY 2014* | FY 2015 | FY 2016* | FY 2017 | FY 2018* | FY 2019 | FY 2020* |
| Starting Fund Balance | $0 | $69,720 | $82,908 | $310,941 | $238,674 | $225,728 | $78,461 |
| Revenue | 225,993 | 114,841 | 272,330 | *114,841* | *249,162* | *114,841* | *249,162* |
| Expenditure/Approp. | 156,273 | 101,652 | 44,297 | 187,108 | 262,108 | 262,108 | 262,108 |
| Ending Fund Balance | 69,720 | 82,909 | 310,941 | 238,674 | 225,728 | 78,461 | 65,514 |
| *Assessment (higher revenue) years | | | | | | | |

Note, also, that *staff understands that the Department is making adjustments in the accounting system to ensure that, in the future, BAA cash funds are spent first and that any reversions are therefore accounted for in the General Fund.*

# LINE ITEM DETAIL — PROPERTY TAXATION

## DIVISION OF PROPERTY TAXATION

The Property Tax Administrator is a constitutionally created position, responsible for administering property tax laws under the supervision and control of the State Board of Equalization (see Section 15 (2) of Article X of the Colorado Constitution). Pursuant to Section 39-2-101, C.R.S., the Property Tax Administrator is head of the Division of Property Taxation (DPT). The key statutory responsibilities that drive the Division's workload are carried out by four subdivisions:

- **Appraisal Standards Section:** ensures property tax equity by issuing appraisal standards and training county assessors.
- **Administrative Resources Section:** prepares and publishes administrative manuals, procedures, and instructions for assessors' offices.
- **Exemptions Section:** grants exemptions from taxation for charities, churches, and other eligible entities to assure a standardization of exemptions.
- **State Assessed Section:** performs original valuations of multi-county companies in Colorado, including railroads, pipelines, and other utilities.

The Division is supported by General Fund, fees for approving property tax exemptions, and mineral and energy impact funds.

Since FY 2010-11, filing fees for applications for exemptions from taxation have been $175 per exemption application, $75 for timely filed exempt property reports, and $250 for exempt property reports filed after the April 15 deadline.

*STATUTORY AUTHORITY:* Section 15 of Article X of the Colorado Constitution and Article 2 of Title 39, C.R.S.

*REQUEST:* The Department requests $2,848,932 in total funds and 37.2 FTE for this program line, including $1,017,820 General Fund, including a reduction of $2,352 to annualize H.B. 16-1175 (Property Tax Exemption Administration) and an increase of $1,969 to annualize salary survey awarded in FY 2016-17.

*RECOMMENDATION:* Staff recommends the request which is calculated consistent with Committee common policy.

| PROPERTY TAXATION, DIVISION OF PROPERTY TAXATION | | | | | |
|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FTE |
| | | | | | |
| PERSONAL SERVICES | | | | | |
| FY 2016-17 Appropriation | $2,649,006 | $949,908 | $886,063 | $813,035 | 37.2 |
| Annualize prior year budget actions (salary survey) | 1,969 | 0 | 1,969 | 0 | 0.0 |
| Annualize prior year legislation (HB 16-1175) | (2,352) | (2,352) | 0 | 0 | 0.0 |
| **Subtotal - Personal Services** | **$2,648,623** | **$947,556** | **$888,032** | **$813,035** | **37.2** |

| Property Taxation, Division Of Property Taxation | | | | | |
|---|---|---|---|---|---|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | FTE |
| Operating Expenses | | | | | |
| FY 2016-17 Appropriation | $200,309 | $70,264 | $40,810 | $89,235 | 0.0 |
| Annualize prior year budget actions | 0 | 0 | 0 | 0 | 0.0 |
| Annualize prior year legislation | 0 | 0 | 0 | 0 | 0.0 |
| **Subtotal - Operating Expenses** | **$200,309** | **$70,264** | **$40,810** | **$89,235** | **0.0** |
| | | | | | |
| **Total Recommended FY 2017-18 Appropriation** | **$2,848,932** | **$1,017,820** | **$928,842** | **$902,270** | **37.2** |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$2,848,932** | **$1,017,820** | **$928,842** | **$902,270** | **37.2** |
| Request Above/(Below) Recommendation | $0 | $0 | $0 | $0 | 0.0 |

## State Board of Equalization

Description: The State Board of Equalization ("State Board"), created in Section 15 of Article X of the Colorado Constitution, consists of five members:

- The Governor (or his or her designee).
- The Speaker of the House of Representatives (or his or her designee).
- The President of the Senate (or his or her designee).
- Two members appointed by the Governor with the consent of the Senate.

The State Board supervises the administration of property taxation laws by local county assessors. In this regard, the State Board meets at least once annually to review real and personal property valuations, hear complaints concerning valuation (including petitions by tax-levying authorities), redirect assessments, and set the residential assessment ratio. The Board also approves training manuals, appraisal standards, and written instructions issued by the Property Tax Administrator.

During each property tax year, an assessment study is conducted to determine whether or not county assessors have complied with property tax provisions in the State Constitution and in State statutes. The State Board is responsible for ordering a reappraisal of affected classes of property which were not properly assessed in accordance with the State Constitution and with State statutes. Finally, the State Board appoints the Property Tax Administrator.

The Constitution requires the General Assembly to provide by statute for the compensation of State Board members. Pursuant to Section 39-9-101 (2), C.R.S., State Board members receive $50 per day for each day spent attending State Board meetings or hearings, as well as reimbursement for actual and necessary expenses incurred in performing State Board duties. This line item funds the Board's direct operating expenses, including $50 per diem payments and expense reimbursements.

*Statutory Authority:* Section 39-9-101, C.R.S.

*Request:* The Department requests continuation level funding of $12,856 General Fund.

*Recommendation:* Staff recommends the Department's request for a continuation level of $12,856 General Fund.

## BOARD OF ASSESSMENT APPEALS

The Board of Assessment Appeals (BAA) is a quasi-judicial body that operates as a "type 1" agency within the Department (see Section 39-2-123, C.R.S.). The Board hears appeals by individual taxpayers who disagree with county boards of equalization, county boards of commissioners, and the Property Tax Administrator on the valuation of real and personal property, property tax abatements (reductions), and property tax exemptions. State assessed properties and exemptions are first appealed to the property tax administrator. These cases may then be appealed to the BAA. Appeals to the BAA must be made in writing within 30 days of the decision that is being appealed. After the appeal is docketed, a receipt of appeal is sent to the Petitioner. A notice of hearing is mailed to all parties at least 30 days prior to the scheduled hearing. The Board's decision is transmitted in a written order and mailed to all parties. Board decisions are also posted on the Board's website. Board decisions may be appealed to the Colorado Court of Appeals.

Pursuant to statute, Board members must be registered, certified, or licensed as an appraiser. The Board must consist of at least three members, and an additional six members may be appointed based on workload. There are currently eight members. All Board members are employees of the State who are appointed by the Governor, with the consent of the Senate, and serve at the pleasure of the Governor. As employees of the State they are entitled to benefits such as health, life and dental, short-term disability, and PERA. Compensation is based on a statutory rate of $150 per day. Board members often have private sector employment in addition to their duties on the Board. This line item supports 13.2 FTE, including the eight board members and 5.2 board staff members.

In recent years, the BAA has heard from 1,300 to almost 4,000 cases per year, depending upon whether it is an assessment or non-assessment year. In FY 2015-16, the BAA received and docketed 3,168 appeals, while 1,064 have been received in the first half of FY 2016-17 (through Jan 19). A 2011 audit by the State Auditor's Office highlighted significant delays in resolving cases (only 37 percent were resolved within a year in FY 2008-09). These issues have been addressed. For appeals resolved in FY 2015-16, 99 percent of cases were resolved within one year.

The BAA Cash Fund was created in Senate Bill 13-146, which credited all filing fees paid to the BAA to the Cash Fund. *Filing fees are established in statute at Section 39-2-125 (h), C.R.S.* Fees are $101.25 per property for a person who is represented; for a person representing him/herself, filing is free for the first two filings per year and $33.75 thereafter.

The Fund does not fully support the BAA but offsets General Fund otherwise required. Reappropriated funds reflect statewide indirect cost recoveries.

*STATUTORY AUTHORITY:* Section 39-2-123, C.R.S.

*REQUEST:* The Department requests $620,290, including $405,498 General Fund with no funding split adjustment. This amount annualizes the FY 2016-17 salary survey award.

*RECOMMENDATION:* The staff recommendation is for $620,290 total funds, consistent with the request, but, as discussed above, funding splits have been adjusted based on amounts available in the BAA Cash Fund.

| Property Taxation, Board Of Assessment Appeals | Total Funds | General Fund | Cash Funds | Reappropriated Funds | FTE |
|---|---|---|---|---|---|
| | | | | | |
| Personal Services | | | | | |
| FY 2016-17 Appropriation | $593,819 | $379,027 | $151,637 | $63,155 | 13.2 |
| BAA Cash Fund adjustment | 0 | (75,000) | 75,000 | 0 | 0.0 |
| Annualize prior year budget actions (salary survey) | 710 | 710 | 0 | 0 | 0.0 |
| **Subtotal - Personal Services** | **$594,529** | **$304,737** | **$226,637** | **$63,155** | **13.2** |
| | | | | | |
| Operating Expenses | | | | | |
| FY 2016-17 Appropriation | $25,761 | $25,761 | $0 | $0 | 0.0 |
| BAA Cash Fund adjustment | 0 | 0 | 0 | 0 | 0.0 |
| Annualize prior year budget actions | 0 | 0 | 0 | 0 | 0.0 |
| **Subtotal - Operating Expenses** | **$25,761** | **$25,761** | **$0** | **$0** | **0.0** |
| | | | | | |
| **Total Recommended FY 2017-18 Appropriation** | **$620,290** | **$330,498** | **$226,637** | **$63,155** | **13.2** |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$620,290** | **$405,498** | **$151,637** | **$63,155** | **13.2** |
| Request Above/(Below) Recommendation | $0 | $75,000 | ($75,000) | $0 | (0.0) |

## Indirect Cost Assessment

This line reflects the amount of indirect cost assessments made against cash and reappropriated funds funding sources within the Division (including federal mineral leasing and severance tax revenues that are appropriated to support a portion of this division's activities). The funds collected through this line item are used to offset General Fund that would otherwise be required in the Executive Director's Office, Personal Services, and Operating line items and the Board of Assessment Appeals.

*Request:* The Department requests $436,274 total funds for FY 2017-18 for the collection rate applied to the Division for indirect cost recoveries.

*Recommendation:* The staff recommendation is reflected in the table below, based on updated data provided by the Department February 1. This division is assessed at a 21.6 percent collection rate, based on the overall plan negotiated between the Department and the federal Department of Housing and Urban Development.

| Property Taxation, Indirect Cost Assessment | Total Funds | General Fund | Cash Funds | Reappropriated Funds | FTE |
|---|---|---|---|---|---|
| | | | | | |
| FY 2016-17 Appropriation | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $413,095 | $0 | $218,205 | $194,890 | 0.0 |
| **TOTAL** | **$413,095** | **$0** | **$218,205** | **$194,890** | **0.0** |
| | | | | | |
| FY 2017-18 Recommended Appropriation | | | | | |
| FY 2016-17 Appropriation | $413,095 | $0 | $218,205 | $194,890 | 0.0 |
| Indirect cost assessment | (17,068) | 0 | (5,354) | (11,714) | 0.0 |
| **TOTAL** | **$396,027** | | **$212,851** | **$183,176** | **0.0** |
| | | | | | |
| **INCREASE/(DECREASE)** | **($17,068)** | **$0** | **($5,354)** | **($11,714)** | **0.0** |
| Percentage Change | (4.1%) | 0.0% | (2.5%) | (6.0%) | 0.0% |

| PROPERTY TAXATION, INDIRECT COST ASSESSMENT | | | | | |
|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FTE |
| **FY 2017-18 EXECUTIVE REQUEST** | **$436,274** | **$0** | **$230,449** | **$205,825** | **0.0** |
| Request Above/(Below) Recommendation | $40,247 | | $17,598 | $22,649 | 0.0 |

# (3) DIVISION OF HOUSING

The Division of Housing (DOH) provides financial and technical assistance designed to increase the availability of housing to low income, elderly, and disabled individuals. Financial assistance programs include State and federal grants, loans, loan guarantees, equity investments, and subordinated debt for construction or rehabilitation of affordable housing. DOH provides technical assistance to local communities, including assisting communities to identify housing needs and to apply for and secure available private and public financing for housing projects. DOH develops and updates various studies on the availability and affordability of housing in Colorado. Finally, DOH works with local governments to reform local development and building regulations in ways which lower housing production costs.

Beginning with the FY 2014-15 Long Bill, the Committee approved a Department-requested reorganization of this division into three subdivisions:

***Community and Non-Profit Services*** includes centrally located staff that provide services for administering the Division and services directly supported in the community. The community programs are partnerships with community service and non-profit agencies throughout the state.

***Field Services*** reflects the Division's outreach and technical assistance activities throughout the state. These staff, who are stationed at various locations statewide, assist local communities in developing affordable housing, oversee private activity bond incentives, and conduct inspections and regulation of the manufactured building industry.

***Indirect Cost Assessment*** includes the Department's assessment of indirect cost recoveries from cash, reappropriated, and federal fund sources used in this division.

| Division Of Housing | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
|---|---|---|---|---|---|---|
| **FY 2016-17 Appropriation** | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $80,118,127 | $16,535,300 | $1,165,467 | $449,325 | $61,968,035 | 53.8 |
| **TOTAL** | **$80,118,127** | **$16,535,300** | **$1,165,467** | **$449,325** | **$61,968,035** | **53.8** |
| | | | | | | |
| FY 2017-18 Recommended Appropriation | | | | | | |
| FY 2016-17 Appropriation | $80,118,127 | $16,535,300 | $1,165,467 | $449,325 | $61,968,035 | 53.8 |
| R1 Housing Development Grant Program | 0 | 0 | 0 | 0 | 0 | 0.0 |
| R3 Supportive housing for behavioral health | 4,000,000 | 2,000,000 | 2,000,000 | 0 | 0 | 1.0 |
| R4 Supportive housing and rapid rehousing | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Informational funds adjustment | 5,451,316 | 0 | 0 | 0 | 5,451,316 | 0.0 |
| Homeless Prevention Activities Program Fund | 60,000 | 0 | 60,000 | 0 | 0 | 0.0 |
| Annualize prior year budget actions | 4,945 | 551 | 0 | 1,307 | 3,087 | 0.0 |
| Indirect cost assessment | 189,717 | 0 | (3,395) | (31,132) | 224,244 | 0.0 |
| **TOTAL** | **$89,824,105** | **$18,535,851** | **$3,222,072** | **$419,500** | **$67,646,682** | **54.8** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$9,705,978** | **$2,000,551** | **$2,056,605** | **($29,825)** | **$5,678,647** | **1.0** |
| Percentage Change | 12.1% | 12.1% | 176.5% | (6.6%) | 9.2% | 1.9% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$98,481,948** | **$18,535,851** | **$17,498,090** | **$453,662** | **$61,994,345** | **55.8** |

| DIVISION OF HOUSING | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| Request Above/(Below) Recommendation | $8,657,843 | $0 | $14,276,018 | $34,162 | ($5,652,337) | 1.0 |

# DECISION ITEMS – DIVISION OF HOUSING

The Department request includes three decision items for this division. In addition, staff has recommended some technical adjustments to cash funds appropriations and federal funds shown for informational purposes.

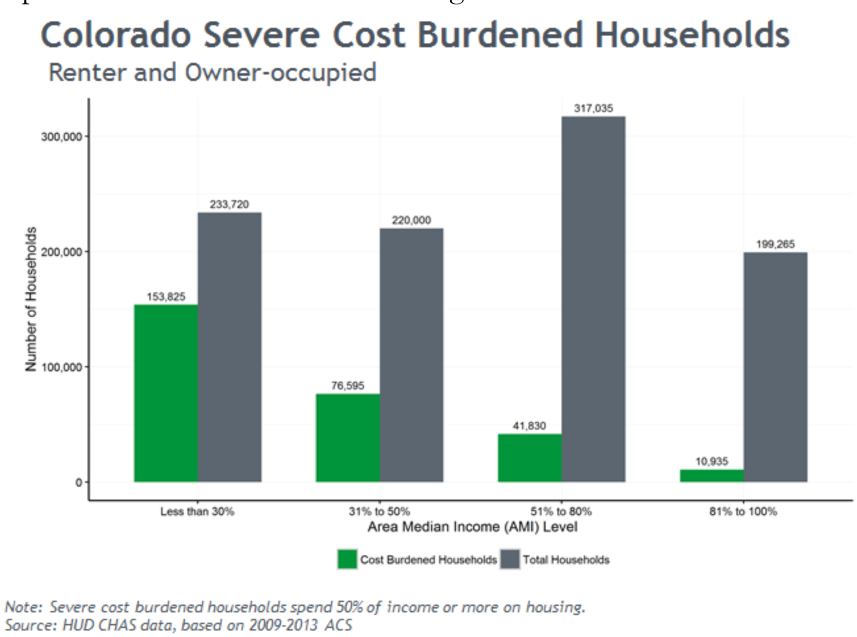
## ➔ OVERVIEW: HOUSING REQUESTS AND RECOMMENDATIONS

The Governor's budget request includes three housing requests:

- $2.0 million General Fund to increase funding for affordable housing construction, which would support a wide range of initiatives across the State (e.g., low-income senior housing, housing in areas facing gentrification)
- $4.0 million from Marijuana Tax Cash Funds for permanent supportive housing for people with significant behavioral health needs; and
- $12.3 million from Marijuana Tax Cash Funds for permanent supportive housing and rapid rehousing for other high-needs populations such as those who are chronically homeless, exiting the Department of Corrections, or homeless youth.

Staff observations:

- Affordable housing is a significant problem in the State. The Department estimates that 153,830 low-income households (earning at 30 percent or less of area median income) spend more than 50 percent of their income for housing.




- The State has virtually no ability to affect the *general* need for affordable housing. In FY 2015-16, State grants and loans ($8.2 million General Fund annual appropriation) contributed to the construction of 1,111 new rent-restricted affordable units. This represents about 0.7 percent of the need for affordable housing in Colorado, if need is defined as the number of low income households paying more than 50 percent of their income for housing.

- The State has <u>more</u> ability to affect housing for people with the highest needs, and this is the population for which there is most likely to be offsetting state savings associated with providing housing. In Colorado, 10,550 people were without any housing in January 2016, based on the annual point-in-time study of the homeless. Although this figure is generally recognized as an undercount of the homeless, it captures a significant portion of those with the highest needs: people in homeless shelters or entirely unhoused. Based on a comparison between available units and what's known about this population, there is a need for an additional 4,000-6,000 permanent supportive housing units.

- Current state statute makes the Department of Local Affairs responsible for affordable housing programs, but there is no statutory framework that directs the Department of Local Affairs or other departments to address the multi-layered needs of people who are homeless. Governor Hickenlooper has created an executive branch framework for this but there is no state statute that would ensure that this framework continues beyond the current governor's tenure.

- It is uncertain whether the Department of Local Affairs has authority to provide state-funded case management services for people who are homeless. While it plays this role with respect to federal funding, it has never had responsibility for state-funded case management. Statute at 24-32-705(1)(t), C.R.S., specifies that functions of the Division of Housing include:

  "To serve as the sole state agency for the purpose of administering and distributing *financial housing assistance* to persons in low- and moderate-income households and to persons with disabilities and assist such persons in obtaining housing, including, without limitation, rental assistance."

  The JBC and General Assembly may determine whether they believe the term "financial housing assistance" includes client case management.

- The Executive Branch agrees that a change in the Marijuana Tax Cash Fund (MTCF) statute at 39-28.8-501, C.R.S. to allow MTCF to be used for housing, is needed to implement requests R3 and R4. However, it does not believe other statutory change is necessary for these requests.

- The JBC has indicated that it is not currently interested in carrying legislation that would create a homeless programs framework. However, it has left open the possibility of changing the Marijuana Tax Cash Fund statute to allow the use of this Fund to support affordable housing initiatives.
- Staff believes that MTCF moneys may be used under current law for housing f<u>or those with a substance use disorder, including a co-occurring disorder</u>, under the provision at 39-28.8-501(2)(b)(IV)(C), C.R.S. that specifies MTCF moneys may be appropriated:

  "To treat *and provide related services* to people with any type of substance use disorder, including those with co-occurring disorders, or to evaluate the effectiveness and sufficiency of substance use disorder services;" [emphasis added]

However, *this statute does not encompass housing for those who do not have a substance use disorder.*

Summary of staff recommendation:

- Staff recommends requests R3 and R4 in the context of legislation that would clarify legislative intent to address homelessness statewide and that would establish an ongoing interagency framework for tackling this problem.

- Given that the JBC has not thus far been interested in sponsoring related legislation and has only indicated a possible interest in legislation that would allow use of the MCTF for housing, staff has presented an alternative recommendation, which would support R3 using a mixture of General Fund and MTCF. *This alternative recommendation is the one included in the figure setting numbers pages, since this represents funding that could be implemented without statutory change.* This alternative recommendation does not include funding for R4.

- Staff does not recommend R1 on the grounds that the funds requested are less targeted than the R3 and R4 requests and in light of the extensive other demands on state funds. If the Committee approves the alternative staff recommendation, the General Fund requested in R1 would essentially be redirected to partially fund R3.

- Staff does not recommend R4 in the absence of new legislation on the grounds that this is too large and significant an initiative to launch without a more formal legal structure and clear legislative intent. This is particularly true given that a new Governor will be elected in 2018.

## ➔ R1 Housing Development Grant Program

Request R1 would expand the current $8.2 million General Fund appropriation for affordable housing construction grants and loans by $2.0 million to $10.2 million General Fund. The request would help to support the development of an estimated 250 additional affordable housing units ($8,000 per unit). The target population for this request is low-income Coloradans across the state spending 50 percent or more of their income on housing. This is a diverse group. The request indicates that the Division's "Housing Pipeline", representing projects planned for the next 24 months, includes 7,334 units that could be constructed if resources are available.

The Department's request particularly highlights:

*Rural Coloradans:* Rural projects are often too small for federal Low Income Housing Tax Credit financing and often require greater per-unit subsidies. Of units in the housing pipeline, 2,332 are in rural communities.

*Seniors:* By 2020, the population between ages 65 and 74 will nearly double. Funding is needed to develop housing for seniors close to support services.

*Gentrification:* The Department intends to target more funding to Colorado communities that are experiencing gentrification or at risk of gentrification.

The Department prioritizes projects to target the homeless and other very low income populations, but it also attempts to support other projects that meet local communities' housing needs. This request would further expand the state's involvement in a broad array of projects. Including this initiative (but excluding R3 and R4), the Department's goal is to support the development of 3,350 new affordable units in FY 2017-18 using both state and federal funds available to the Department.

The table below, from the Department's annual RFI response on housing reflects the Department's analysis of the benefits resulting from state housing construction funds allocated in FY 2015-16.

| Department's Analysis of Housing Development Summary Outcomes: Affordable Rental and For-Sale Housing | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Project Type** | **Total Units*** | **Total DOH Award** | **Household Savings (over one year)** | **Local Income (over one year)** | **All Local Tax Revenue (over one year)** | **State Tax Revenue (over one year)** | **Jobs Created (over one year)** | **Funds Leveraged** |
| Rental New Construction | 731 | $5,321,205 | $5,285,364 | $127,921,520 | $21,310,295 | $8,370,864 | 1,784 | $167,814,933 |
| Rental Acquisition /Rehabilitation | 400 | $1,674,215 | $1,592,628 | $47,634,000 | $7,406,000 | $3,098,236 | 604 | $41,423,096 |
| Homeownership | 35 | $374,000 | N/A** | $10,640,000 | $2,135,000 | N/A*** | 146 | $4,876,000 |
| **Totals based on Revolved and Appropriated Funds invested** | **1,166** | **$7,369,420** | **$6,877,992** | **$186,195,520** | **$30,851,295** | **$11,469,100** | **2,534** | **$214,114,029** |

*The Division of Housing did not fund 100 percent of the development costs of projects funded by HDG and HITF because of over $214 million in leveraged funds in these projects. Outcomes are reported for all units in each project because the projects either would not have been able to move forward without funding from the Division or would have moved forward with less affordability (i.e., higher AMIs).
** The household savings analysis is not included because units are located throughout Colorado.
*** The State portion of the tax revenue is not available for homeownership; the analysis was completed for rental housing development in Colorado.

*RECOMMENDATION:* **Staff does not recommend this request**.

*ANALYSIS:*
In support of the Department's request, staff acknowledges:

- The demand for affordable housing in Colorado is immense and has been increasing as rents skyrocket and wages remain relatively flat.
- The Department successfully promotes and facilitates projects developed at the local level. State subsidies leverage other construction funding, representing a key "last dollar" for approved projects.
- There is clearly demand for these funds, as evidenced by the Department's "pipeline" of 7,334 units awaiting funding.
- State General Fund appropriated in this line item is often particularly important for smaller, rural projects that may not otherwise be financially viable.

- Housing construction generates significant economic activity and benefits in the form of jobs and tax revenues, and stable housing promotes better educational outcomes for children and correlates with lower health costs.

At the same time:

- Staff believes the additional $2.0 million requested could be more effectively used if it were more carefully targeted. It is impossible for the state to meet state affordable housing needs more broadly, and a more targeted approach increases the likelihood that the State will realize savings in other areas that offset its investments in housing.

- In addition to appropriations in this section, the State is making significant contributions to affordable housing construction in the form of State Low Income Housing Tax Credits. Pursuant to H.B. 16-1465, each year through 2019, the Colorado Housing and Finance Authority is authorized to allocate tax credits valued at $30 million, which are then claimed over a six year period.

## ➔ 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 354 permanent supportive housing units specifically for behavioral health consumers over five years. *The Permanent Supportive Housing (PSH)* model combines housing with other services and is a key component of both R3 and R4. Most programs are Housing First/"low barrier to entry", i.e., individuals receive an apartment without any specific commitment that they will remain sober or participate in certain activities, but they are then offered services that are "voluntary but assertive". A resident must typically pay 30 percent of his or her income in rent but may remain in the housing as long as he or she is a good tenant. Other models, e.g., group homes, may also be appropriate depending upon client needs.

The program would target:

- *Individuals exiting state mental institutes or other hospitals*. On July 1, 2016, there were 15 individuals at the institutes who would have benefited from a step-down placement were it available, equating to 150 per year in this situation. The average cost per day at the state mental health institute at Pueblo is $666, greatly exceeding costs of a step-down housing placement.
- *Ex-offenders/Diversions from incarceration for people with severe mental illness*. The request notes that 20% of individuals entering prisons and jails have mental illness and 10% are homeless in the months prior to incarceration. Approximately 1,800 individuals exit the state prison system to homelessness each year, and 70 percent of these have high service needs.
- *Homeless individuals with severe mental illness*. The 2015 Point in Time survey found that 1,877 of the 9,953 individuals counted as homeless self-reported as severely mentally ill. The federal Substance Abuse and Mental Health Services Administration reports that over 60 percent of people who are chronically homeless have experienced lifetime mental health problems and over 80 percent have alcohol or drug problems.

The table below summarizes the Department's anticipated mix of construction and voucher funding over a five year period.

| Expenses | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Assumptions |
|---|---|---|---|---|---|---|
| | | | | | | |
| Housing Production | $ 3,000,000 | $ 2,000,000 | $ 1,700,000 | $ 1,400,000 | $ 1,000,000 | 5% annual cost inflator |
| Units per Year | 125 | 79 | 64 | 51 | 35 | |
| Cumulative Units | 125 | 204 | 269 | 319 | 354 | 40% Acquisitions<br>60% New Const |
| State Housing Vouchers | $ 820,000 | $ 1,816,400 | $ 2,112,728 | $ 2,408,983 | $ 2,805,162 | $650/unit (5% annual inflator) |
| People served w/SHV | 105 | 222 | 246 | 269 | 300 | |
| Housing Navigator | $ 80,000 | $ 81,600 | $ 83,232 | $ 84,897 | $ 86,595 | |
| Administrative | $ 100,000 | $ 102,000 | $ 104,040 | $ 106,121 | $ 108,243 | |
| **Total** | **$ 4,000,000** | **$ 4,000,000** | **$ 4,000,000** | **$ 4,000,000** | **$ 4,000,000** | |

As shown:

- 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.
- Related case management and other services are not included but would be paid for by behavioral health system sources.

*RECOMMENDATION:*

- Staff recommends the request for the $4,000,000 in Marijuana Tax Cash Funds if the Committee is willing to sponsor or adopt a bill that would allow the use of Marijuana Tax Cash Funds for housing programs.
- In the absence of such a bill, staff recommends a new line item entitled "Supportive Housing for Behavioral Health Clients" to include $2,000,000 General Fund and $2,000,000 from the Marijuana Tax Cash Fund. While it may ultimately be appropriate to combine this line item with other existing line items, staff recommends that at this initial stage it be kept clearly delineated.
- A footnote associated with the line item should specify that the purpose of the MTCF appropriation in this line item is to provide housing services for people with substance abuse issues (including those who are dually diagnosed with mental illness) consistent with the provisions of current statute. Proposed language is included below.
- A General Fund appropriation in the line item will allow services to be extended to those who are not substance-dependent but who have high needs due to mental illness or other significant disability.
- Consistent with the request, staff recommends that appropriations in the line item be allowed to roll-forward, since there is often a significant time gap between when amounts are allocated and when they are finally spent, based on delays inherent in the building construction process.

- Staff recommends the following footnote language to accompany this item:

N Department of Local Affairs, Division of Housing, Field Services, Supportive Housing for Behavioral Health – This appropriation remains available through June 30, 2019. The appropriation from the Marijuana Tax Cash Fund in this line item is "to treat and provide related services to people with any type of substance use disorder, including those with co-occurring disorders", pursuant to the provisions of Section 39-28.8-501(2)(b)(IV)(C), C.R.S.

- Staff recommends an RFI accompany any funding approved. Staff recommends the following language:

N Department of Local Affairs, Division of Housing, Field Services, Supportive Housing for Behavioral Health – The Department is requested to provide a report by October 1, 2017 detailing the following:

- Procedures to be followed to ensure consistent prioritization of clients with the highest levels of need. This is anticipated to include use of the Vulnerability Index – Service Prioritization Decision Assistance Tool (VI-SPDAT);
- Plans for evaluating the program's impact and cost-effectiveness;
- Process for tracking key information related to individuals participating in the program, so that it will be possible to identify the resident's prior placements and source of referral (e.g., state mental health institute, community mental health centers, Department of Corrections) and whether program participants have a substance abuse diagnosis that would allow related services to be covered with MTCF funds
- Process for identifying the entity (e.g., mental health center, behavioral health organization) that is providing the resident with case management services associated with his or her housing placement;
- Copies of memoranda of understanding between the Department of Local Affairs, the Department of Human Services, the Department of Health Care Policy and Financing, the Department of Corrections, and samples of contracts that will be used with housing providers that ensure that procedures are in place to support a successful program and enable the Department to report on the program's impact and outcomes.

*ANALYSIS:*

**Data is mixed on the cost-effectiveness of supportive housing**. In response to a staff request, the Results First team from the Governor's Office used data provided by the Department of Local Affairs to provide a cost-effectiveness analysis of the permanent supportive housing component of this request. As anticipated, this study showed PSH was **not** cost effective.

***Summary of Benefit-Cost Components***

| Table 1: Benefit-Cost Analysis of Permanent Supported Housing | |
|---|---|
| a. Benefits to Taxpayers | $438.96 |
| b. + Non-taxpayer Benefits | $983.25 |
| c. = Total Benefits | $1,422.21 |
| d. Cost | $8,688 |
| e. Benefits – Cost | $(7,265.79) |
| f. Taxpayer Benefit-Cost Ratio (a/d) | $0.05 |
| **g. Total Benefit-Cost Ratio (c/d)** | **$0.16** |

**Yet many studies clearly do show PSH to be cost effective.** Some examples cited by the Executive Branch:

- The 2001 Culhane Report, which assessed the impact of supportive housing for 4,679 homeless persons with severe mental disabilities in New York City. The study found that before placement homeless people with severe mental illness used about $40,451 per person per year in services (1999 dollars). Placement in housing was associated in with a reduction in services use of $16,281 per housing unit per year.

- A 2006 Colorado Coalition for the Homeless Cost Benefit Analysis Study, which studied actual health and emergency service use of individuals for a 24 month period prior to entering housing services to a 24 month period afterwards. The study found emergency cost savings of $31,545 per participant.
- A 2012 Supportive Housing for Returning Prisoners Program in Ohio pilot, which compared post-incarceration costs for 121 participants who received supportive housing with 118 who did not. Those in housing were 43% less likely to be re-arrested on misdemeanor charges and 61% less likely to be incarcerated.
- A review by the Corporation for Supportive Housing of 20 studies published between 2002 and 2014 from across the country that studied chronically homeless, high utilizers accessing permanent supportive housing. The average annual cost per person while homeless was $67,209 per person. Once housed, the average annual cost reduction was $40,474.

- **Staff believes the difference between studies that find supported housing to be cost effective and those that do not is the level of need of the individuals who receive the service.** For example, a detailed study of the Silicon Valley homeless population found that public costs did not generally exceed the cost of providing housing—but that medical and related costs <u>did</u> exceed the cost of housing for the top 5 percent of homeless service users.[2]

- **The challenge for the State, if it approves this request, will be ensuring that it serves people with the highest needs for whom significant cost savings may be generated.** If it fails to do this, the project will be almost certainly not be cost-effective. Housing that significantly reduces days in a state mental health institute is more likely to be cost-effective. The annual cost of a bed at the State Mental Health Institute at Pueblo is $243,090 General Fund or about $4,675 per week. If a person is delayed by more than two weeks from exiting the state hospital due to lack of housing, the effective cost to the State quickly reaches the approximately $10,000 per year required for a full year of supportive housing. Likewise, the cost of supportive housing is approximately 50 percent of the $20,000 per year cost of incarceration in a DOC private facility.

- **The proposal builds on existing initiatives and thus Department and provider skills and knowledge.**
  - In recent years the Department has launched a "Pathways Home Supportive Housing Toolkit", a package of technical assistance to help communities develop permanent supportive housing projects. Application processes for DOLA and the Colorado Housing Finance Authority have been coordinated for this type of housing. As a result, there are both projects in the Department's "pipeline" and ready for acquisition for supportive housing.

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[2] Daniel Flaming, Halil Toros, and Patrick Burns, *Home Not Found: the Cost of Homelessness in Silicon Valley,* Economic Roundtable, 2015.
http://destinationhomescc.org/wp-content/uploads/2015/05/er_homenotfound_report_6.pdf

  - The Department of Local Affairs has long been responsible for 150 state-funded housing placements for people with mental illness. This initiative would expand this. Existing initiative also target the DOC population.

  - The Colorado Second Change Housing and Reintegration Program (C-SCHARP), supported with various federal funding sources, is an existing program designed to increase the changes of recovery for people on parole with co-occurring substance abuse and mental health disorders. The program is a collaboration between the Division of Housing in DOLA, the Department of Corrections, and three community mental health centers. An initial evaluation of the program, which has thus far served 65 people, suggests promising results in reducing days in detox, jail, and hospitalizations, although results have not been conclusive.

  - The State has been an active participant in efforts to get providers to use consistent tools for prioritizing clients for housing through the VI-SPDAT. Staff understands that this tool is not being used by all providers, but the Colorado Behavioral Healthcare Council reports that "where a [mental health center] may not be directly utilizing the VI-SPDAT, many partner with other agencies in their communities that are using the tool…" If the State wishes to help ensure that resources funded target those for whom services are most likely to be cost-effective, it should require a score of 10+ on the VI-SPDAT, administered by a properly trained and qualified administrator of the tool. Such an approach will also be critical for helping the State evaluate the program's effectiveness.

- **This request is consistent with the approach the State has taken in the past with respect to state-funded housing services**, i.e, DOLA covers the housing portion of the request while other entities provide case management. This proposal assumes that case management costs for this population will be borne by the Department of Human Services Office of Behavioral Health (indigent clients) and HCPF (Medicaid clients). *One benefit of this is that these entities should have greater ability to both monitor and report on the profiles of those who are served* (on an aggregate basis).

- **The 50/50 break-down between General Fund and MTCF for this recommendation is based on the following information:**

    - The Department of Human Services has estimated that 55-61% of clients exiting the mental health institutes will have a co-occurring mental health and substance use disorder, based on experience to-date. The Transition Services Program works to transition clients from the Colorado Mental Health Institutes. It currently works in coordination with DOLA to coordinate housing, including that which would be available from DOLA's R-3 and possibly R-4 request, and is therefore familiar with the dual-diagnosis profile of clients needing housing assistance.

    - According to the Colorado Behavioral Healthcare Council, the Community Mental Health Centers report a range of 50-90 percent of clients in need of housing from communities statewide are estimated to have a co-occurring mental/health disorder. Research indicates that people with severe mental illness are most likely to face housing challenges when they also have a substance abuse problem. According to one study, among people with mental illness, co-morbid substance abuse is "consistently the strongest predictor of housing loss".[3]

- Studies show that chronically homeless individuals have a substance use disorder rate of up to 70%.

  - The Collaborative Initiative to Help End Chronic Homelessness (CICH), an innovative demonstration project coordinated by the U.S. Interagency Council on Homelessness (USICH), jointly funded by the Departments of Housing and Urban Development (HUD), Health and Human Services (HHS [SAMHSA and HRSA]), and Veterans Affairs (VA) found that at the time of program entry, CICH clients had been homeless an average of 8 years in their lifetimes, 72% had substance abuse problems, 76% had mental health problems, and 66% reported medical problems.

  - Among the chronically homeless clients participating in the Metro Denver Point in Time Homelessness study, 45 percent self-reported with a substance abuse problem. Since this is self-reported data, it is likely to be an undercount.

- The Department of Corrections reports that, of parolees who parole to homelessness, 82.5 percent have a substance abuse needs level of 3 or more on a scale of 1-5 (with 5 being the highest), and 50.9 percent have a mental health needs level of 3 or more on a score of 1-4 (with 4 being the highest).

**Based on the above data, staff makes the conservative assumption that *at least* 50 percent of those receiving services through this initiative will have a substance abuse issue and that housing services received by such individuals may be supported with the MTCF.**

- The request proposes that $100,000 of the total be used for administration, in addition to amounts for a contracted housing navigator. The Department did not provide any additional detail on the administrative costs. However, staff agrees that a new FTE position is warranted for this initiative to ensure appropriate coordination between multiple entities: the Departments of Human Services, Health Care Policy and Financing, Corrections, and Local Affairs. The DPA classification of this new staff person is not yet clear. Staff also believes contracted funds for a housing navigator are a reasonable component of the request to provide on-the-ground support to recipients. Staff has included the 1.0 FTE requested in the proposed new line item for this initiative, with the idea that the initiative as a whole, including its administrative staff support, will need to be tracked over time.

## → R4 SUPPORTIVE HOUSING AND RAPID REHOUSING

The Department requests $12,319,900 per year from the Marijuana Tax Cash Fund and 1.0 FTE to support permanent supportive housing and rapid rehousing initiatives. The request anticipates that

[3] Russel Schutt and Stephen Goldfinger, *Fundamental Causes of Housing Loss Among Persons Diagnosed with Serious and Persistent Mental Illness: A Theoretically Guided Test*, Asian Journal of Psychiatry, Dec. 1, 2009. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2818505/

**300 revolving RRH placements and 1,200 PSH placements will have been created by the program by year 5**. *Rapid Rehousing (RRH)* is a temporary, two-year housing model that includes housing and services similar to PSH but is targeted to individuals with lower needs who are expected to exit the program and live independently after two years. Most of the RRH request is to serve people with *minimal* mental illness who are exiting the Department of Corrections.

This initiative differs from R3 in that:

- The target population is larger: "The five-year goal of the proposal is to end homelessness for veterans and chronically homeless and reduce homelessness for at-risk youth." Thus, the request would provide permanent supportive housing services for a broader range of consumers referred by both the Department of Corrections and the Department of Human Services.
- The request includes a "rapid rehousing" component targeted to lower-needs individuals exiting the Department of Corrections.
- Case management and employment counselor services are included, unlike for the behavioral health request.
- The request would include an evaluation component that the Executive now estimates at $100,000 per year.
- The five-year spending plan reflects an assumption that ongoing voucher costs will be assumed by federally-funded vouchers, allowing the Department to continue to focus funding on construction subsidies. By year 5, the request assumes that federal authorities will be adding as many as 400 new vouchers a year, allowing 1,200 of the 1,500 units created by year five to be supported by federal support on an ongoing basis.
- In the event that additional federal housing vouchers were not forthcoming, the $12.3 million could potentially support 1,200 ongoing vouchers (up to 300 rapid rehousing and 900 permanent supportive housing), instead of supporting new construction; however, the cost of those vouchers would likely increase over time, potentially driving either a reduction in the number of people served or an increase in demands on the state budget.

| | Year One | Year 2 | Year 3 | Year 4 | Year 5 | Notes |
|---|---|---|---|---|---|---|
| Per unit Subsidy | $24,000 | $25,200 | $26,460 | $27,783 | $29,172 | 5% inflator |
| RRH units | 200 | 100 | 0 | 0 | 0 | 300 |
| PSH units | 100 | 200 | 300 | 300 | 300 | 1,200 |
| Total | 300 | 300 | 300 | 300 | 300 | 1,500 |
| | $7,200,000 | $7,560,000 | $7,938,000 | $8,334,900 | $8,751,600 | $39,784,500 |
| | | | | | | |
| **Rapid Rehousing** | | | | | | |
| Case Management | $330,000 | $550,000 | $550,000 | $550,000 | $550,000 | staff ratio 30:1 |
| Rental Assistance | $1,560,000 | $2,340,000 | $2,340,000 | $2,340,000 | $2,340,000 | $650/mo |
| | | | | | | |
| **PSH** | | | | | | |
| Case Management | $165,000 | $825,000 | $1,100,000 | $1,650,000 | $2,200,000 | staff ratio 30:1 |
| Rental Assistance | $780,000 | $2,340,000 | $4,680,000 | $7,020,000 | $9,360,000 | $650/mo |
| | | | | | | |
| Employment Counselor | $130,000 | $130,000 | $195,000 | $195,000 | $195,000 | staff ratio 100:1 |
| | | | | | | |
| Admin/Training/ Evaluation | $200,000 | $225,000 | $250,000 | $275,000 | $300,000 | |
| | | | | | | |
| Total Cost | $10,365,000 | $13,970,000 | $17,053,000 | $20,364,900 | $23,696,600 | |
| | | | | | | |
| Rent Subsidy Offset | $450,000 | $1,350,000 | $4,050,000 | $7,200,000 | $10,800,000 | $750/mo |
| # of vouchers | 50 | 150 | 450 | 650 | 1,200 | |
| | | | | | | |
| **Total MJ funding** | **$9,915,000** | **$12,620,000** | **$13,003,000** | **$13,164,900** | **$12,896,600** | **$61,599,500** |

*RECOMMENDATION:*

- **Staff recommends the request in the context of a bill that would establish a clear state statutory goal of addressing homelessness and a framework for interagency oversight**, as well as allow use of MTCF for this purpose.

- **In the absence of such a bill, staff does not recommend the request.** Staff notes that the current governor's term will end at the beginning of 2019. The effort to address homelessness has been a priority of this governor but may or may not extend to the next.

- **To-date, the JBC has not been interested in sponsoring a bill that would create a formal interagency state framework for addressing homelessness and identify this as a state objective.**

Specific concerns:

- Use of MTCF for this purpose is not authorized in statute. Further, this request includes a case management component which has not previously been a DOLA responsibility for state-funded programs. As discussed above, it is matter of statutory interpretation whether providing such case management services falls within DOLA's statutory responsibilities.

- The request anticipates that much of the state's support would go to housing construction, with the idea that there would be sufficient vouchers freed-up from federal initiatives to provide the long-term support for individuals in this housing. Given changes at the federal level, it is uncertain whether federal vouchers will be continued at their current level or not.

- Staff continues to have some concerns about the "rapid rehousing" portion of the initiative that is supposed to target individuals with "minimal mental illness" who are released from the Department of Corrections.

  - The Governor's Office acknowledges that there are too few studies of this kind of initiative to determine whether it is likely to be cost-effective. In general, programs are more likely to be cost-effective if they target those with *higher needs*, rather than lower needs.

  - Staff also continues to have concerns about whether providers will be able to successfully site facilities that target those released from DOC, due to community resistance. The Department appears to believe that this is something it can overcome, in part through the use of smaller, scattered sites. However, staff still expects this will present something of a challenge.

  - Finally, there appears to be some disconnect between how DOC proponents envision this initiative (as potentially very short-term housing/an alternative to Colfax motels) versus how DOLA has presented it (two-year housing, serving both DOC and possibly other residents). Particularly if it is for very short-term housing, it is highly unlikely that any of the residents will be able to contribute to the cost of housing, which will drive up per-person costs.

- Should the General Assembly choose to move ahead with this proposal, it will be critical to ensure appropriate selection of clients and evaluate impacts. *The Department of Local Affairs typically works through its grantees and has little capacity from a legal perspective to gather information on the medical needs of individuals who receive services. This may make it difficult to ensure proper selection of clients or assess the initiative's impacts.*

- In general, staff believes plans related to this initiative may need further work. From one perspective, this proposal merely extends some existing Department functions that are supported with federal money. However, the chances for a strong, cost-effective program with outcomes that can be tracked into the future would be better with a clear state legal framework.

## ➔ STAFF RECOMMENDATION: LINE ITEM NAME AND FOOTNOTE FOR AFFORDABLE HOUSING GRANTS AND LOANS

The Department's request for R3 and R4 indicate that it would like to use the "Affordable Housing Grants and Loans" line item for rental subsidies and administrative costs as well as housing construction appropriations. Staff recommends that R3 and R4, if approved, should be in their own line item. Further, **the Department's proposal to use the existing line item for dual purposes**

**has highlighted the need to change the line item's name and add a footnote to more clearly indicate that General Fund in this line item is for construction grants and loans only.**

- **Section 24-32-721 creates the Colorado Affordable Housing Construction Grants and Loans Fund** which may be used to improve, preserve, or expand the supply of affordable housing, to fund the acquisition of housing and economic data on housing conditions. Appropriations to the Affordable Housing Grants and Loans line item are deposited to this Fund. Pursuant to the statute, up to 20 percent may be transferred to the Housing Investment Trust Fund for revolving loans and up to 3.0 percent of amounts in the Grants and Loans Fund may be used for administration.

- Rental support—the other mechanism for ensuring a housing unit is affordable—does not appear to be an allowed use of the Housing Construction Grants and Loans Fund.

- Section 24-32-721 allows up to 3.0 percent of amounts in the Colorado Affordable Housing Construction Grants and Loans Fund to be used for administration. Staff understands that while the Department does not routinely budget personal services from the Housing Grants and Loans line item, it has at times used the statutory authority at Section 24-32-721(3)(b), C.R.S., to spend up to 3.0 percent of the Affordable Housing Grants and Loans line item for administration. Staff is concerned that such spending on personal services may not be transparent.

Staff therefore recommends the addition of the following Long Bill footnote:

N Department of Local Affairs, Division of Housing, Field Services, Affordable Housing Construction Grants and Loans – The purpose of this line item is construction grants and loans for housing developers. Appropriations for state administration of the grants and loans, including administration funding authorized pursuant to Section 24-32-721(3)(b), C.R.S., is appropriated in, and should be spent from, the Affordable Housing Program Costs line item.

## ➔ STAFF RECOMMENDATION: HOMELESS PREVENTION ACTIVITIES PROGRAM FUND

Pursuant to Section 39-22-1301 and 1302 and 26-7.8-101 et. seq., an income tax checkoff supports state homeless prevention activities. Funds are to be used for direct services such assistance in avoiding eviction to people who are homeless or in danger of becoming homeless, with up to 5.0 percent or $15,000 (whichever is greater) for related administrative costs. An advisory committee, created in statute, provides recommendations to the Department's Executive Director on the allocation of homeless prevention grants.

In FY 2015-16, the Department received a higher level of donations ($174,301) and spent less from the Homeless Prevention Activities Program Fund ($78,708) than the $110,000 annual appropriation. The Department began FY 2016-17 with a $233,316 balance in this fund, and revenue in FY 2016-17 and FY 2017-18 is currently projected at just over $100,000 per year. In light of this, **staff recommends increasing the spending authority from the fund by $60,000 (to $170,000) to spend down some of the balance**. Staff also cautions the Department that administrative expenditures may not exceed the 5.0 percent statutory cap ($8,183 if the entire appropriation is expended).

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Rec. |
|---|---|---|---|---|
| Beginning balance | 164,434 | 137,723 | 233,316 | 233,259 |
| Revenue | 97,591 | 174,301 | 103,603 | 103,603 |
| Expenditures | 124,302 | 78,708 | 103,660 | 163,660 |
| Ending Balance | 137,723 | 233,316 | 233,259 | 173,202 |

## ➔ Staff Technical Adjustment: Federal Funds

Federal funds adjustments have been reflected in line items throughout this section. Amounts represent custodial funds shown for informational purposes only. The adjustments shown are based on updated information provided by the Department. Department estimates are generally based on FY 2015-16 actuals inflated by 1.0 percent in personal services line items for anticipated salary and fringe adjustments.

**Staff recommends reflecting a net federal funds increase in this division of $5,451,316.** The changes include:

- An increase of $49,559 for Community and Non-profit Services administration, based in part on an overall increase in the State's allocation from HUD and in part on the decision of Adams County to opt out of homeless prevention direct distributions, so that its allocation becomes part of the balance-of-state funds administered by the Division.
- An increase of $5,112,563 for low income rental subsidies, largely reflecting an increase in housing vouchers for veterans and for permanent supportive housing (Shelter plus Care).
- An increase of $289,194 for homeless prevention programs, based in part on an increase in grant funds and in part on Adams County's decision to allow its previous allocation to flow to the balance-of-state dollars managed by the State.

## ➔ Committee Option: Potential one-time FY 2016-17 reduction to state rental vouchers

For FY 2016-17, the General Assembly approved $1.3 million General Fund for 150 new Community Choice Transition (CCT) vouchers. Although funding was authorized for a full year, it was not realistic to anticipate that all vouchers could be allocated and used effective July 1.

The Department reported that total CCT vouchers leased has increased from 75 on July 1, 2016 to 149 on February 1, 2017, indicating that *about half of the 150 new vouchers added July 1, 2016 have thus far been leased*. The Department indicates that the industry standard is to give a new voucher award 18 months to fully lease. It also reports that there are 122 individuals with vouchers who are looking for a unit, and that it expects to see a jump in leasing in the next 30-60 days.

Based solely on the information on number of vouchers that have leased as of February 1, staff believes that several hundred thousand—and perhaps as much as $700,000 General Fund--appropriated for vouchers in FY 2016-17 could potentially be reduced from the budget. **Staff has**

**requested that the Department conduct further analysis to provide a more precise figure on the amount that could be reduced in the Low Income Rental Subsidies line item in FY 2016-17, in the event that the JBC believes that reductions to this line item could assist in budget balancing.** Staff recognizes that in the context of the JBC's overall budget-setting, any amount available in this line item is relatively small. However, staff wanted to make the Committee aware that it could reduce this FY 2016-17 appropriation if desired. **Any reduction taken should be one-time, as staff believes the Department is likely to be able to fully use the appropriation in FY 2017-18.**

# LINE ITEM DETAIL — DIVISION OF HOUSING

## (A) COMMUNITY AND NON-PROFIT SERVICES

This subdivision encompasses activities headquartered at the main Division of Housing office in Denver. This includes the administration of the Division and oversight of services that are managed in the community through partnerships with community service and non-profit agencies. Some example programs included in this subdivision include housing vouchers for veterans, low income and disabled persons, and community-based homeless prevention programs. This section is also responsible for coordinating the allocation of Private Activity Bonds (tax exempt bonds) through the work of the Private Activity Bond Allocation Committee.

### (I) ADMINISTRATION

### PERSONAL SERVICES

This line item provides funding for overall division administration, including division management, budget, research and accounting staff, and centrally-located department staff who oversee homeless prevention rental subsidy programs. Cash funds sources include the Homeless Prevention Activities Program Fund created in Section 39-22-13.1 (1), C.R.S. and the Private Activity Bond Allocations Fund. Reappropriated sources are from the Local Government Mineral and Energy Impact Grants and Disbursements line item and originate as Local Government Severance and Mineral Impact funds. Federal funds are comprised primarily of administrative allocations for the housing choice voucher ("section 8") rental subsidy program.

The line item supports:
- 6.0 FTE administrative staff;
- 18.3 FTE who oversee low-income rental subsidies; and
- 1.3 FTE who oversee homeless prevention programs.

In addition, the 1.0 FTE associated with the Fort Lyon program is functionally managed in this section although appropriated in the Fort Lyon line item.

*STATUTORY AUTHORITY:* Section 24-32-705, C.R.S.

*REQUEST:* The Department requests $2,218,398 total funds and 25.6 FTE including $348,714 General Fund. This includes $2,869 total funds to annualize FY 2016-17 salary survey.

*RECOMMENDATION:* The staff recommendation is reflected in the table below. In addition to annualization of FY 2016-17 salary survey, the recommendation includes an adjustment for anticipated federal funding.

| DIVISION OF HOUSING, COMMUNITY AND NON-PROFIT SERVICES, PERSONAL SERVICES | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $2,215,529 | $348,495 | $17,169 | $100,746 | $1,749,119 | $25.6 |
| **TOTAL** | **$2,215,529** | **$348,495** | **$17,169** | **$100,746** | **$1,749,119** | **25.6** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $2,215,529 | $348,495 | $17,169 | $100,746 | $1,749,119 | 25.6 |
| Informational funds adjustment | 49,559 | 0 | 0 | 0 | 49,559 | 0.0 |
| Annualize prior year budget actions | 2,869 | 219 | 0 | 518 | 2,132 | 0.0 |
| **TOTAL** | **$2,267,957** | **$348,714** | **$17,169** | **$101,264** | **$1,800,810** | **25.6** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$52,428** | **$219** | **$0** | **$518** | **$51,691** | **0.0** |
| Percentage Change | 2.4% | 0.1% | 0.0% | 0.5% | 3.0% | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$2,218,398** | **$348,714** | **$17,169** | **$101,264** | **$1,751,251** | **25.6** |
| Request Above/(Below) Recommendation | ($49,559) | $0 | $0 | $0 | ($49,559) | (0.0) |

## OPERATING EXPENSES

This line item funds the operating expenses of the Division. Common operating expenses for the Division include postage, equipment maintenance, and in-state travel. The majority of funds are federal administrative allocations for the Housing Choice Voucher ("Section 8") rental subsidy program.

*STATUTORY AUTHORITY:* Section 24-32-705, C.R.S.

*REQUEST:* The Department requests continuation funding of $378,873 total funds including $36,278 General Fund.

*RECOMMENDATION:* **Staff recommends a continuation level of funding of $378,873, including $36,278 General Fund.**

## (II) COMMUNITY SERVICES

## LOW INCOME RENTAL SUBSIDIES

This line item funds the housing vouchers made available to low income and disabled persons. Pursuant to H.B. 11-1230 (Consolidate housing assistance in Department of Local Affairs), the

Department took responsibility for federal housing assistance vouchers previously located in the Department of Human Services for special populations such as persons with substance abuse problems and disabilities. Amounts in this line item include both amounts paid in rental subsidies and grants to local agencies that provide local administration of the voucher programs.

The table below shows the Department's current count of vouchers as of mid-FY 2016-17. As shown, the majority of vouchers in this line item are from federal sources. The State manages about 20 percent of the approximately 32,000 federal rental vouchers allocated in Colorado. (The majority of federal vouchers are managed at the local level and are not reflected in the State Budget.) The State also directly funds housing vouchers for some special populations, including individuals who have moved from state- and Medicaid-funded institutional settings.

| Program | Federally Funded | State Funded | Vouchers Authorized* | Monthly Leased Vouchers | Vouchers Issued and Searching** | Avg. voucher amount/year |
|---|---|---|---|---|---|---|
| Housing Choice Voucher Program (Section 8) | X | | 6,097 | 5,803 | 314 | $6,202 |
| Veterans Affairs Supportive Housing (VA) | X | | 729 | 610 | 72 | $5,670 |
| State Housing Voucher (Community Living Colorado) | | X | 225 | 135 | 122 | $6,064 |
| Permanent Supportive Housing | X | | 497 | 626 | 63 | $6,900 |
| State Housing Voucher (Mental Health) | | X | 135 | 128 | 24 | $5,472 |
| **Totals** | **7,323** | **360** | **7,683** | **7,302** | **595** | |

*There are differences between the total number of vouchers authorized and those actually leased based on how the voucher is funded. For the Housing Choice Voucher, reimbursement is based on the actual cost of the rental unit less the resident's contribution. For the federal Permanent Supportive Housing voucher, the state receives an average amount per voucher, based on local housing costs, which may be spread to as many additional individuals as feasible. Similarly, for the state vouchers, the Department may serve as many individuals as feasible within the restriction of the total available appropriation.

**There is typically a significant lag-time between when a voucher is issued and when the holder is able to find housing that meets the requirements of the voucher. On average it takes more than two months between when a voucher is awarded and a resident is able to "lease up".

- The range for subsidies varies greatly and is affected by jurisdiction, family size, family income, and bedroom size. The amount of each subsidy can range from as low as $1 to as high as $2,000 per month for larger families with lower incomes.

- Most vouchers require the resident to pay 30 percent of their monthly adjusted income in rent. The voucher amount is based on the amount needed to rent a moderately-priced unit in the local housing market, less the family's share.

- Vouchers are typically only available for people earning less than 50 percent of their area median income, with most subsidies directed at those earning less than 30 percent of their area median income and having special circumstances such as a disability. Permanent supportive housing vouchers (formerly known as "Shelter plus care" vouchers), in particular, are targeted to hard-to-serve homeless individuals with disabilities. This program includes supportive services in addition to rental assistance.

*State-funded Vouchers:* The state has funded mental health vouchers, targeted at reducing inpatient hospitalization, for a number of years. In addition, starting in FY 2014-15, the General Assembly began adding Community Choice Transitions (CCT) vouchers in this line item, based on a de-institutionalization initiative authorized in the Department of Health Care Policy and Financing. By FY 2016-17, a total of 225 CCT vouchers had been added. These vouchers were funded to transition clients currently living in institutions or nursing facilities back into the community or to avoid such placements. In DOLA, these vouchers are funded at the rate of $7,780 per voucher per year ($1,750,500 total). The vouchers were first approved on the grounds that the vouchers would be cost effective, based on a comparison between the annual cost of housing and community living waivers for services (about $25,000) compared to the cost of skilled nursing (over $56,000 in 2013).

The table below provides some historical comparative data on vouchers managed by the State. As previously noted, these vouchers represent about 20 percent of total federal vouchers available statewide.

DOH Federal and State Voucher Programs

| Program | Number Awarded | Number Leased | Average Days to Lease Up | Average Cost Per Unit per Month |
|---|---|---|---|---|
| | | Federal Housing Choice Voucher (HCV) | | |
| FY 13-14 | 6,826 | 5,806 | 40.16 | $569.06 |
| FY 14-15 | 6,826 | 5,963 | 50.42 | $538.50 |
| FY 15-16 | 6,826 | 5,967 | 71.72 | $560.99 |
| | | Federal Shelter Plus Care (S+C) | | |
| FY 13-14 | 383 | 495 | 33.80 | $553.07 |
| FY 14-15 | 383 | 531 | 60.40 | $604.39 |
| FY 15-16 | 497 | 586 | 39.52 | $638.31 |
| | | State Housing Vouchers (SHV) (Mental Health & CCT) | | |
| FY 13-14 | 135 | 158 | 45.13 | $679.17 |
| FY 14-15 | 210 | 139 | 108.3 | $574.80 |
| FY 15-16 | 210 | 211 | 74.42 | $568.97 |

*STATUTORY AUTHORITY:* Section 24-32-705 (1) (t), C.R.S.

*REQUEST:* The Department requests continuation level funding of $48,024,412 total funds, including $2,660,938 General Fund for this line item in FY 2017-18, with the balance from federal funds.

*RECOMMENDATION:* The staff recommendation is reflected in the table below. As shown, staff recommends an adjustment to the federal funds amount to reflect anticipated expenditures, based on federal allocations and Department spending in the last actual year.

| DIVISION OF HOUSING, COMMUNITY AND NON-PROFIT SERVICES, LOW INCOME RENTAL SUBSIDIES | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | FEDERAL FUNDS | FTE |
| | | | | |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $48,024,412 | $2,660,938 | $45,363,474 | $0.0 |
| **TOTAL** | **$48,024,412** | **$2,660,938** | **$45,363,474** | **0.0** |
| | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $48,024,412 | $2,660,938 | $45,363,474 | 0.0 |
| Informational funds adjustment | 5,112,563 | 0 | 5,112,563 | 0.0 |
| **TOTAL** | **$53,136,975** | **$2,660,938** | **$50,476,037** | **0.0** |
| | | | | |
| **INCREASE/(DECREASE)** | **$5,112,563** | **$0** | **$5,112,563** | **0.0** |
| Percentage Change | 10.6% | 0.0% | 11.3% | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$48,024,412** | **$2,660,938** | **$45,363,474** | **0.0** |
| Request Above/(Below) Recommendation | ($5,112,563) | $0 | ($5,112,563) | 0.0 |

## HOMELESS PREVENTION PROGRAMS

This line includes funding for homeless prevention activities and includes funding from the federal Emergency Shelter Grant and the state Homeless Prevention Activities Program Fund created in Section 39-22-1302 (1), C.R.S. This fund is credited with the state income tax "check-off" for homeless prevention activities. Federal funds in this line item are from the Emergency Solutions Grant program.

*STATUTORY AUTHORITY:* Section 24-32-705 (1) (i) and 39-22-1302, C.R.S.

*REQUEST:* The Department requests continuation funding of $1,635,236, including $110,000 cash funds and the balance from federal funds.

*RECOMMENDATION:* The staff recommendation is reflected in the table below and includes:

- adjustments to federal funds amounts based on revised estimates; and
- a $60,000 increase in spending authority from the Homeless Prevention Activities Program Fund, discussed above.

| DIVISION OF HOUSING, COMMUNITY AND NON-PROFIT SERVICES, HOMELESS PREVENTION PROGRAMS | | | | | |
|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | FEDERAL FUNDS | FTE |
| | | | | | |
| FY 2016-17 APPROPRIATION | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,635,236 | $0 | $110,000 | $1,525,236 | $0.0 |
| **TOTAL** | **$1,635,236** | **$0** | **$110,000** | **$1,525,236** | **0.0** |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | |
| FY 2016-17 Appropriation | $1,635,236 | $0 | $110,000 | $1,525,236 | 0.0 |
| Informational funds adjustment | 289,194 | 0 | 0 | 289,194 | 0.0 |
| Homeless Prevention Activities Program Fund | 60,000 | 0 | 60,000 | 0 | 0.0 |
| **TOTAL** | **$1,984,430** | | **$170,000** | **$1,814,430** | **0.0** |
| | | | | | |
| **INCREASE/(DECREASE)** | **$349,194** | **$0** | **$60,000** | **$289,194** | **0.0** |
| Percentage Change | 21.4% | n/a | 54.5% | 19.0% | n/a |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,635,236** | **$0** | **$110,000** | **$1,525,236** | **0.0** |
| Request Above/(Below) Recommendation | ($349,194) | $0 | ($60,000) | ($289,194) | 0.0 |

## (III) FORT LYON SUPPORTIVE HOUSING PROGRAM

### PROGRAM COST

This program, initially authorized and funded in S.B. 13-210, provides housing, supportive services, and vocational training necessary to stabilize homeless individuals and help reintegrate them into society. This line item funds facility operating costs and program service costs for an estimated 250 homeless individuals at the historic Fort Lyon property in Bent County. Program services are provided through a contract with the Colorado Coalition for the Homeless. Facility operations are provided through a contract with Bent County. The line item also supports 1.0 FTE for contract oversight by the Department of Local Affairs.

*REQUEST:* The Department of Local Affairs requests a continuing appropriation of $4,989,637 from the General Fund and 1.0 FTE to support the operation of the Fort Lyon Supportive Residential Community. The Community is a 250-bed transitional housing program for chronically homeless people with substance abuse issues and is located on the historic Fort Lyon campus in rural Bent County.

*General Background*

The Fort Lyon program was authorized and funded by S.B. 13-210 (Concerning Employment Conditions for Correctional Officers; codified at 24-32-724, C.R.S.) despite objections voiced by members of the JBC. The Fort Lyon Supportive Residential Community was a conceived as a way to respond to two goals: ongoing preservation and use of the Fort Lyon property, where a state prison operated until 2011, and chronic homelessness statewide. Joint Budget Committee Staff noted at the time that the Department's cost-benefit analysis was thin and that there had been no analysis of alternatives that might provide more cost-effective responses to the statewide problem of homelessness.

*Program Description*

For FY 2017-18 the program is expected to serve 250 chronically homeless individuals who may stay for up to two years.

In FY 2015-16:

- the average daily population was 224 (432 served)
- the average length of stay was nine months

- 79 percent of residents had been homeless for 12 months or more in the past three years
- 59 percent entered with three or more health conditions including, for the majority, mental illness
- 20 percent were military veterans
- 20 percent were women

The program offers housing and food and requires that participants remain drug and alcohol free. Clients are required to set personal goals, such as sobriety (required for all) and education/training and employment, However, the facility does not offer clinical treatment, and activities are based on individual choices. Clients typically participate in "AA" meetings and, at their discretion, in various educational, employment, and arts activities. The program describes itself as a peer-support model.

*Program Costs*
Operating costs managed by the Department of Local Affairs for the project are just under $5.0 million. This includes $2.6 million for a contract with the Colorado Coalition for the Homeless to operate the supportive residential community, $2.1 million allocated to Bent County for maintenance costs for the facility, and $300,000 for Department oversight and unspecified contingencies.

In addition:

- The state projects ongoing controlled maintenance needs. Costs have been estimated at $787,000 per year, excluding federally-supported asbestos mitigation. Based on recent budget submissions, the Department plans to spend $960,812 on boiler replacement in FY 2016-17. The cost will be evenly split between the Department and Bent County. The primary source for the Department's share will be some remaining custodial funds from the Mortgage Settlement and some of the profits from Capcos that were directed to the Division pursuant to Section 10-3.5-108, C.R.S. *This underlines the extent to which maintenance of this historic facility will be a significant ongoing expense.* Costs of maintaining the Fort Lyon property are expected to drive costs to the State as well as Bent county over the long term. The Department has estimated controlled maintenance costs of $19.0 million to bring the 87 structures on campus that are 50 years or older to the state's desired "85% facility condition index".

- Bent County takes responsibility for some costs related to the property. This includes $480,806 for the new boilers and $103,000 per year for a Fort Lyon transportation project which provides bus service 5-7 times per day from Fort Lyon to La Junta and Las Animas. (The Department's budget line item covers transportation to/from Fort Lyon from other parts of the state, including a Front Range route running at least 3 times per week.)

- Asbestos mitigation costs are anticipated to be borne by the federal Environmental Protection Agency.

    - There are 11 buildings proposed for future use and proposed asbestos abatement by the EPA (at an estimated cost of $723,100) and an additional 15 buildings being considered for demolition (asbestos abatement costs estimated at $250,475). Cost estimates are from the EPA's brownfields assessment of the site in 2015 and the Department anticipates that the EPA will ultimately pay for cleanup based on these assessments. The Department/Bent

County have already been reimbursed $465,000 of the total by the EPA. Bent County is in the process of applying for a second round of reimbursements.

- o There are currently 35 buildings in use that have been abated of friable asbestos through previous projects by the federal Veterans Administration, the Colorado Department of Corrections, and the Governor's Energy Office. Ten homes (officer's quarters) were abated in 2014 for $108,750, with 95 percent of funding from the Governor's Energy Office and the balance from the Fort Lyon budget.

- Fort Lyon clients typically access Medicaid benefits (which they could do whether or not they were in the program).

*Comparison to Other Program Costs*
In response to Committee questions, the Department noted that Fort Lyon costs may be compared to various other models, but that none of these is an exact comparison. Some examples are provided below.

| **Program** | **Costs** | **Notes** |
|---|---|---|
| Fort Lyon Supportive Residential Community | $23,107 per year for housing only;<br>$31,007 per year including medical costs | Staff FY 2016-17 calculation based on: Fort Lyon appropriation, estimated five year state controlled maintenance cost, and data on Medicaid medical expenses |
| Permanent Supportive Housing | $19,037 per year for housing costs in 2013 (excludes medical);<br><br>$7,854 per year for the average permanent supportive housing voucher in FY 2014-15 (other funding sources, including resident income, cover the balance of costs for related services). | Housing and some related non-medical services. $19,037 is the average of 2013 costs at several locations previously identified by the Department. |
| CIRCLE program at CMHIP (24-bed 3 month treatment program for people with dual diagnosis) | $30,250 for 3-months of residential treatment | Residential substance abuse and mental health treatment for dually-diagnosed people - 3 month program. Costs are from FY 2014-15. |
| Homelessness | $13,661 median per year for chronically homeless in Santa Clara County – medical/criminal justice costs<br><br>$45,993 median per year (all government fund sources) for those in the top ten percent of service users according to Santa Clara County. The Denver Crime Control and Prevention Commission has also calculated costs of about $39,000 per year to the city for its top 300 chronically homeless service users. | Primarily emergency medical, mental health, and criminal justice system costs. |

*Cost-Benefit Evaluation*
House Bill 16-1411 (Fort Lyon Residential Community Study) authorizes a study of the costs and benefits of the Fort Lyon program compared to other programs serving similar populations. The interim results of this study are due August 1, 2017, with a final report due August 1, 2018. The study is being conducted by Illuminate Evaluation Services under contract with the State Auditor's Office. The study cost is $332,475 over two years ($200,000 was appropriated for FY 2016-17, with the expectation that an additional appropriation would be required the second year).

Until that time, the best available data is that reported by the Colorado Coalition for the Homeless. Their FY 2015-16 report indicates some significant improvements from FY 2014-15. In FY 2015-16:

- 40 percent of resident exited to a permanent destination
- 23 percent existed to a transitional destination
- 54 percent (122 individuals) left after completing the program or for a housing opportunity, as opposed to leaving for a negative reason such as non-compliance
- Residents reported improvements across all health categories. Depression scores improved by 67 percent from entry to one month after exit and generalized anxiety scores improved by 74 percent from entry to one month after exit.

*Despite improvements since FY 2014-15, staff notes that a large proportion of participants (37 percent) leave without any kind of housing, and 46 percent leave for "non-positive" reasons, such as non-complian*ce. *However, it is impossible to tell whether these represent good or poor results given the specific population served.* Participants see significant improvements in health and mental health and report a high level of satisfaction with the program. For some clients, the program is clearly transformative and enables them to move on to sobriety, stable housing, and employment. Staff hopes that study results will indicate whether this represents a cost-effective alternative for serving this population.

*Institution for Mental Disease Question*
The facility's future has been clouded by the possibility that it could be classified as an "institution for mental disease" by federal authorities, which would result in clients losing access to Medicaid and likely endanger the program's viability. The Department of Health Care Policy and Financing reviewed the facility in 2015 and concluded that it was *not* an IMD. There has been no comment from federal authorities on this question since the HCPF report was submitted to CMS.

**Current Budget in DOLA:**

| FT. LYON GATEWAY HOUSING PROGRAM<br>Expenditures and Budgeted Amounts<br>FY 2013-14 through FY 2017-18 | FY 2013-14 Actual | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Budget | FY 2017-18 Budget |
|---|---|---|---|---|---|
| **Colorado Coalition for the Homeless (CCH)** | | | | | |
| Wage & Fringe | $ 1,089,706 | $ 1,782,141 | $ 1,721,578 | **$ 1,676,355** | **$ 1,676,355** |
| Travel | $ 18,023 | $ 51,849 | $ 12,648 | **$ 20,000** | **$ 20,000** |
| Equipment | $ 84,445 | $ 82,997 | $ 19,577 | **$ 50,000** | **$ 50,000** |
| Maint & Ops | $ 658,532 | $ 779,926 | $ 656,161 | **$ 619,602** | **$ 619,602** |
| Indirect Costs | $ 105,638 | $ 234,332 | $ 176,769 | **$ 220,776** | **$ 220,776** |
| **Total CCH** | **$ 1,956,344** | **$ 2,931,244** | **$ 2,586,733** | **$ 2,586,733** | **$ 2,586,733** |
| **Bent County (Maintenance & Operations)** | | | | | |
| Wage & Fringe | $ 542,197 | $ 835,295 | $ 645,000 | **$ 689,460** | **$ 689,460** |
| Travel | $ 318 | $ - | $ - | **$ 1,500** | **$ 1,500** |
| Equipment | $ 60,377 | $ 11,931 | $ 29,385 | **$ 35,000** | **$ 35,000** |
| Supplies | $ 272 | $ 2,368 | $ - | **$ 2,700** | **$ 2,700** |
| Vehicles | $ 12,887 | $ - | $ - | **$ 1,200** | **$ 1,200** |
| Maint & Ops | $ 550,589 | $ 390,273 | $ 421,547 | **$ 572,640** | **$ 572,640** |
| Security | $ 5,700 | | | | |
| Utilities | $ 648,551 | $ 728,406 | $ 765,000 | **$ 765,000** | **$ 765,000** |
| Participant Work Crew | $ - | | $ 31,117 | **$ 45,000** | **$ 45,000** |
| Energy Improvements | $ - | $ - | | | |
| **Total Bent County** | **$ 1,820,891** | **$ 1,968,273** | **$ 1,892,049** | **$ 2,112,500** | **$ 2,112,500** |
| **Other Fort Lyon Expenditures** | | | | | |
| Colorado DOC | $ 135,750 | n/a | n/a | n/a | n/a |
| Referral Networks | $ 110,409 | $ 116,043 | $ 36,807 | **$ -** | **$ -** |
| Energy Audit | $ - | $ 103,858 | $ - | **$ -** | **$ -** |
| Remaining Contract Authority (Bent Co.) | $ - | | $ - | **$ -** | **$ -** |
| DOLA Program Oversight (1.0 FTE) | $ 39,188 | $ 98,234 | $ 59,865 | **$ 101,268** | **$ 101,268** |
| Boiler replacement | | | | **$ 960,812** | |
| Program Contingency | $ - | $ - | | **$ 189,136** | **$ 189,136** |
| **DPA Emergency Funds** | | | | | |
| Elevator Repair | **$ -** | **$ 93,096** | **$ -** | **$ -** | **$ -** |
| Fire Smoke Detection and Alarm System | **$ -** | **$ 6,835** | **$ -** | **$ -** | **$ -** |
| Water Treatment System | **$ -** | **$ -** | **$ 40,037** | **$ -** | **$ -** |
| **Bent County Expenditures** | **$ 112,974** | **$ 94,406** | **$ 25,789** | **n/a** | **n/a** |
| **Subtotal - Other Expenditures** | **$ 398,321** | **$ 512,472** | **$ 162,498** | **$ 1,251,216** | **$ 290,404** |
| **TOTAL PROGRAM EXPENSES** | **$ 4,175,556** | **$ 5,411,989** | **$ 4,641,280** | **$ 5,950,449** | **$ 4,989,637** |
| **FUNDING SOURCE BREAKDOWN** | | | | | |
| DPA Emergency Funds | $ - | $ 99,931 | $ 40,037 | 0 | 0 |
| General Fund | $ 2,788,851 | $ 3,223,851 | $ 3,223,851 | $ 4,989,637 | $ 4,989,637 |
| Mortgage Settlement Funds | $ 1,273,730 | $ 1,993,801 | $ 1,351,603 | $ 380,866 | $ - |
| Capco funds | $ - | $ - | $ - | $ 99,540 | $ - |
| Bent County | $ 112,974 | $ 94,406 | $ 25,789 | $ 480,406 | $ - |
| **TOTAL SOURCES** | **$ 4,175,555** | **$ 5,411,989** | **$ 4,641,280** | **$ 5,950,449** | **$ 4,989,637** |

Note: Capco funds are a portion of $600,000 directed to the Department of Local Affairs at the end of 2015 based on the provisions of Section 10-3.5-108, C.R.S., which directed CAPCO profits that exceeded a 10.0 percent internal rate of return to housing and mental health programs.

*STATUTORY AUTHORITY:* Section 24-32-724 (2), C.R.S.

*REQUEST:* The Department requests continuation of $4,989,637 General Fund for FY 2017-18.

*RECOMMENDATION:* Staff recommends the request for continuation funding of $4,989,637 General Fund. Staff believes continuation funding is appropriate given the ongoing study of the program's costs and benefits.

## (B) FIELD SERVICES

### AFFORDABLE HOUSING PROGRAM COSTS

This line item funds the affordable housing program which focuses on providing outreach and technical assistance throughout the state. The FTE included in this subdivision are strategically located across the state and perform work related to awarding and oversight of housing development grants and loans that is location-specific. They also support private activity bond incentives.

The FTE in this line item include:

- 8.9 FTE for overall management, budget, research and data-base management, and clerical support;
- 8.0 FTE for staff located throughout the State who assist local governments in development and management of affordable housing projects;
- 2.0 FTE to oversee the home modification benefit for people in Medicaid HCBS programs; and
- 1.0 FTE for oversight of the private activity bond program

*STATUTORY AUTHORITY:* Section 24-32-705 (1), C.R.S.

*REQUEST:* The Department requested $1,219,417 and 21.9 FTE, including $300,285 General Fund for this program in FY 2017-18. Its request included 2.0 FTE (1.0 FTE for R3 and 1.0 FTE for R4) but did not include any related dollars, apparently based on the expectation that it would spend 3.0 percent of the appropriation in the Affordable Housing Program Costs line item on administration, pursuant to the provisions of Section 24-32-721, C.R.S., which allow 3.0 percent of moneys deposited to the Colorado Affordable Housing Construction Grants and Loan Fund to be used for administration.

*RECOMMENDATION:* The staff recommendation is reflected in the table below. As previously discussed, the staff recommendation includes both funding and FTE for administration of R3 in a new line item.

| DIVISION OF HOUSING, FIELD SERVICES, AFFORDABLE HOUSING PROGRAM COSTS | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,217,341 | $299,952 | $75,361 | $294,586 | $547,442 | $19.9 |
| **TOTAL** | **$1,217,341** | **$299,952** | **$75,361** | **$294,586** | **$547,442** | **19.9** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $1,217,341 | $299,952 | $75,361 | $294,586 | $547,442 | 19.9 |
| Annualize prior year budget actions | 2,076 | 332 | 0 | 789 | 955 | 0.0 |
| R3 Supportive housing for behavioral health | 0 | 0 | 0 | 0 | 0 | 0.0 |
| R4 Supportive housing and rapid rehousing | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$1,219,417** | **$300,284** | **$75,361** | **$295,375** | **$548,397** | **19.9** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$2,076** | **$332** | **$0** | **$789** | **$955** | **0.0** |
| Percentage Change | 0.2% | 0.1% | 0.0% | 0.3% | 0.2% | 0.0% |

| DIVISION OF HOUSING, FIELD SERVICES, AFFORDABLE HOUSING PROGRAM COSTS | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
|---|---|---|---|---|---|---|
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,219,417** | **$300,284** | **$75,361** | **$295,375** | **$548,397** | **21.9** |
| Request Above/(Below) Recommendation | $0 | $0 | $0 | $0 | $0 | 2.0 |

## AFFORDABLE HOUSING **CONSTRUCTION** GRANTS AND LOANS

This line reflects federal and state funds used to promote development of affordable housing through grant and loan programs administered by the Department of Local Affairs. Affordable housing in Colorado is generally developed and administered by local authorities, rather than by the State, and the majority of federal funds for affordable housing are distributed directly to local housing authorities. However, the State is a partner in affordable housing development initiatives throughout the state that are consistent with state housing priorities.

*Demand for Affordable Housing*

In Colorado, as in much of the nation, there is an acute gap between the demand for affordable housing for low- and moderate-income people and the number of affordable units available.[4] The Department estimates that almost 154,000 households earning less than 30 percent of the area median income ($24,030 for a family of four in Denver) are "severely cost burdened" because they pay fifty percent or more of household income for housing.

The approximately 80,000 households at the lowest income level who are not severely cost-burdened typically benefit from federal or other subsidies. These subsidies may take the form of annual rental vouchers or front-end construction support.

The funding in this line item is for front-end construction support, which is typically tied to a requirement that the new housing serve those at 60 percent of area median income or below and remain affordable for at least 30 years. The Colorado Housing and Finance Authority reports that there are about 89,000 income-restricted rental units in Colorado which have been restricted based on a variety of federal, state and local programs.

*Affordable Housing Programs and Role of the Department of Local Affairs*

Various state and federal programs support affordable housing construction programs, as detailed in the tables below. Most federal funding is sent directly to local entities and thus does not appear in the Department of Local Affairs' budget. Further, some state support—such as low-income housing tax credits—is a revenue reduction, rather than an appropriation visible in the Long Bill.

| STATE CONSTRUCTION SUBSIDIES FOR AFFORDABLE HOUSING | SOURCE | USED FOR | ADMINISTRATION | AMOUNT |
|---|---|---|---|---|
| Affordable Housing Grants and Loans | Long Bill appropriation | Gap financing – grants | Division of Housing | $8,200,000 General Fund (FY 2016-17) |
| Colorado Housing Investment Fund (CHIF) | Continuously appropriated. Custodial funds from the settlement between states and mortgage servicing | Gap financing - loans | Division of Housing | $36.2 million cash funds from Mortgage Settlement was deposited to the |

[4] "Affordable" housing is typically defined as housing that requires no more than 30 percent of a household's income.

| State Construction Subsidies for Affordable housing | | | | |
|---|---|---|---|---|
| | Source | Used for | Administration | Amount |
| | companies in 2012 and transfers from the General Fund LB appropriation | | | revolving loan fund. A portion is available each year for new loans. |
| Colorado Low Income Housing Tax Credits | General Fund revenue reduction (tax expenditure) most recently authorized by HB 16-1465 | Adds equity to projects, reducing need for commercial loans | Colorado Housing and Financing Authority | Each year through 2019, CHFA may allocate tax credits valued at $30 million ($5.0 million per year, credited over six or more years). |

| Largest federal Construction Subsidies for Affordable Housing | | | | |
|---|---|---|---|---|
| | Source | Used for | Administration | Amount |
| Block Grants: Community Development Block Grant, HOME, Housing for People with Aids, Emergency Shelter Grant, Housing Trust Fund | Federal appropriations (annual | Gap financing – grants | Division of Housing and 22 Entitlement Communities (local government entities) | $55,040,422 (2016)<br><br>Note: Not all is used for housing |
| Low Income Housing Tax Credits | Federal tax expenditure | Adds equity to projects, reducing need for commercial loans | Colorado Housing and Financing Authority (CHFA) | $13.0 million federal 9% credits; $8.7 million per year federal 4% credits, (2016 allocation; represents annual amount to be paid for ten years, so worth far more) |
| Tax Exempt Bonds | Federal tax expenditure | Reduces financing costs through tax-exempt financing | Department of Local Affairs and CHFA | $117.2 million allocated in 2015 |

If it participates in a project*, the Department of Local Affairs typically serves as a "gap financier,"* helping to buy down housing construction costs, as well as assisting locals to move the project forward. If they wish to access state funds, local housing authorities, and private for-profit and non-profit developers, submit a funding application that can apply to a number of the Division's fund sources, including the Housing Grants and Loan Program, the Community Development Block Grant funds it administers, and Federal HOME grants, as well as some smaller sources of federal funds. After applications are submitted by local housing actors, staff determines whether the project is consistent with state priorities and feasible and identifies the most appropriate mix of funds. Recommendations are then submitted to the State Housing Board.

In FY 2015-16, the Department helped support the development of 2,505 units using funds in this line item, including 1,335 which used state funds.

*Line Item Recommendation*
*Statutory Authority:* Sections 24-32-705, 24-32-717, and 24-32-721, C.R.S..

*REQUEST:* The Department requests $38,548,693 total funds, including:

- An increase of $2.0 million General Fund for R1;
- An increase of $4.0 million cash funds for R3; and
- An increase of $12.3 million cash funds for R4

*RECOMMENDATION:* As described at the beginning of this division, the staff recommendation figures include a version of R3, with an adjustment to include a mix of cash and General Fund amounts. However, this amount has been included in a separate line item so that its purpose is clear. Therefore, the staff recommendation in this line item is based on a continuation level of funding, as reflected below.

| Division Of Housing, Field Services, Affordable Housing Construction Grants And Loans | | | | | |
|---|---|---|---|---|---|
| | Total Funds | General Fund | Cash Funds | Federal Funds | FTE |
| | | | | | |
| FY 2016-17 Appropriation | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $20,228,793 | $8,200,000 | $0 | $12,028,793 | $0.0 |
| **TOTAL** | **$20,228,793** | **$8,200,000** | **$0** | **$12,028,793** | **0.0** |
| | | | | | |
| FY 2017-18 Recommended Appropriation | | | | | |
| FY 2016-17 Appropriation | $20,228,793 | $8,200,000 | $0 | $12,028,793 | 0.0 |
| R1 Housing Development Grant Program | 0 | 0 | 0 | 0 | 0.0 |
| R3 Supportive housing for behavioral health | 0 | 0 | 0 | 0 | 0.0 |
| R4 Supportive housing and rapid rehousing | 0 | 0 | 0 | 0 | 0.0 |
| **TOTAL** | **$20,228,793** | **$8,200,000** | **$0** | **$12,028,793** | **0.0** |
| | | | | | |
| **INCREASE/(DECREASE)** | **$0** | **$0** | **$0** | **$0** | **0.0** |
| Percentage Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$38,548,693** | **$10,200,000** | **$16,319,900** | **$12,028,793** | **0.0** |
| Request Above/(Below) Recommendation | $18,319,900 | $2,000,000 | $16,319,900 | $0 | 0.0 |

**Staff also recommends:**

- Changing the line item name and adding a footnote to clarify that the purpose of this line item is construction grants and loans;
- Continuing a Long Bill footnote that reflects the General Assembly's intent to prioritize projects that are likely to result in offsetting state savings; and
- Continuing an RFI that provides for annual reporting on this line item.

## Manufactured Buildings Program

This line item supports the Department's Housing Technology and Standards section. This section supports, licenses and regulates the residential and non-residential factory-built industry in Colorado. This includes the registration and certification of manufacturers, dealers, and installation professionals. The section also administers the manufactured housing consumer complaint process. Section 24-32-3309, C.R.S. requires that fees, deposited to the Building Regulation Fund, be designed to pay all direct and indirect costs incurred by the Division. This line item was combined with the Affordable Housing Program Costs line item for one year (FY 2014-15) but was reinstated as a separate line item in FY 2015-16.

Due to shortfalls in the Building Regulation Fund, the JBC sponsored legislation (S.B. 15-112) to repay earlier transfers from the Fund to the General Fund. This included a transfer of $300,000 from the General Fund to the Building Regulation Fund in FY 2014-15 and $200,000 on July 1, 2016.

The Program implemented fee increases in 2016, consistent with adjustments previously presented to the JBC, which were expected to bring in approximately $100,000 per year in additional revenue. Current projections for FY 2017-18 indicate that expenses from the Fund are likely to exceed revenues by about $161,000 but reflect sufficient revenues to accommodate the shortfall. ***Staff anticipates that the Department will either increase fees or reduce expenses moving forward so that the program is supported by its revenue stream.***

*STATUTORY AUTHORITY:* Sections 24-32-3301 to 3327, C.R.S.

*REQUEST:* The Department requests a continuation level of $737,697 cash funds and 7.3 FTE for this line item.

*RECOMMENDATION:* The Department requests a continuation level of $737,697 cash funds and 7.3 FTE for this line item.

| DIVISION OF HOUSING, FIELD SERVICES, MANUFACTURED BUILDINGS PROGRAM | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | FTE |
| | | | | |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $733,697 | $0 | $733,697 | 7.3 |
| **TOTAL** | **$733,697** | **$0** | **$733,697** | **7.3** |
| | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $733,697 | $0 | $733,697 | 7.3 |
| **TOTAL** | **$733,697** | | **$733,697** | **7.3** |
| | | | | |
| Percentage Change | 0.0% | n/a | 0.0% | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$733,697** | **$0** | **$733,697** | **7.3** |
| Request Above/(Below) Recommendation | $0 | $0 | $0 | 0.0 |

## SUPPORTIVE HOUSING FOR BEHAVIORAL HEALTH [NEW LINE ITEM]

As discussed at the beginning of the division, staff recommends that, if approved, the Department's R3 request be funded in a new line item entitled Supportive Housing for Behavioral Health.

*REQUEST:* The Department requested $4,000,000 cash funds (MTCF) for this initiative in the Affordable Housing Grants and Loans line item. It did not request this separate line item.

*RECOMMENDATION:* Staff recommends the creation of a new line item supported with $2,000,000 General Fund and $2,000,000 Marijuana Tax Cash Funds and 1.0 FTE, as described at the beginning of this division.

| DIVISION OF HOUSING, FIELD SERVICES, SUPPORTIVE HOUSING FOR BEHAVIORAL HEALTH | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | FTE |
| | | | | |
| | | | | |
| R3 Supportive housing for behavioral health | $4,000,000 | $2,000,000 | $2,000,000 | 1.0 |
| **TOTAL** | **$4,000,000** | **$2,000,000** | **$2,000,000** | **1.0** |
| | | | | |
| **INCREASE/(DECREASE)** | **$4,000,000** | **$2,000,000** | **$2,000,000** | **1.0** |
| Percentage Change | 0.0% | 0.0% | 0.0% | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$0** | **$0** | **$0** | **0.0** |
| Request Above/(Below) Recommendation | ($4,000,000) | ($2,000,000) | ($2,000,000) | (1.0) |

Consistent with the Executive Request, staff recommends a footnote that would allow amounts in this line item to be available through June 30, 2019 and has other footnote and RFI recommendations that are included in the discussion of the decision item.

## (C) INDIRECT COST ASSESSMENTS

### INDIRECT COST ASSESSMENTS

This line reflects the amount of indirect cost assessments within this division. The funds are used to offset General Fund in the Executive Director's Office, Personal Services and Operating line items, and the Board of Assessment Appeals.

*REQUEST:* The Department requests continuation funding of $733,585 for FY 2017-18.

*RECOMMENDATION:* The staff recommendation updates the indirect cost collections for this division, based on the Department's most recent indirect plan. This division is assessed at a rate of 30.1 percent.

| DIVISION OF HOUSING, INDIRECT COST ASSESSMENTS, INDIRECT COST ASSESSMENTS | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $694,609 | $0 | $226,740 | $53,993 | $413,876 | 0.0 |
| **TOTAL** | **$694,609** | **$0** | **$226,740** | **$53,993** | **$413,876** | **0.0** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $694,609 | $0 | $226,740 | $53,993 | $413,876 | 0.0 |
| Indirect cost assessment | 189,717 | 0 | (3,395) | (31,132) | 224,244 | 0.0 |
| **TOTAL** | **$884,326** | | **$223,345** | **$22,861** | **$638,120** | **0.0** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$189,717** | **$0** | **($3,395)** | **($31,132)** | **$224,244** | **0.0** |
| Percentage Change | 27.3% | 0.0% | (1.5%) | (57.7%) | 54.2% | 0.0% |

| Division Of Housing, Indirect Cost Assessments, Indirect Cost Assessments | | | | | | |
|---|---|---|---|---|---|---|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$733,585** | **$0** | **$239,463** | **$57,023** | **$437,099** | **0.0** |
| Request Above/(Below) Recommendation | ($150,741) | | $16,118 | $34,162 | ($201,021) | 0.0 |

# (4) DIVISION OF LOCAL GOVERNMENT

This Division provides information and training for local governments in budget development, purchasing, demographics, land use planning, and regulatory issues. It also manages federal and state funding programs to support infrastructure and local services development. To provide this assistance to local governments, the Division operates eight field offices. Significant cash fund sources include: (1) severance tax revenues; (2) federal mineral lease revenues; (3) net lottery proceeds; and (4) gaming revenues. Reappropriated funds are primarily from severance tax revenues and federal mineral lease revenues transferred within this Division from the Local Government Mineral and Energy Impact Grants and Disbursements line item. Federal funds include the Community Development Block Grant and the Community Services Block Grant.

| Division Of Local Government | | | | | | |
|---|---|---|---|---|---|---|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| **FY 2016-17 Appropriation** | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $214,561,332 | $6,385,679 | $190,904,618 | $5,365,120 | $11,905,915 | 55.5 |
| **TOTAL** | **$214,561,332** | **$6,385,679** | **$190,904,618** | **$5,365,120** | **$11,905,915** | **55.5** |
| | | | | | | |
| FY 2017-18 Recommended Appropriation | | | | | | |
| FY 2016-17 Appropriation | $214,561,332 | $6,385,679 | $190,904,618 | $5,365,120 | $11,905,915 | 55.5 |
| R2 Rural economic stabilization | 83,525 | 0 | 0 | 83,525 | 0 | 1.0 |
| R5 Kit Carson mitigation plan | 0 | 0 | 0 | 0 | 0 | 0.0 |
| BA2 Roll-forward authority for REDI | 0 | 0 | 0 | 0 | 0 | 0.0 |
| BA3 Kit Carson mitigation plan | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Informational funds adjustment | 20,000 | 20,000 | 0 | 0 | 0 | 0.0 |
| Severance tax and FML revenue reduction | (25,000,000) | 0 | (25,000,000) | 0 | 0 | 0.0 |
| Annualize prior year budget actions | (8,750,000) | 0 | (8,750,000) | 0 | 0 | 0.0 |
| Eliminate unused appropriations | (230,000) | (100,000) | (30,000) | (100,000) | 0 | 0.0 |
| Indirect cost assessment | (301,605) | 0 | 17,431 | (276,560) | (42,476) | 0.0 |
| Annualize prior year legislation | (64,954) | (64,954) | 0 | 0 | 0 | (0.3) |
| **TOTAL** | **$180,318,298** | **$6,240,725** | **$157,142,049** | **$5,072,085** | **$11,863,439** | **56.2** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **($34,243,034)** | **($144,954)** | **($33,762,569)** | **($293,035)** | **($42,476)** | **0.7** |
| Percentage Change | (16.0%) | (2.3%) | (17.7%) | (5.5%) | (0.4%) | 1.3% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$206,537,581** | **$6,958,650** | **$182,163,475** | **$5,503,452** | **$11,912,004** | **56.2** |
| Request Above/(Below) Recommendation | $26,219,283 | $717,925 | $25,021,426 | $431,367 | $48,565 | (0.0) |

## DECISION ITEMS – DIVISION OF LOCAL GOVERNMENT

### ➔ R5 AND BA3 KIT CARSON MITIGATION PLAN

To minimize the impact of the closure of the Kit Carson Correctional Center (KCCC), the Department of Local Affairs submitted two requests to backfill local government revenue:

- BA3 to backfill utilities and per diem payments to the City of Burlington
- R5 to backfill lost property tax revenue to the City of Burlington, Kit Carson County, and various other special districts.

| R5 AND BA3 – KIT CARSON MITIGATION PLAN | FUNDS REQUESTED |
|---|---|
| FY 2017-18 | |
| City of Burlington | |
| BA 3 Utilities | $ 67,341 |
| BA 3 Per Diem | 35,489 |
| R5 Property Tax | 84,857 |
| City subtotal | 187,687 |
| | |
| R5 Kit Carson Cemetery District | 5,624 |
| R5 Burlington Fire Protection District | 20,386 |
| R5 Kit Carson County Health Services District | 29,601 |
| R5 Kit Carson County budget | 374,626 |
| **TOTAL FY 2017-18 – R5 and BA3** | **$617,924** |

*Utilities:* The utilities portion of the request incorporates the following calculation:

- Backfill for utility revenue *other than electric utility revenue*, based on a comparison of actual and projected revenue for calendar year (CY) 2016 and CY 2017 versus actual CY 2015.
- PLUS backfill for electric utility revenue for the 31.5 percent of electric utility revenue that represents the City's mark-up on wholesale electric utility charges. Total lost revenue is also based on a comparison of actual and projected revenue for CY 2016 and CY 2017 versus actual CY 2015.

  Revenue reduced in CY 2016 (affecting the months of August to December) and a full year of revenue lost in CY 2017 is then spread across the state 2016-17 and 2017-18 fiscal years.

*Per-diem:* The Corrections Corporation of America (CCA; now renamed CoreCivic) paid the City $.25 per inmate per day.

- The per-diem portion of the request is based on the 3-year average amount paid to the City for inmate per-diems for inmates from Colorado and Idaho.

  The five months of revenue lost in CY 2016 and full year revenue lost in CY 2017 is then spread across the state 2016-17 and 2017-18 fiscal years.

*Property Taxes:* Lost property taxes to all affected districts are based on 2/3rds of a year of the revenue projected to be lost to each of the taxing districts.

The Department requested the amounts as an appropriation to the Rural Economic Development Initiative (REDI) line item.

*ACTION TO-DATE:* The Committee considered backfill proposed for the City of Burlington per-diem and utilities revenue pursuant to a September 2016 interim supplemental request and a January 2017 regular supplemental request. Staff recommended that the Committee proceed with these requests only if it was willing to sponsor a bill to provide statutory authority for backfill to local governments. To-date, the Committee has declined to sponsor such a bill.

*STAFF RECOMMENDATION:* Consistent with the staff recommendations presented in September and January, staff recommends this request only if the Committee chooses to sponsor related legislation. **As the JBC has declined to do so, staff recommends that the Committee deny the requests.**

As outlined in the January 2017 staff supplemental packet:

- The Office of Legislative Legal Services does not believe that the Department has existing statutory authority to directly backfill a local government's lost revenue with General Fund. Existing statute instead authorizes the Department to assist and facilitate local governments' economic development efforts.
- The current request to assist local governments related to the KCCC closure, as revised by the Department, is for a relatively modest sum of one-time support including $617,925 in FY 2017-18. The Committee previously sought to assist the local communities affected by KCCC by providing an additional $3.0 million to keep the KCCC open through an appropriation in the Department of Corrections. (This amount is now being removed from the budget.)
- A revised request BA3 addressed staff's most serious concerns about earlier requests. Specifically, the original request proposed backfill of $614,468 in FY 2016-17 for the City of Burlington lost utility revenue. This figure was sharply reduced to focus on the City's profit from electric utility revenue, rather than backfilling a pass-through to Xcel Energy.
- The request was for temporary support, with no expectation that assistance will be provided in subsequent years.
- The Governor's Office indicated it would support legislation, if the Committee felt this was necessary to take the requested action.

**While staff supported the request in conjunction with legislation, staff also expressed reservations.**

- ***Staff does not believe either the city or county government faces a financial crisis if state support is not forthcoming.*** While the decline in revenue is measurable, the local economy was not solely reliant on the prison for tax revenue. For the largest entities—the City of Burlington and Kit Carson County—the estimated government revenue decline proposed to be backfilled is 2.5 to 3.1 percent of total revenue.

- ***Legislation in this arena will set a new precedent:*** the State has not historically backfilled local governments that face revenue shortfalls. Does it wish to run related legislation and establish this precedent at this time?

The following table shows the significance of the lost revenue compared to the base budgets for the affected entities

| Summary: Significance of KCCC Closure Request for Local Government Entity | | | |
|---|---|---|---|
| | Funds Requested | 2016 Estimated Revenue for Entity* | Percentage of Budget |
| FY 2017-18 | | | |
| City of Burlington | | | |
| FY 17-18 BA 3 | 102,830 | | |
| FY 17-18 R5 | 84,857 | | |
| FY 17-18 City subtotal | 187,687 | 6,084,087 | 3.1% |
| Kit Carson Cemetery District | 5,624 | 19,100 | 29.4% |
| Burlington Fire Protection District | 20,386 | 237,003 | 8.6% |
| Kit Carson County Health Services District | 29,601 | 463,768 | 6.3% |
| Kit Carson County budget (all fund sources) | 374,626 | 15,203,091 | 2.5% |
| Kit Carson County Property Tax (only) | as above | *5,664,826* | *6.6%* |

*From budgets provided by City of Burlington and DOLA Local Government Information System website for other entities. For Burlington represents a revised mid-year 2016 budget. For other entities, represents 2016 estimated revenue in budgets submitted December 2015.

## ➔ BA2 Roll-forward Authority for REDI

The Department requests that the Rural Economic Development Initiative (REDI) Grants line item be provided roll-forward authority. This program, re-activated through FY 2015-16 budget action, funds planning and infrastructure grants for local governments. The most competitive applications are from rural counties with fewer than 50,000 people and municipalities and unincorporated communities with fewer than 20,000 people.

The current appropriation is for $750,000 General Fund.

The Department indicates that this will address two problems:

*Reversion of funds:* If a project comes in under-budget, unspent moneys from a completed contract are de-obligated and reverted. Most contracts are not completed until the fourth quarter, meaning there is little time to re-purpose unused funds.

*Multi-year projects*: More complex construction projects or planning processes that require more extensive community engagement cannot be supported with REDI funds since all moneys must be awarded, contracted, and expended in the same fiscal year.

*Action to-date:* The Committee approved this request as an FY 2016-17 supplemental adjustment.

*Staff Recommendation:* Consistent with Committee action thus far, staff recommends continuing roll-forward authority in FY 2017-18. Staff agrees that there may be value in enabling the Department to consider small projects that take longer than one year to complete, particularly to the extent that some funds are awarded for construction activities.

## ➔ Staff Technical Adjustments: Reflect Decline in Severance Tax and FML/ Potential Transfers to General Fund

**The staff recommendation includes further reducing the amount shown for Local Government Mineral and Energy Impact Grants and Disbursements by $25.0 million: from $125.0 million to $100.0 million.** This amount is shown in the Long Bill for informational purposes only and is only adjusted based on what appear to be significant changes to available funds. In light the Department's projected distributions for FY 2017-18, staff has included an adjustment to this line item. The chart below reflects actuals and current estimates from the Department of amounts distributed through direct distributions, appropriated for administration, or awarded as **new** grants in the fiscal year shown. Additional information on the approach used to develop these figures is included in the write-up for the line item.

| Local Government Severance and Mineral Impact Fund Program: Grants and Distributions | | | | |
|---|---|---|---|---|
| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Estimate/ request |
| **Revenue (New Tax + Interest Income)** | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 |
| Local Government Severance Tax Fund (50.0 percent severance tax revenue) | $138,419,350 | $43,935,220 | $21,123,645 | $65,389,837 |
| Local Government Mineral Impact Fund (41.7 percent state FML revenue) | $60,954,811 | $39,946,027 | $44,037,004 | $45,095,774 |
| **Total** | **$199,374,161** | **$83,881,247** | **$65,160,648** | **$110,485,611** |
| | | | | |
| | | | | |
| **Use of Funds for Fiscal Year (New Grants & Distributions)** | | | | |
| Administration and Indirect Costs | $6,473,979 | $6,716,807 | $7,385,197 | $7,532,901 |
| Transfers to Other Departments | $3,612,912 | $3,611,006 | $373,885 | $373,885 |
| Direct distributions (in August; prior year payable) | | | | |
| Severance Tax Direct Distribution | $37,037,154 | $42,047,432 | $13,105,850 | $6,337,093 |
| Mineral Impact Direct Distribution | $37,238,438 | $31,237,224 | $24,795,920 | $20,137,786 |
| Grants | | | | |
| Regular Grants | $107,373,482 | $92,225,960 | $52,943,585 | $60,205,767 |
| Special Grants - Executive Initiatives | $5,495,389 | $14,289,108 | $2,149,000 | $0 |
| Legislated Initiatives | $0 | $551,000 | $1,459,000 | $1,000,000 |
| **Total** | **$197,231,355** | **$190,678,536** | **$102,212,437** | **$95,587,432** |

These estimates incorporate assumptions that significant amounts of Severance Tax **may** be transferred to the General Fund, either through transfers of moneys currently in Department reserves and/or based on assumed "off the top" transfers of incoming severance tax revenue to the General Fund. Specifically, these figures assume:

- There **may** be a transfer in FY 2016-17 of $28.4 million from the Local Government Severance Tax Fund to the General Fund. This represents the balance of reserves that were frozen in the Department when S.B. 16-218 was enacted. The Governor's November 1, 2016 budget request proposed a transfer of $31.7 million severance tax funds to the General Fund in FY 2016-17. Although 50 percent of this (the DOLA share) would be $15.85 million, for purposes of the above estimates, the Department assumes this full $28.4 million held in reserves due to S.B. 16-218 will be transferred to the General Fund.

- FY 2017-18 severance tax receipts **may** be reduced by a transfer of $22.9 million to the General Fund, based on the Governor's January 3, 2017, budget submission requesting a transfer of $45.7 million of severance tax funds to the General Fund for FY 2017-18.

- The General Assembly **may** reverse provisions of S.B. 16-218 which boost severance tax revenue to the Department of Natural Resources and the Department of Local Affairs in FY 2016-17. Senate Bill 16-218 requires that, during FY 2016-17, any severance tax refunds that exceed 15 percent of monthly revenues will be refunded from the General Fund, rather than from Severance Tax receipts. Based on OSPB's December revenue forecast, this provision is expected to increase total FY 2016-17 revenue to the Departments of Local Affairs and Natural Resources by a total of $54.0 million. The Department of Local Affairs does not include its 50 percent share of the $54.0 million in its FY 2016-17 revenue estimates.

*For purposes of estimating funds that may be available for grants and distributions, staff believes these conservative assumptions are reasonable, pending decisions by the General Assembly and continuing changes to severance tax and FML forecasts.* This is particularly true as the December 2016 OSPB forecast relied on in the Department's estimate is higher than the corresponding December Legislative Council Staff forecast for these funding sources.

The estimate reflected in the Long Bill does not require the General Assembly to take any related action on transfers, and the Department will be able to make additional grants and spend additional revenue if it is available.

The table below summarizes the potential transfers and reduced revenues that are incorporated in the Department's estimates.

| POTENTIAL TRANSFERS OF LOCAL GOVERNMENT SEVERANCE TAX TO THE GENERAL FUND EMBEDDED IN DOLA SEVERANCE TAX ESTIMATES | |
|---|---|
| Half of FY 2016-17 $31.7 million transfer of Severance Tax to GF requested in Governor 1/1/16 letter | $15,850,000 |
| Balance of reserves frozen in the Department per S.B. 16-218 ($28.4 mil total) | 12,550,000 |
| Half of requested FY 2017-18 $45.7 million transfer of Severance Tax to GF requested in Governor 1/3/17 letter | 22,850,000 |
| DOLA share of FY 2016-17 severance tax refunds to be paid from the General Fund per S.B. 16-218 (DOLA assumes provision will be reversed and excludes the amount from the estimate) | 27,000,000 |
| **TOTAL Potential Transfers to the General Fund** | **$78,250,000** |

**To implement any of the transfers shown would require legislation. The Governor has formally requested legislation for a portion of the transfers shown. The others have not been requested but represent potential transfers.**

Even after assuming these potential transfers, DOLA still anticipates:

- a further $13 million grant cycle in April 2017 based on February 2017 grant applications;
- a total of $60.2 million in grants awarded over three cycles in FY 2017-18.

## → STAFF/DEPARTMENT TECHNICAL ADJUSTMENTS: VOLUNTEER FIREFIGHTER RETIREMENT AND INSURANCE

The Volunteer Firefighter Retirement Plans line item reflects the State's contribution to local volunteer firefighter retirement plans, as authorized by Section 31-30-1112 (2), C.R.S. Pursuant to Section 10-3-209, C.R.S., it is funded with revenues from a two percent tax on the gross amount of all insurance premiums collected during the previous calendar year. These moneys are not subject to the annual statutory limit on General Fund appropriations and are shown for informational purposes.

The Department requests an increase of $20,000 General Fund in the Volunteer Firefighter Retirement Plans line item that reflects, for informational purposes, estimated General Fund expenditures for this purpose. This would set the line item at $4,220,000 General Fund. ***Staff recommends that the JBC set the estimated expenditure amount for this line item and the***

***Volunteer Firefighter Death and Disability Insurance Line Item using whichever March 2017 General Fund revenue forecast the JBC chooses to adopt.***

The table below shows actuals for the last five actual years:

| FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 |
|---|---|---|---|---|
| $4,358,691 | $4,175,447 | $4,096,705 | $4,170,673 | $4,116,022 |

## ➔ STAFF RECOMMENDATION: ELIMINATE UNUSED SPENDING AUTHORITY

**FIREFIGHTER HEART AND CIRCULATORY MALFUNCTION BENEFITS:** Staff recommends that the appropriation for the Firefighter Heart and Circulatory Malfunction Benefits line item be reduced by $100,000 General Fund and $100,000 reappropriated funds based on recent-year actual expenditures.

Senate Bill 14-172 (Tochtrop and Newell/Kraft-Tharp) requires any municipality, special district, fire authority, or county improvement district employing one or more firefighters to provide benefits for heart and circulatory malfunctions for full-time firefighters, as long as the state provides sufficient funding to cover the cost. The employer may purchase accident insurance, self-insure, or participate in a self-insurance pool, or multi-employer health trust. The bill specifies minimum and maximum benefits that must be provided, ranging from a lump sum payment of $4,000 if an exam reveals a firefighter has a heart and circulatory malfunction to $250,000 maximum.

The fiscal note for the bill assumed that employers would maintain insurance for 5,669 full-time firefighters, at an average annual cost of $150 per firefighter. Having now operated the program for two years, the Department reports 4,350 firefighters covered through the program at an average cost of $181.28. The total benefit premium in FY 2015-16 was $785,246—significantly below the $939,000 originally anticipated and currently budgeted. The Department reverted $159,844 from the cash fund in FY 2015-16.

**The Department indicates that the program now appears to be quite stable. In both FY 2014-15 and FY 2015-16, it underspent the appropriation for benefits that was deposited to the Cash Fund by over $100,000, indicating that an appropriation at the current level is not needed.**

Staff also believes that ideally the structure of the appropriation should be modified via a statutory change to eliminate the "reappropriated" funds in the appropriation. It does not appear that the structure that "reappropriates" amounts for the benefit payments into a separate fund serves any purpose other than to clarify the portion of the funding that may be used for administration. Staff believes the administrative portion of the appropriation could be limited without creating a budget double-count.

**OTHER LOCAL GOVERNMENT GRANTS:** Staff recommends that the $30,000 cash funds appropriation remaining in this line item be eliminated, as there are no longer any associated funds. The line item previously included residual appropriations from the Colorado Heritage Communities

Grant Fund, but this program has not been funded for many years, and the balance in that Fund is expected to be gone by the end of FY 2016-17.

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# LINE ITEM DETAIL—DIVISION OF LOCAL GOVERNMENT

## (A) LOCAL GOVERNMENT AND COMMUNITY SERVICES

### (I) ADMINISTRATION

### PERSONAL SERVICES

This line item funds salaries and associated Medicare and PERA contributions, as well as contractual services, for approximately half of the technical assistance and grants management FTE in the Division of Local Government (the remaining half are in the Field Services, Program Costs line item). Staff funded in this line item are centrally located. The line item includes:

- 3.6 FTE for management and administrative support
- 5.4 FTE for local government services
- 4.3 FTE for the state demography office
- 2.8 FTE for the Energy Impact Grant Program
- 2.6 FTE for administration of the federal Community Services Block Grant

*Local Government Services:* This section provides administrative, financial, and other assistance to local officials, staff and citizens in the operation of a local government. This includes assistance on budgeting, finance, general government administration, special district administration and elections, and enterprise management. It also assists with the preparation, processing and publication of various required local government filings received by the Department from over 3,500 local governments statewide, including over 2,000 special districts. The General Assembly authorized a 1.0 FTE increase for this section in FY 2015-16 due to the growth in the number of local districts and declining compliance with filing requirements.

*The State Demography Office:* Provides population and demographic data and analysis for the State. This includes providing support to other state agencies, federal partners, local governments, and the public about demographic trends at the state, regional, county, and municipal levels.

*Energy Impact Grant Program:* This section provides central management support for the Energy Impact Program, including direct distributions and grants. The program is also supported at the regional level by staff in the Field Services Program Costs line item.

*Community Services Block Grant:* The federal Community Services Block Grant (from the federal Department of Health and Human Services) provides funds to alleviate the causes and conditions of poverty in communities. The Governor has designated DOLA as the lead agency for the grant.

*STATUTORY AUTHORITY:* Section 24-32-104, C.R.S.

*REQUEST:* The Department requests $1,524,598 in total funds (including $333,377 General Fund) and 18.7 FTE for this line item for FY 2017-18. This reflects a continuing appropriation level

*RECOMMENDATION:* Staff recommends the request for a continuation level of funding, consistent with Committee common policy.

| DIVISION OF LOCAL GOVERNMENT, LOCAL GOVERNMENT AND COMMUNITY SERVICES, PERSONAL SERVICES | TOTAL FUNDS | GENERAL FUND | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
|---|---|---|---|---|---|
| | | | | | |
| FY 2016-17 APPROPRIATION | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,524,598 | $333,377 | $1,043,865 | $147,356 | 18.7 |
| **TOTAL** | **$1,524,598** | **$333,377** | **$1,043,865** | **$147,356** | **18.7** |
| | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | |
| FY 2016-17 Appropriation | $1,524,598 | $333,377 | $1,043,865 | $147,356 | 18.7 |
| **TOTAL** | **$1,524,598** | **$333,377** | **$1,043,865** | **$147,356** | **18.7** |
| | | | | | |
| Percentage Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,524,598** | **$333,377** | **$1,043,865** | **$147,356** | **18.7** |
| Request Above/(Below) Recommendation | $0 | $0 | $0 | $0 | 0.0 |

## OPERATING EXPENSES

This line item funds the operating expenses of the Division of Local Government's administration. Common operating expenses include advertising, in-state travel, printing, postage, and various other cost items.

*STATUTORY AUTHORITY:* Section 24-32-104, C.R.S.

*REQUEST:* The Department requests a continuation level of $132,301, including $43,218 General Fund.

*RECOMMENDATION:* Staff recommends the request for a continuation level of $132,301, including $43,218 General Fund, consistent with Committee common policy.

## STRATEGIC PLANNING GROUP ON COLORADANS AGE 50 AND OVER

House Bill 15-1033 (Primavera/Crowder) created the strategic planning group on aging within the Department of Local Affairs. The group consisted of 23 voting members appointed by the Governor. By November 1, 2016, the group was required present to the Governor and the General Assembly comprehensive data and recommendations to develop an action plan on aging in Colorado through the year 2030. Updates to the plan will be provided in 2018 and 2020, if sufficient funding is available. The group is repealed September 1, 2022.

The bill included an appropriation of $364,915 General Fund and 0.3 FTE for FY 2015-16, largely to cover contractual research. This amount annualized in FY 2016-17 to cover costs for 0.3 FTE for staff support and $50,000 for travel expenses for members of the planning group.

*STATUTORY AUTHORITY:* Section 24-32-3401 through 3408, C.R.S.

*REQUEST:* The Department requested that this line item be eliminated, consistent with the fiscal note for H.B. 15-1033.

*RECOMMENDATION:* **Staff recommends the request to eliminate the line item.**

| DIVISION OF LOCAL GOVERNMENT, LOCAL GOVERNMENT AND COMMUNITY SERVICES, STRATEGIC PLANNING GROUP ON COLORADANS AGE 50 AND OVER | | | |
|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | FTE |
| | | | |
| FY 2016-17 APPROPRIATION | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $64,954 | $64,954 | 0.3 |
| **TOTAL** | **$64,954** | **$64,954** | **0.3** |
| | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | |
| FY 2016-17 Appropriation | $64,954 | $64,954 | 0.3 |
| Annualize prior year legislation | (64,954) | (64,954) | (0.3) |
| **TOTAL** | **$0** | **$0** | **0.0** |
| | | | |
| **INCREASE/(DECREASE)** | **($64,954)** | **($64,954)** | **(0.3)** |
| Percentage Change | (100.0%) | (100.0%) | (100.0%) |
| | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$0** | **$0** | **0.0** |
| Request Above/(Below) Recommendation | $0 | $0 | 0.0 |

The portion of the Group's work that required funding—development of a plan—has been completed. The plan may be accessed at the following link:
https://www.colorado.gov/pacific/sites/default/files/SAPGA-Nov-2016-Strategic-Plan.pdf

The report highlights projected rapid growth in the aging population and includes various recommendations including:

- **Creating a permanent office or high-level position within the executive branch to coordinate and oversee Colorado's work on aging issues.**
- **Developing a comprehensive accounting of all state expenditures related to aging as a tool to help policymakers plan and prioritize at the state level.**
- **Committing, through existing state programs, partnerships, and resources, to protect older Coloradans from abuse, fraud, neglect, and exploitation — and ensure all can age with dignity.**
- **Empowering and supporting caregivers as they assist aging parents, family, and friends.**
- **Bolstering Coloradans' abilities to save for retirement and support themselves after stepping back from the workforce or full-time employment.**
- **Implementing strategies to ensure Colorado has a workforce to meet aging Coloradans' needs;**
- **Supporting local communities' efforts to adapt to aging Coloradans' needs, including transportation networks and building design; and,**
- **Developing and implementing comprehensive local and regional plans for aging.**

Staff anticipates that the group will continue to meet but that this particular appropriation in DOLA will no longer be required.

## (II) LOCAL GOVERNMENT SERVICES

### LOCAL UTILITY MANAGEMENT ASSISTANCE

This program provides assistance to the Water Resources and Power Development Authority in implementing drinking water and waste water treatment loans. DOLA advises local governments about the mechanics of the loans and their potential eligibility. DOLA reviews about 50 loan applications per year and analyzes their economic feasibility. The Department provides support because it already has information about the finances of local governments and has financial/economic analysis expertise. The Authority pays the Department for portions of the salaries of several employees who work on the loans (2.0 FTE total).

*STATUTORY AUTHORITY:* Sections 37-95-107.6 (3) and 107.8 (3), C.R.S.

*REQUEST:* The Department requests continuation funding of $171,762 cash funds and 2.0 FTE.

*RECOMMENDATION:* Staff recommends the request for $171,762, which is calculated consistent with JBC common policy.

### CONSERVATION TRUST FUND DISBURSEMENTS

This line item represents the lottery proceeds anticipated to be transferred to the Conservation Trust Fund each fiscal year. Lottery proceeds (after payment of lottery-related administrative expenses, prizes, and operating reserves) are distributed among three State agencies as follows:

- Department of Local Affairs: 40 percent is transferred from the Lottery Fund to the Conservation Trust Fund "for distribution to municipalities and counties and other eligible entities for parks, recreation, and open space purposes" (Section 3 (1) (b) (I) of Article XXVII of the Colorado Constitution; Section 33-60-104 (1) (a), C.R.S.);

- Department of Natural Resources: 10 percent is distributed from the Lottery Fund to the Division of Parks and Outdoor Recreation for the "acquisition, development, and improvement of new and existing state parks, recreation areas, and recreational trails" (Section 3 (1) (b) (II) of Article XXVII of the Colorado Constitution; Section 33-60-104 (1) (b), C.R.S.); up to $35.0 million of the remaining net lottery proceeds (adjusted annually based on the Denver metro CPI) is distributed to the Great Outdoors Colorado (GOCO) Trust Fund Board (Section 3 (1) (b) (III) of Article XXVII of the Colorado Constitution; Section 33-60-104 (1) (c), C.R.S.); and

- Department of Education: Net lottery proceeds in excess of the above-described GOCO cap are transferred to the Public School Capital Construction Assistance Fund, pursuant to H.B. 08-1335, to fund direct and indirect administrative costs of the division of Public School Capital Construction Assistance and the Public School Capital Construction Board. Any remainder funds are continuously appropriated to the Board for public school capital construction.

Pursuant to Section 24-77-102 (17) (b) (IX), C.R.S., moneys in the Conservation Trust Fund are not subject to TABOR. In addition, Section 3 (1) of Article XXVII of the Colorado Constitution specifies that net lottery proceeds are "set aside, allocated, allotted, and continuously appropriated" for purposes of the distributions specified above.

Pursuant to Section 29-21-101 (2), C.R.S., moneys in the Conservation Trust Fund are primarily distributed based on population. Moneys may be used for acquiring and developing land and/or water for parks, open space, historic, recreation, scenic, aesthetic, or similar purposes. Moneys may also be used for maintenance of recreational facilities. In addition, pursuant to Section 29-21-101 (3), C.R.S., the Division of Local Government may utilize the Conservation Trust Fund to recover its direct and indirect costs related to distributing moneys in the Trust Fund. This line item appropriation is included in the annual Long Bill for informational purposes only.

*STATUTORY AUTHORITY:* Section 3 (1) (b) (I) of Article XXVII of the Colorado Constitution, Section 33-60-104 (1) (a), C.R.S., and Section 29-21-101 (3), C.R.S.

*REQUEST:* The Department requests continuation of $50,000,000 in cash funds and 2.0 FTE for FY 2017-18.

*RECOMMENDATION:* Staff recommends the requested $50.0 million cash funds as a reasonable estimate of lottery revenue. In the most recent actual year (FY 2015-16), the Department received $57.1 million in lottery proceeds to cover formula distributions to local governments as well as its direct and indirect costs for the program. However, the Department reports that this largely reflected unusually high powerball receipts. It believes $50.0 million remains a reasonable ongoing estimate for the line item.

### VOLUNTEER FIREFIGHTER RETIREMENT PLANS

This line item reports the State's contribution to local volunteer firefighter retirement plans, as authorized by Section 31-30-1112 (2), C.R.S. Pursuant to Section 10-3-209, C.R.S., it is funded with revenues from a two percent tax on the gross amount of all insurance premiums collected during the previous calendar year. These moneys are not subject to the annual statutory limit on General Fund appropriations. The General Assembly has identified at least a portion of this appropriation as coming from the General Fund Exempt account in all but one year since FY 2005-06. *The line item is continuously funded and is included in the Long Bill for informational purposes only.* Eligible entities include:

- Municipalities with a population under 100,000 that maintain a regularly organized volunteer fire department and that offer fire protection services;
- Fire protection districts having volunteers and offering fire protection services;
- County improvement districts having volunteer fire department members and offering fire protection services; and
- Counties contributing to a volunteer pension fund at one of the above.

Eligible entities must have active, pension-eligible volunteer firefighters and have contributed tax revenue to the pension fund in the year previous to the year in which the distribution in made. Municipalities with populations of less than 100,000 may levy a tax of not more than one mill (one percent) on the taxable property in the municipality, county, or district to fund their individual volunteer firefighter pension funds.

Pursuant to Section 31-30-1112 (2), C.R.S., the State payment to any municipality or district that is contributing an amount necessary to pay volunteer firefighter pension plans of $300 or less per month must equal 90 percent of all amounts contributed by the locality in the previous year. The State payment to localities that contribute an amount necessary to pay pensions in excess of $300 per month also must equal 90 percent of all amounts contributed by the locality in the previous year, as long as that 90 percent is less than the greater of (1) the contribution actuarially required to pay a pension of $300 per month or (2) the highest actual contribution received by the municipality during the calendar years 1998, 1999, 2000, or 2001. The State has to contribute an amount equal to the greater of these two categories if such amount is less than 90 percent of municipal or special district contributions in the previous year. In each case, the State contribution cannot exceed an amount that is equal to a tax of one-half mill (.05 percent) on the total taxable property in the municipality or special district.

The Department conducts an application process in which volunteer firefighting agencies submit an actuarial review of their plans "soundness" over the next 20 years. DOLA uses these studies to determine how much assistance each locality receives. Critically, because of the "greater of" language currently included in statute, any locality which submits a request will be funded at some level, regardless of whether its pension plan requires such funding to meet the $300 per month pension. In recent years, DOLA has distributed moneys to 227 qualified pension plans, 91 of which distribute more than $300 per month to eligible retirees.

*STATUTORY AUTHORITY:* Section 31-30-1112 (2), C.R.S.

*REQUEST:* The Department requests $4,220,000, including an increase of $20,000, to align the request with the OSPB September 2016 General Fund forecast.

*RECOMMENDATION:* This figure is **pending**. **Staff requests permission to use the amount included in whichever March 2017 General Fund revenue forecast the JBC chooses to adopt.** Actual expenditures were $4,116,022 in FY 2015-16.

### VOLUNTEER FIREFIGHTER DEATH AND DISABILITY INSURANCE

This line item reports the State's contribution to local volunteer firefighter death and disability insurance, as authorized by Section 31-30-1112 (2), C.R.S. This amount is not subject to the limit on General Fund appropriations. It is included in the Long Bill for informational purposes.

*STATUTORY AUTHORITY:* Section 31-30-1112 (2), C.R.S.

*REQUEST:* The Department's request reflects continuing the FY 2015-16 estimate of $30,000 General Fund for disability insurance for FY 2017-18.

*RECOMMENDATION:* This figure is **pending**. **Staff requests permission to use the amount included in whichever March 2017 General Fund revenue forecast the JBC chooses to adopt.** Actual expenditures have been $21,065 for the last five years.

### FIREFIGHTER HEART AND CIRCULATORY MALFUNCTION BENEFITS

Senate Bill 14-172 (Tochtrop and Newell/Kraft-Tharp) requires any municipality, special district, fire authority, or county improvement district employing one or more firefighters to provide benefits for heart and circulatory malfunctions for full-time firefighters, as long as the state provides sufficient funding to cover the cost. The employer may purchase accident insurance, self-insure, or participate in a self-insurance pool, or multi-employer health trust. The bill specifies minimum and maximum benefits that must be provided, ranging from a lump sum payment of $4,000 if an exam reveals a firefighter has a heart and circulatory malfunction to $250,000 maximum.

In order to receive benefits a firefighter must:

- have had a recent medical examination that found no heart or circulatory malfunction present;
- be employed for at least five continuous years as a firefighter, except for a volunteer firefighter that must have five years of continuous service with the same employer; and
- have experienced the heart and circulatory malfunction within 48 hours of a stressful or strenuous work event.

The bill does not prohibit a firefighter from receiving other benefits; however, benefits for heart and circulatory malfunction must be offset by other benefits received.

The bill also creates the Firefighter Benefits Cash Fund, into which General Fund appropriations for the program for the benefit are deposited. Pursuant to the bill, this Fund is established solely for the purpose of benefits and not for the Department's costs in running the program, and thus the total amount in this line item includes a double-count for benefits.

The fiscal note for the bill assumed that employers would maintain insurance for 5,669 full-time firefighters, at an average annual cost of $150 per firefighter. The Department began accepting reimbursement applications for benefits effective July 1, 2014. Actual benefit expenditures were $746,512 in FY 2014-15 and $785,246 in FY 2015-16. The FY 2016-17 appropriation of $939,053 for the benefit is based on the bill's original fiscal note.

*The bill specifies that "if, at any time, the funding provided for the benefit required by this section is insufficient to cover the cost of the benefit, then the requirements of this section to maintain the benefit shall become optional pursuant to section 29-1-304.5."* If appropriations are insufficient, staff assumes the General Assembly will need to decide whether it wishes to provide additional funding or whether it wishes to make the benefit optional. There does not appear to be a sunset on the program, but the General Assembly could choose to eliminate the program at any time through defunding, in light of the above provision.

*STATUTORY AUTHORITY:* Section 29-5-302, C.R.S.

*REQUEST:* The Department requests continuation of $964,220 General Fund, $939,053 reappropriated funds from the new Firefighters Benefits Cash Fund, and 0.5 FTE for this program.

*RECOMMENDATION:* Staff recommends reducing the appropriation by $100,000 General Fund to $864,220 General Fund, 0.5 FTE, and $839,053 reappropriated funds (representing the portion of the total to be deposited to the Firefighters Benefits Cash Fund for payment of benefits). This is based on use of the program in its first two actual years of operation.

| DIVISION OF LOCAL GOVERNMENT, LOCAL GOVERNMENT AND COMMUNITY SERVICES, FIREFIGHTER HEART AND CIRCULATORY MALFUNCTION BENEFITS | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | REAPPROPRIATED FUNDS | FTE |
| | | | | |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,903,273 | $964,220 | $939,053 | 0.5 |
| **TOTAL** | **$1,903,273** | **$964,220** | **$939,053** | **0.5** |
| | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $1,903,273 | $964,220 | $939,053 | 0.5 |
| Firefighter Heart and Circulatory Malfunction Benefit | (200,000) | (100,000) | (100,000) | 0.0 |
| **TOTAL** | **$1,703,273** | **$864,220** | **$839,053** | **0.5** |
| | | | | |
| **INCREASE/(DECREASE)** | **($200,000)** | **($100,000)** | **($100,000)** | **0.0** |
| Percentage Change | (10.5%) | (10.4%) | (10.6%) | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,903,273** | **$964,220** | **$939,053** | **0.5** |
| Request Above/(Below) Recommendation | $200,000 | $100,000 | $100,000 | 0.0 |

## ENVIRONMENTAL PROTECTION AGENCY WATER/SEWER FILE PROJECT

This is a federally funded project to determine eligibility and credit worthiness of local governments for EPA water and sewer loans.

*STATUTORY AUTHORITY:* Section 24-32-106 (1) (d), C.R.S.

*REQUEST:* The Department requests reflecting continuation of $62,718 federal funds and 0.5 FTE in this line item.

*RECOMMENDATION:* Staff recommends the request for continuation of $62,718 federal funds and 0.5 FTE in this line item.

## (III) COMMUNITY SERVICES

### COMMUNITY SERVICES BLOCK GRANT

The federal Community Services Block Grant (CSBG), distributed by the federal Department of Health and Human Services, provides funding to local communities for services that address the causes of poverty, including employment assistance, education, affordable housing, emergency services, nutrition, counseling, health, transportation, elderly projects, summer youth recreation, and community development. Recipients must be at or below 125 percent of federal poverty guidelines. Colorado has 44 eligible entities that receive CSBG funds annually, which are distributed on a formula basis. Eligible entities include qualified locally-based nonprofit anti-poverty agencies which provide services to low income individuals and families. Ninety percent of the funds are allocated to grantees, five percent is for administration, and five percent is reserved for the Governor's discretion.

In order for the State to be eligible to receive federal moneys under the CSBG program, it is required to hold at least one legislative hearing every three years in conjunction with the development of the approved state plan. Historically, the JBC has served as the legislative committee holding the required hearing.

*STATUTORY AUTHORITY:* Section 24-32-106 (1) (d), C.R.S.

*REQUEST:* The Department's request reflects continuing the $6,000,000 in federal funding that was reflected for informational purposes in FY 2015-16.

*RECOMMENDATION:* Staff recommends approving the Department’s request to reflect $6,000,000. Over the last four years, actual expenditures have ranged from $4.8 million to $6.4 million in this line item. The current estimate appears to be consistent with current federal allocations.

## (B) FIELD SERVICES

### PROGRAM COSTS

This line funds salaries and associated Medicare and PERA contributions, as well as contractual services, for half of the technical assistance and grants management FTE in the Division (the remaining half are in the Administration, Personal Services line item). It also includes associated operating expenses. The line currently supports 28.2 FTE. This includes the following:

- 6.0 FTE for administration;
- 16.9 FTE for field representatives, who also administer energy impact program grants;
- 4.3 FTE for administration of the federal Community Development Block Grant for non-entitlement areas; and

- 1.0 FTE for local government limited gaming grant administration.

Responsibilities are described below.

- Field staff provide education and customized assistance for local governments on issues such as budget review, property tax limitations, TABOR, water and sewer financing, election rules, land use planning, and application for federal and state grant funds. Staff is responsible for working with the local governments in their region. Field staff have typically worked as city and county managers prior to employment with the Department and are thus well positioned to advise local governments.

- Field Service staff review grant applications for the Mineral Impact Program, authorize smaller grants, and manage grant disbursements.

- The Community Development Office, which operates in this section, is comprised of 4.0 FTE who focus on providing technical assistance to local governments in land-use planning, economic development, and sustainable and resilient community development. The Office is responsible advising the Governor, the General Assembly, and local governments on growth issues, and providing technical assistance to communities dealing with economic and population growth and decline.

- The Community Development Office is also responsible for a local economic development initiative known as the Main Street Program. The Main Street Program supports downtown revitalization through asset-based economic development and historic preservation, The overall program budget of $791,758 for FY 2016-17 is from energy impact reappropriated funds and includes:
  - $150,000 for scholarships and non-competitive mini-grants to Main Street communities;
  - $462,500 for contractors, including $16,000 for operating funds
  - $179,258 and 2.0 FTE for personal services and operating costs including travel, training, and supplies.

  Of the total, $462,500 from Local Government Severance Tax funds was added in FY 2015-16 for consulting services to local communities. The program served 14 communities in FY 2014-15 and hoped to build to 35 by 2020.

- Statutory responsibilities administered in this section also include:
  - coordinating mediation of disputes between local governments using professionals from a list of qualified mediators; and
  - administering the Colorado Heritage Grants program. However, no new funding has been made available for this grant program since FY 2008-09 and the Department expects existing funds will be expended by the end of FY 2016-17.

Energy and mineral impact funds and limited gaming funds pay salaries for staff to administer the associated grant programs. Energy and mineral impact funds also support field service activities more broadly, including the general assistance for local governments on budget review, project financing, planning for growth, and the Main Street Program.

Federal funds are used to support staff who manage the federal Community Development Block Grant program. A State match is required for administrative costs, but some of the activities of the Field Staff qualify as a "soft match" of the federal administrative funds.

*STATUTORY AUTHORITY:* Sections 24-32-303, 24-32-803, 24-32-104 and 106, C.R.S.

*REQUEST:* The Department requests $3,034,637 total funds and 29.2 FTE for this line in FY 2017-18. The request includes $90,880 and 1.0 FTE for Request R2 (Rural Economic Stabilization)

*RECOMMENDATION:* The staff recommendation, including the recommendation for Request R2, is reflected below.

| DIVISION OF LOCAL GOVERNMENT, FIELD SERVICES, PROGRAM COSTS | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $2,943,757 | $0 | $109,027 | $2,511,402 | $323,328 | 28.2 |
| **TOTAL** | **$2,943,757** | **$0** | **$109,027** | **$2,511,402** | **$323,328** | **28.2** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |
| FY 2016-17 Appropriation | $2,943,757 | $0 | $109,027 | $2,511,402 | $323,328 | 28.2 |
| R2 Rural economic stabilization | 83,525 | 0 | 0 | 83,525 | 0 | 1.0 |
| **TOTAL** | **$3,027,282** | | **$109,027** | **$2,594,927** | **$323,328** | **29.2** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **$83,525** | **$0** | **$0** | **$83,525** | **$0** | **1.0** |
| Percentage Change | 2.8% | n/a | 0.0% | 3.3% | 0.0% | 3.5% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$3,034,637** | **$0** | **$109,027** | **$2,602,282** | **$323,328** | **29.2** |
| Request Above/(Below) Recommendation | $7,355 | $0 | $0 | $7,355 | $0 | (0.0) |

## COMMUNITY DEVELOPMENT BLOCK GRANT

The federal Community Development Block Grant (CDBG) provides funding to local communities for housing, public facility, and business assistance projects that benefit primarily low to moderate income individuals through community development efforts. These funds are provided by HUD. The federal agency distributes funds to each state based on a statutory formula that takes into account total population, poverty, incidence of overcrowded housing, and age of housing.

DOLA administers the funds for smaller, "non-entitlement" communities. Non-entitlement areas are cities with populations of less than 50,000, and counties with populations of less than 200,000. Large metro areas and counties receive their funding directly on an entitlement basis. DOLA divides CDBG funds in equal thirds for the following purposes:

- To make discretionary loans to local businesses to promote rural development. Administration of the business development program is coordinated between Department field staff and the Governor's Office of Economic Development and International Trade.

- To provide discretionary grants to local governments for local infrastructure development such as roads, water treatment facilities, and public buildings.

- To provide discretionary grants for affordable housing development. This portion of CDBG funds is shown as part of the Affordable Housing Grants and Loans line item in the Division of Housing section of the Long Bill.

*STATUTORY AUTHORITY:* Section 24-32-106 (1) (d), C.R.S.

*REQUEST:* The Department's request reflects continuation of $5,200,000 for FY 2017-18.

*RECOMMENDATION:* Staff recommends reflecting a continuation level of $5,200,000. Recent actuals were $14,030,415 in FY 2014-15 and $8,330,821 in FY 2015-16. However, $3.2 million of the FY 2014-15 amount was for the Neighborhood Stabilization Program and relates to housing development. Much of the spending in this line item relates to money allocated to local governments in prior years.

In general, federal support for the "regular" CDBG program has been declining. The FFY 2015 state award for the CDBG was $8,114,075, of which about $350,000 was applied to administration and one-third was spent in the Affordable Housing Grants and Loans line item. This left only $5.2 million in new funds available to award for local government infrastructure and economic development efforts.

## LOCAL GOVERNMENT MINERAL AND ENERGY IMPACT GRANTS AND DISBURSEMENTS

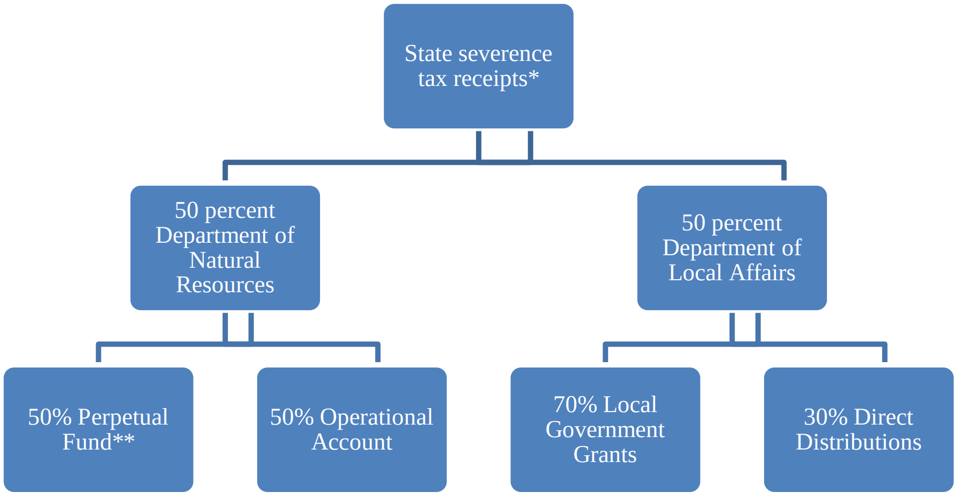
This grant program is intended to assist communities that are impacted by the growth and decline of the mineral and energy industries. The Local Government Severance Tax Fund and the Local Government Mineral Impact Fund serve as revenue sources for the program.

- Fifty percent of total gross receipts realized from the state severance taxes imposed on five types of extracted minerals and mineral fuels, including oil and natural gas, coal, metallic minerals, molybdenum ore, and oil shale, are deposited in the Local Government Severance Tax Fund on a monthly basis. The tax applies for resources that are removed from both privately and publicly owned lands; however, the severance tax is not paid when resources are removed from Tribal lands.

- Forty percent of the State's share (49 percent) of private sector payments to the federal government for mineral and mineral fuel production on federal lands is deposited to the Local Government Mineral Impact Fund on a quarterly basis.

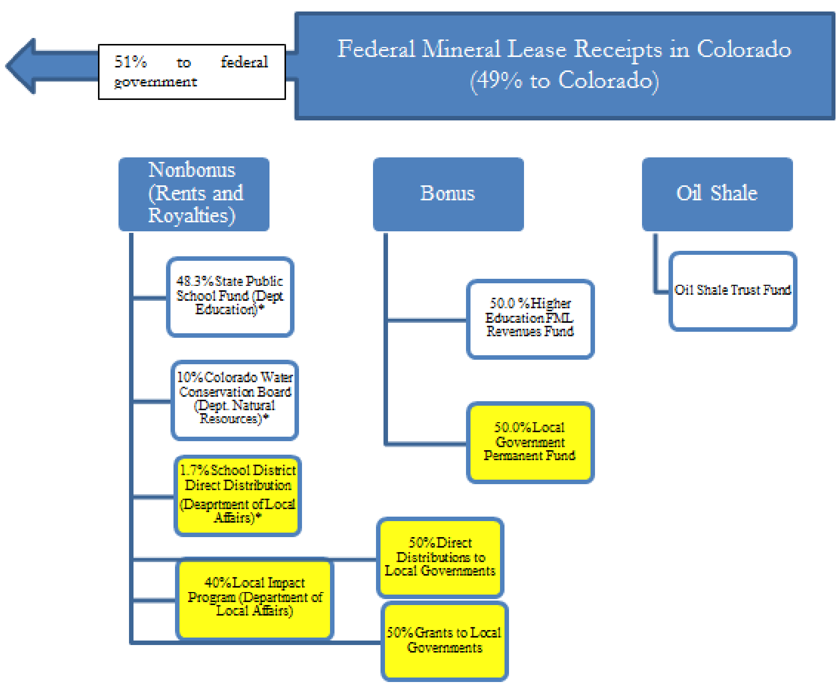
**Allocation of State Severance Tax Revenue**

**(Section 39-29-108, C.R.S.)**




*$1.5 million of total gross receipts is allocated to the Governor's Energy Office.
**Up to $10 million after $50 million is allocated for CDPHE small communities' water and wastewater grants.

**Allocation of Federal Mineral Lease Receipts**
**(Section 34-63-102, C.R.S.)**




*Spillover if above cap to Higher Ed FML Revenues Fund

By statute, a portion of each program's funding is **distributed directly** back to the local jurisdictions on the basis of the reported residence of mineral production employees, mining and well permits, and mineral production:

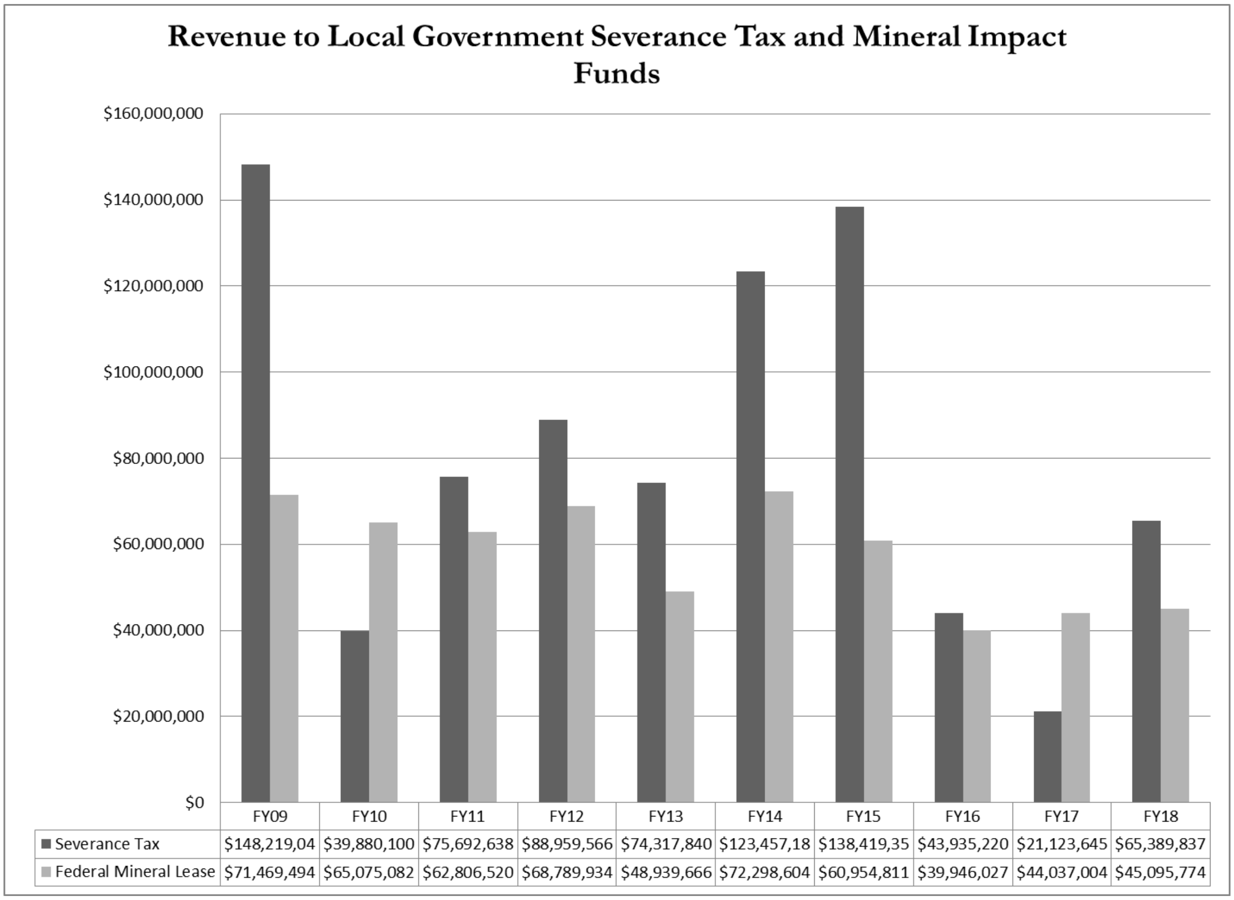
- 30 percent of severance tax revenues; and
- 50 percent of federal mineral lease revenues.

The remaining portion of these funds is distributed through **discretionary grants** to local jurisdictions.

In administering the grant program, the Department is assisted by the nine-member Energy and Mineral Impact Assistance Advisory Committee. Final funding decisions are made by the Executive Director of the Department. Entities eligible to receive grants and loans include municipalities, counties, school districts, special districts and other political subdivisions, and state agencies for the planning, construction, and maintenance of public facilities and public services. Priority is given to schools and local governments socially or economically impacted by the mineral extraction industry on federal lands.

The interpretation by the executive branch is that these funds are *continuously appropriated*. The statutory language governing the funds predates the standardized usage by the General Assembly of the term "continuously appropriated." However, there is language saying that the moneys "shall be distributed" by the Department. The General Assembly has never challenged the interpretation.

*Recent History:* Revenue from severance tax and FML funds is extremely variable due primarily to the volatility of oil and gas prices. This volatility is exacerbated in the case of Severance Taxes by the ad valorum property tax credit, which drives severance tax peaks higher and valleys lower than they would otherwise be. The chart below shows recent-year receipts to local government severance and mineral impact funds and projected revenue based on the OSPB December 2016 forecast. Note that




*Forecast reflects OSPB December 2016 forecast for FY 2016-17. For FY 2017-18, DOLA has adjusted the OSPB forecast for its share of revenue to assume that there will be an "off the top" $22.9 million transfer from its share of severance tax (half of $45.7 million requested by the Governor). *Legislative Council Staff December 2016 forecast numbers are lower*. For Severance Tax, LCS forecasts $15.0 million for DOLA in FY 2016-17 and $75.9 million in FY 2017-18, which would be reduced to $53.0 million with a $22.9 million off-the-top reduction. For FML, LCS forecasts $36.7 million for DOLA in FY 2016-17, and $43.1 million in FY 2017-18.

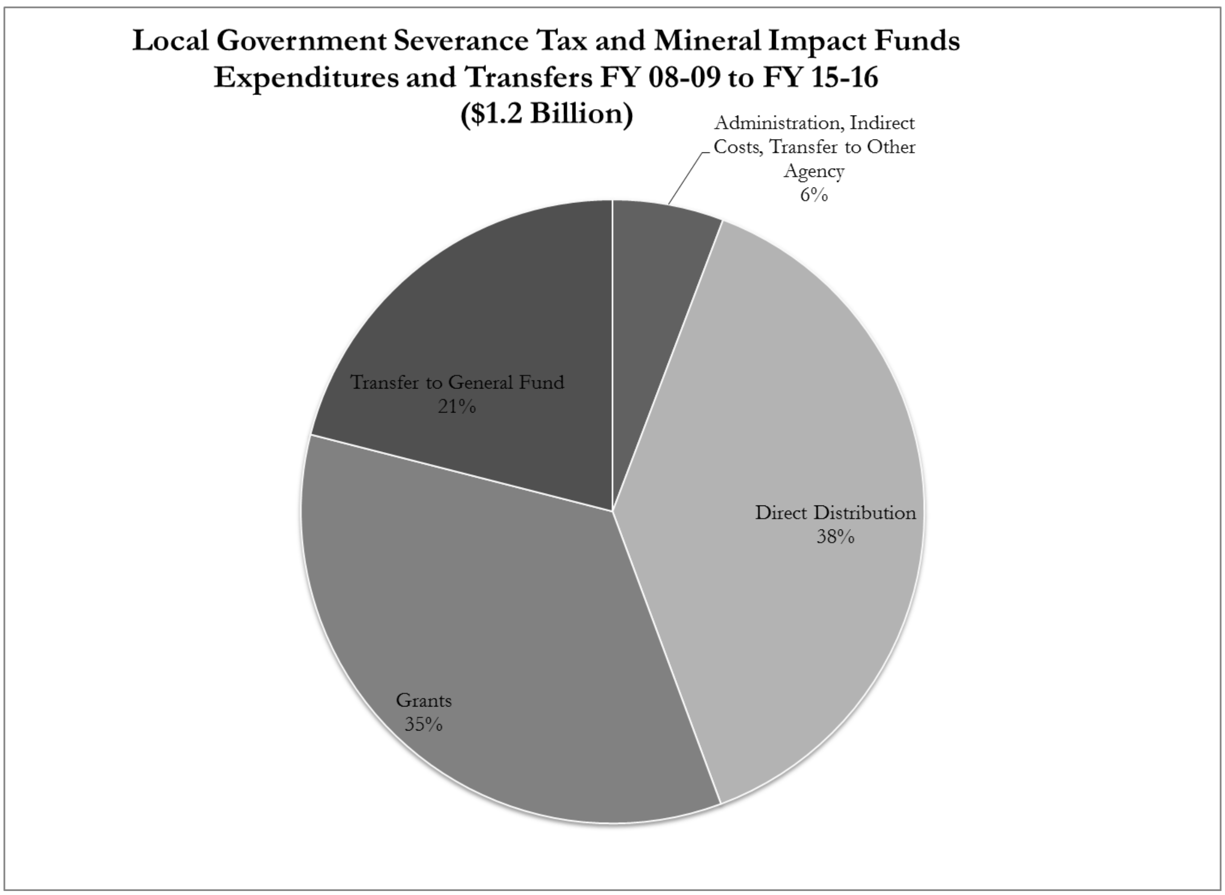
Not all of the funds shown above were actually distributed to local governments. From FY2008-09 through FY 2011-12, the General Assembly transferred Local Government Severance and Mineral Impact funds to the General Fund. Associated with this, from FY 2008-09 through FY 2010-11, the Department stopped providing any new grants. **New grants were again authorized starting in December 2012.**

| Transfers to the General Fund: Local Government Severance and Mineral Impact (FML) Funds | | | |
|---|---|---|---|
| | Local Government Severance Tax Fund | Local Government Mineral Impact Fund | Local Government Permanent Fund |
| 2008-09 | 7,500,000 | 1,000,000 | 0 |
| 2009-10 | 50,327,769 | 22,600,000 | 14,305,697 |
| 2010-11 | 70,000,000 | 15,000,000 | 4,136,764 |
| 2011-12 | 41,000,000 | 30,000,000 | 0 |
| 2012-13 | 0 | 0 | 0 |

| Transfers to the General Fund: Local Government Severance and Mineral Impact (FML) Funds | | | |
|---|---|---|---|
| | Local Government Severance Tax Fund | Local Government Mineral Impact Fund | Local Government Permanent Fund |
| 2013-14 | 0 | 0 | 0 |
| 2014-15* | 8,113,366 | 0 | 0 |
| **Total** | **$176,941,135** | **$68,600,000** | **$18,442,461** |

For FY 2014-15, shows funding as if it had actually been deposited to the funds where severance tax is normally allocated; however, the actual reduction was taken "off the top" before the funds received the money.

The chart below shows how Local Government Severance and Mineral Impact Funds were used from FY 2008-09 through FY 2015-16.




The governor has submitted several legislative proposals that would again transfer a portion of severance tax revenues to the General Fund. Staff anticipates that the JBC will make decisions related to such transfers based in part on the March 2017 forecast for both the General Fund and severance tax.

There are three ways to look at Mineral and Energy Impact funding:

View #1: Fund amounts and allocations based on the fiscal year received, based on statutory requirements.

**View #2:** Fund amounts and allocations, based on the fiscal year in which they are distributed (for direct distributions) or newly awarded (for grants). This should parallel amounts described in #1 above, but on a partially-delayed cycle. Specifically, direct distributions are distributed in the August of the year following receipt. New grant awards are typically made three times a year in August, December and April. Money is allocated throughout the year but only after receipt. Thus, August grants are based on prior fiscal year receipts, while December and April grants are based on current fiscal year receipts.

View #3: Fiscal year expenditures. For direct distributions, this reflects the prior year revenue. Grant amounts, however, are spent down over multiple years for infrastructure projects. Thus, the expenditure pattern lags years behind the pattern for new grants awarded.

**How Energy Impact Funds May be Shown for Revenues Received in Year 1**
**(Total Funds the Same for Option 1, 2, 3)**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| View 1 – Amount shown in year received | | | | | |
| View 2 – Amount shown in year in which new money is distributed for direct distributions or allocated for new grants | | | | | |
| View 3 – Amount shown spread across years in which it is actually spent. | | | | | |

The tables below, provided by the Department, are **based on the "View 2" approach**, i.e., they reflect the ***amounts distributed through direct distributions or awarded as new grants in the fiscal year shown (actual and anticipated)***.

| Local Government Severance and Mineral Impact Fund Program: Grants and Distributions | | | | |
|---|---|---|---|---|
| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Estimate |
| **Revenue (New Tax + Interest Income)** | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 |
| Local Government Severance Tax Fund (50.0 percent severance tax revenue) | $138,419,350 | $43,935,220 | $21,123,645 | $65,389,837 |
| Local Government Mineral Impact Fund (41.7 percent state FML revenue) | $60,954,811 | $39,946,027 | $44,037,004 | $45,095,774 |
| **Total** | **$199,374,161** | **$83,881,247** | **$65,160,648** | **$110,485,611** |
| | | | | |
| | | | | |
| **Use of Funds for Fiscal Year (New Grants & Distributions)** | | | | |

| Local Government Severance and Mineral Impact Fund Program: Grants and Distributions | | | | |
|---|---|---|---|---|
| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Estimate |
| Administration and Indirect Costs | $6,473,979 | $6,716,807 | $7,385,197 | $7,532,901 |
| Transfers to Other Departments | $3,612,912 | $3,611,006 | $373,885 | $373,885 |
| Direct distributions (in August; prior year payable) | | | | |
| Severance Tax Direct Distribution | $37,037,154 | $42,047,432 | $13,105,850 | $6,337,093 |
| Mineral Impact Direct Distribution | $37,238,438 | $31,237,224 | $24,795,920 | $20,137,786 |
| Grants | | | | |
| Regular Grants | $107,373,482 | $92,225,960 | $52,943,585 | $60,205,767 |
| Special Grants - Executive Initiatives | $5,495,389 | $14,289,108 | $2,149,000 | $0 |
| Legislated Initiatives | $0 | $551,000 | $1,459,000 | $1,000,000 |
| **Total** | **$197,231,355** | **$190,678,536** | **$102,212,437** | **$95,587,432** |

*Note: Projected revenue in the Department's table reflects the OSPB December 2016 revenue projection for the fiscal year shown. For purposes of this estimate, the Department has assumed that: (1) it will NOT receive additional revenue in FY 2016-17 under the provisions of S.B. 16-218, i.e., it assumes either a change to the provisions of S.B. 16-218 or that there will be a subsequent transfer to the General Fund so that severance tax refunds to companies will come from severance tax revenues, rather than the General Fund; and (2) FY 2017-18 receipts will be reduced by a transfer of $22.9 million to the General Fund. Potential transfers of reserves to the General Fund are also not reflected in this table.

The summary table above combines the estimates from the two tables below, which show the same information broken down by fund source (Local Government Severance Tax Fund and Local Government Mineral Impact Fund from federal mineral lease (FML) revenue). *All notes in the table above apply to the severance tax table below also.*

| Local Government Severance Tax Funds | | | | |
|---|---|---|---|---|
| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Estimate |
| **Total Revenue** | **$138,419,350** | **$43,935,220** | **$21,123,645** | **$65,389,837** |
| | | | | |
| **Total Expenses** | **$116,699,928** | **$126,971,165** | **$56,539,705** | **$52,918,023** |
| | | | | |
| Administration | $3,393,543 | $3,052,733 | $3,364,310 | $3,431,596 |
| Indirect Costs | $488,534 | $494,086 | $591,050 | $602,871 |
| Transfers to Other Agency | $297,071 | $305,319 | $308,044 | $308,044 |
| Direct Distribution (in August, prior year payable) | $37,037,154 | $42,047,432 | $13,105,850 | $6,337,093 |
| New Grant Awards | | | | |
| Regular Program | $69,988,237 | $66,231,488 | $36,521,450 | $41,738,419 |
| Special Initiatives | $5,495,389 | $14,289,108 | $2,149,000 | $0 |
| Legislated Initiatives | $0 | $551,000 | $500,000 | $500,000 |
| | | | | |
| **Net** | $21,719,421 | -$83,035,946 | -$35,416,060 | $12,471,814 |

| Local Government Mineral Impact Funds | | | | |
|---|---|---|---|---|
| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Estimate | FY 2017-18 Estimate |
| **Total Revenue** | **$60,954,811** | **$39,946,027** | **$44,037,004** | **$45,095,774** |
| | | | | |
| | | | | |
| **Total Expenses** | **$80,531,427** | **$63,707,371** | **$45,672,733** | **$42,669,409** |
| | | | | |
| Administration | $2,192,193 | $2,749,101 | $2,926,350 | $2,984,877 |
| Indirect Costs | $399,709 | $420,887 | $503,487 | $513,557 |
| Transfers to Other Agency | $3,315,841 | $3,305,687 | $65,841 | $65,841 |
| Transfers to General Fund | $0 | $0 | $0 | $0 |
| Direct Distribution (in August, prior year payable) | $37,238,438 | $31,237,224 | $24,795,920 | $20,137,786 |
| Grants | | | | |
| Regular Program | $37,385,245 | $25,994,472 | $16,422,135 | $18,467,348 |
| Special Initiatives | $0 | $0 | $0 | $0 |
| Legislated Initiatives | | $0 | $959,000 | $500,000 |
| | | | | |
| **Net** | -$19,576,615 | -$23,761,343 | -$1,635,729 | $2,426,365 |

*STATUTORY AUTHORITY:* Sections 39-29-108, 39-29-110, 34-63-102, C.R.S.

*REQUEST:* The Department requests continuation funding of $125 million cash funds for FY 2016-17 shown in this line item for informational purposes.

*RECOMMENDATION:* Staff recommends reducing the amount shown to $100 million. This will approximately match the Department's current projection for amounts to be spent for direct distributions or newly awarded as grants in FY 2017-18. This amount is shown for informational purposes only.

| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | FTE |
|---|---|---|---|---|
| | | | | |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $125,000,000 | $0 | $125,000,000 | 0.0 |
| **TOTAL** | **$125,000,000** | **$0** | **$125,000,000** | **0.0** |
| | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $125,000,000 | $0 | $125,000,000 | 0.0 |
| Severance tax and FML revenue reduction | (25,000,000) | 0 | (25,000,000) | 0.0 |
| **TOTAL** | **$100,000,000** | | **$100,000,000** | **0.0** |
| | | | | |
| **INCREASE/(DECREASE)** | **($25,000,000)** | **$0** | **($25,000,000)** | **0.0** |
| Percentage Change | (20.0%) | 0.0% | (20.0%) | 0.0% |
| | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$125,000,000** | **$0** | **$125,000,000** | **0.0** |
| Request Above/(Below) Recommendation | $25,000,000 | | $25,000,000 | 0.0 |

- **Staff only recommends adjusting this line item when revenue trends are particularly marked.**

Broadly speaking, for FY 2017-18, the Department anticipates that spending for this program will include:

- Three **grant cycles** of $20 million each ($60 million total for the year) for grants up to $2.0 million each (tiers 1 and 2) for local government infrastructure projects.

- **Direct distributions** to local governments of approximately $26 million total. These amounts are distributed at year-end based on actual severance and federal mineral lease revenues.

- Funds to support personal services and operating expenses throughout the Department (reappropriated funds).

  ➢ **Based on past experience, projections included in the Long Bill for this line item have been so far from actuals that it only seems reasonable to adjust the line item on rare occasions to reflect significant revenue trends and issues.**

**Long Bill Projections v. Actuals - Mineral and Energy Impact Grants and Disbursements**

| Fiscal Year | Long Bill Estimate | Actual |
|---|---|---|
| 2002 | $59,269,242 | $31,047,996 |
| 2003 | 62,848,376 | 36,674,567 |
| 2004 | 59,000,000 | 46,178,655 |
| 2005 | 59,000,000 | 64,962,478 |
| 2006 | 59,300,000 | 99,340,403 |
| 2007 | 63,300,000 | 101,477,804 |
| 2008 | 63,300,000 | 140,619,011 |
| 2009 | 125,900,000 | 211,857,880 |
| 2010 | 192,000,000 | 232,269,508 |
| 2011 | 129,000,000 | 205,213,806 |
| 2012 | 166,400,000 | 86,789,460 |
| 2013 | 150,000,000 | 68,608,798 |
| 2014 | 150,000,000 | 115,191,372 |
| 2015 | 150,000,000 | 130,466,720 |
| 2016 | 150,000,000 | 122,351,291 |

## LOCAL GOVERNMENT PERMANENT FUND

Fifty percent of the state's share of all bonus payments from federal mineral leases is deposited to the Local Government Permanent Fund. Section 34-63-102 (5.3) (a) (I) (B), C.R.S., states that "If, based on the revenue estimate prepared by the staff of the legislative council in December of any fiscal year, it is anticipated that the total amount of moneys that will be deposited into the mineral leasing fund…during the fiscal year will be at least ten percent less than the amount of moneys so deposited during the immediately preceding fiscal year, the general assembly may appropriate moneys from the local government permanent fund to the department of local affairs for the current or next fiscal year." Moneys appropriated from this Fund are used to enhance the direct distributions to localities federal mineral leasing funds.

*STATUTORY AUTHORITY:* Section 34-63-102 (5.3) (a) (I) (B), C.R.S.

The LCS forecast for FML revenue for FY 2015-16 reflected a decline greater than 10.0 percent from the FY 2014-15 amount. In light of this, the General Assembly provided an appropriation from the Permanent Fund for FY 2016-17. Although spending authority of $8.75 million was provided, based on available funding, on August 31, 2016, *the Department distributed $4,478,306 to the local entities that receive FML direct distributions.*

*Staff notes that the Department could potentially make an additional distribution to local governments in FY 2016-17, based on the current appropriation and any revenue available in the Permanent Fund before the end of the year.* Such amounts are likely to be small (in the $1.0 to $2.0 million range, based on current Legislative Council Staff estimates).

*REQUEST:* The Department requested that this line item be eliminated for FY 2017-18.

*RECOMMENDATION:* Based on the December 2016 LCS forecast, revenue to the Mineral Leasing Fund is projected to decline, but not by enough to trigger use of the Permanent Fund again in FY 2017-18. Staff therefore recommends that this line item be eliminated.

| DIVISION OF LOCAL GOVERNMENT, FIELD SERVICES, LOCAL GOVERNMENT PERMANENT FUND | | | | |
|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | FTE |
| FY 2016-17 APPROPRIATION | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $8,750,000 | $0 | $8,750,000 | 0.0 |
| **TOTAL** | **$8,750,000** | **$0** | **$8,750,000** | **0.0** |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | |
| FY 2016-17 Appropriation | $8,750,000 | $0 | $8,750,000 | 0.0 |
| Annualize prior year budget actions | (8,750,000) | 0 | (8,750,000) | 0.0 |
| **TOTAL** | **$0** | | **$0** | **0.0** |
| **INCREASE/(DECREASE)** | **($8,750,000)** | **$0** | **($8,750,000)** | **0.0** |
| Percentage Change | (100.0%) | 0.0% | (100.0%) | 0.0% |
| **FY 2017-18 EXECUTIVE REQUEST** | **$0** | **$0** | **$0** | **0.0** |
| Request Above/(Below) Recommendation | $0 | | $0 | 0.0 |

## LOCAL GOVERNMENT LIMITED GAMING IMPACT GRANTS

As modified by S.B. 13-133, pursuant to Section 12-47.1-701, C.R.S., the Local Government Limited Gaming Impact Fund receives $5,000,000 of the 50 percent "state share" of Limited Gaming revenue. Pursuant to Section 12-47.1-1601, C.R.S., two percent of the funds are set aside for gambling addiction counseling under the authority of the Department of Human Services and the remaining 98 percent is used to provide financial assistance to localities for documented gaming impacts. These moneys are distributed under the authority of the Executive Director of the Department of Local Affairs to eligible local governmental entities upon their application for grants to finance planning, construction, and maintenance of public facilities and the provision of public services related to the documented gaming impacts. Statute specifies that, at the end of any fiscal year, all unexpended and unencumbered moneys in the Limited Gaming Impact Account remain available for expenditure without further appropriation by the General Assembly.

In addition to the funding authorized for grants, the Department receives some limited gaming funds from the Department of Revenue to support administration of this program and indirect cost collections.

*STATUTORY AUTHORITY:* Sections 12-47.1-701 and 12-47.1-1601 and 1602, C.R.S.

*REQUEST:* The Department requests continuation funding of $4,900,000 from the Local Government Limited Gaming Impact Fund. This represents the portion of the $5.0 million that is allocated through local government limited gaming impact grants and excludes the portion allocated to the Department of Human Services.

*RECOMMENDATION:* Staff recommends $4,900,000. This reflects the 98 percent of moneys in the Local Government Limited Gaming Impact Account that is distributed under the authority of the Executive Director of the Department of Local Affairs as grants.

## LOCAL GOVERNMENT GEOTHERMAL ENERGY IMPACT GRANTS

Senate Bill 10-174 created the Geothermal Resource Leasing Fund in response to 2007 Department of the Interior regulations that were designed to promote geothermal energy development on public lands.

Pursuant to federal regulations, geothermal lease revenue from sales, bonuses, royalties, leases, and rentals is distributed 50.0 percent to the states and 25.0 percent to local counties. Counties in which there are geothermal leases receive a direct federal distribution for their share of revenue. The State's share is transferred to the State Treasurer's Office for deposit to the Geothermal Resource Leasing Fund, pursuant to Section 34-63-105, C.R.S. The Fund is available for appropriation to the Department of Local Affairs for grants to state agencies, school districts, and political subdivisions of the state affected by the development and production of geothermal resources.

To date, there have been two competitive geothermal lease sales held by the Bureau of Land Management in Colorado resulting in three parcels being leased. These sales enabled the Fund balance to grow the $76,163 by the end of FY 2015-16. The Department does not know whether or when the three parcels will be developed for geothermal energy. It currently assumes annual revenue of $20,000 from geothermal leases.

In FY 2014-15, the General Assembly approved a request for spending authority from the Geothermal Resource Leasing Fund for grants to local authorities for planning or providing facilities and services necessitated by geothermal resource development. The Department indicated it would use policies and procedures like those used for the existing Impact Assistance Grant Program to make awards.

*STATUTORY AUTHORITY:* Section 34-63-105, C.R.S.

*REQUEST:* The Department requests a continuing appropriation of $50,000 cash funds from the Geothermal Resource Leasing fund.

*RECOMMENDATION:* Staff recommends an appropriation of $50,000 cash funds spending authority from the Geothermal Resource Leasing Fund, pending additional information on new leases or revenue to be received. There have been no expenditures thus far in this line item, and the Department projects a fund balance of almost $100,000 by the end of FY 2016-17. However, it indicates that there has been little recent activity in this area and it is uncertain whether this is likely to grow in light of recent changes at the federal level.

### RURAL ECONOMIC DEVELOPMENT INITIATIVE GRANTS

This program helps eligible rural communities develop plans and undertake projects to create jobs, drive capital investment, and increase wages to create more resilient and diverse local economies. A first version of the program was created in FY 2013-14 when the General Assembly added $3.0 million for this program through the Long Bill in response to threatened prison closures in rural areas. Although no prisons closed at that time, the funds were still used to promote local economic resiliency.

Funding of $750,000 General Fund was again added by the General Assembly in FY 2015-16 through a Long Bill amendment and has been continued. There is no separate statutory authorization for the program, although it is consistent with the Department of Local Affairs' general statutory authority to promote rural economic development.

The program has evolved from the version first requested and funded by the General Assembly in FY 2013-14. Initially, the program was based on collaborative process involving the Governor's Office of Economic Development and International Trade (OEDIT). It included direct support for businesses and focused on communities that had lost or were highly dependent upon a single large employer. In version "2.0":

- The program is administered by DOLA only and provides grants solely for local governments, rather than businesses.
- Program guidelines give the Department wide latitude in allocating funds throughout the State, since the guidelines specify only that the "most competitive" proposals will be from less populated areas (counties with less than 50,000 people and municipalities/unincorporated communities with fewer than 20,000 people).
- The Department *considers* financial need and whether the community is at risk of losing a major employer or industry in making awards; however this is no longer the primary consideration for providing an award. Applications are evaluated based on "commitment and readiness to implement projects and the ability of projects to further both diversity and resiliency in the local economy".
- The Department has simplified the program to allow more communities to benefit and has instituted a grant cycle.

The program offers two types of grants:

- Economic Planning Grants (typically not to exceed $100,000)
- Infrastructure Grants that support economic diversification (typically not to exceed $500,000)

There were 10 grants awarded in FY 2015-16 and 15 in FY 2016-17. Most FY 2016-17 funding was for relatively small grants (average under $45,000) for various types of planning documents (business development plans, recruitment strategies, retail analytics studies). Some funds were also provided for utility, intersection, and other infrastructure improvements to support business expansion.

*STATUTORY AUTHORITY:* Sections 24-32-303 (1) (d) and (2), 24-32-104 and 106, and 24-32-803, C.R.S.

*REQUEST:* The Department requested $1,367,925, which include R5 and BA3 for the Kit Carson Mitigation plan.

*RECOMMENDATION:* Staff does not recommend R5 and BA3, based on JBC action to-date. The staff recommendation is for a continuation of $750,000 General Fund and the requested roll-forward authority.

| DIVISION OF LOCAL GOVERNMENT, FIELD SERVICES, RURAL ECONOMIC DEVELOPMENT INITIATIVE GRANTS | TOTAL FUNDS | GENERAL FUND | FTE |
|---|---|---|---|
| | | | |
| FY 2016-17 APPROPRIATION | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $750,000 | $750,000 | 0.0 |
| **TOTAL** | **$750,000** | **$750,000** | **0.0** |
| | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | |
| FY 2016-17 Appropriation | $750,000 | $750,000 | 0.0 |
| R5 Kit Carson mitigation plan | 0 | 0 | 0.0 |
| BA2 Roll-forward authority for REDI | 0 | 0 | 0.0 |
| BA3 Kit Carson mitigation plan | 0 | 0 | 0.0 |
| **TOTAL** | **$750,000** | **$750,000** | **0.0** |
| | | | |
| **INCREASE/(DECREASE)** | **$0** | **$0** | **0.0** |
| Percentage Change | 0.0% | 0.0% | 0.0% |
| | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,367,925** | **$1,367,925** | **0.0** |
| Request Above/(Below) Recommendation | $617,925 | $617,925 | 0.0 |

## SEARCH AND RESCUE PROGRAM

The Search and Rescue Program reimburses political subdivisions for the costs incurred in search and rescue operations, and provides partial funding for search and rescue equipment. The cash fund that supports the program is financed by a statutory $0.25 surcharge on hunting and fishing licenses, boat registrations, snowmobile registrations, and off-highway vehicle registrations, pursuant to Section 33-1-112.5, C.R.S. The program also receives funding from other outdoor recreational users, such as hikers, bikers, cross country skiers, and climbers who voluntarily purchase a Colorado Outdoor Recreation Search and Rescue Card for $3 for one year or $12 for five years.

*STATUTORY AUTHORITY:* Section 33-1-112.5, C.R.S.

*REQUEST:* The Department requests continuation of $618,420 cash funds and 1.3 FTE for FY 2015-16.

*RECOMMENDATION:* **Staff recommends the request.** Revenues and expenditures had been less than $400,000 for multiple years but does seem to have expanded revenue and expenditures in FY 2015-16, from total revenues of $462,410 in FY 2014-15 to $490,428 in FY 2015-16.

## LOCAL GOVERNMENT MARIJUANA IMPACT GRANT PROGRAM

This program, created in H.B. 15-1367 and fully funded based on passage of Proposition BB in November 2015, awards grants to eligible local governments for documented marijuana impacts. The program benefits governments that do not have sales of retail marijuana within their borders or benefit from related taxes, other than general sales taxes, but that may be negatively affected by retail marijuana sales in contiguous areas. Eligible local governments include: (1) counties that do not have retail marijuana sales in unincorporated areas but that either: (a) have a city of town within the county that has such sales; or (b) border a county with retail marijuana sales; and (2) cities and towns that do not have retail marijuana sales within their boundaries but that are within a county with such sales or within a county contiguous with another county with such sales.

In awarding the grants, the division is required to give priority to eligible local governments that intend to use the money: to apply for additional law enforcement activities related to retail marijuana, to fund youth services, especially those that prevent use of marijuana, and/or to mitigate other impacts that the cultivation, testing, sale, consumption or regulation of retail marijuana has on services provided by an eligible local government.

The General Assembly may annually appropriate moneys from the Marijuana Tax Cash Fund or the Proposition AA Refund account for these grants. Any unexpended and unencumbered moneys from an appropriation remain available in the following year without further appropriation.

The Department is required provide an update on the effectiveness of the program to applicable committees of reference by November 1, 2018 and each subsequent year.

The first round of program grants were awarded in 2016. Although a large number of applicants requested law enforcement personnel, most funding went to youth programs and training programs, with a few small grants awarded for law enforcement equipment. Grants were generally awarded for one-time activities rather than ongoing personnel costs.

*STATUTORY AUTHORITY:* Section 24-32-117, C.R.S.

*REQUEST:* The Department's request reflects a continuation level of $1,117,540 from the Marijuana Tax Cash Fund.

*RECOMMENDATION:* Staff recommends the request for a continuation level of funding of $1,117,540 from the Marijuana Tax Cash Fund.

### OTHER LOCAL GOVERNMENT GRANTS

In FY 2016-17 this line item included residual funding from the Heritage Communities Grant Fund (Section 24-32-3207, C.R.S.), which has not received new General Fund appropriations since FY 2008-09. The line item has also been used in the past for other grant appropriations, including a $95,000 General Fund grant for an economic development study in El Paso County (FY 2014-15).

*REQUEST:* The Department requests a continuation level of $30,000 cash funds in this line item.

*RECOMMENDATION:* **Staff recommends eliminating the line item. The Heritage Communities Grant Fund should be depleted by the end of FY 2016-17.**

## (C) INDIRECT COST ASSESSMENTS

This line item currently reflects the amount of indirect cost assessments made against cash, reappropriated funds, and federal funding sources within the Division of Local Government (including local utility management, search and rescue, gaming, lottery proceeds, federal mineral leasing and severance tax revenues that are appropriated to support a portion of this Division's activities, as well as the federal Community Development and Community Services Block Grants). The funds collected through this line item are used to offset General Fund that would otherwise be required in the Executive Director's Office, Personal Services, and Operating line items and the Board of Assessment Appeals.

*REQUEST:* The Department requests continuation funding of $1,174,407 total funds.

*RECOMMENDATION:* The staff recommendation is based on the Department's updated indirect cost assessment plan and this division's assessment rate of 28.4 percent for the year.

| DIVISION OF LOCAL GOVERNMENT, INDIRECT COST ASSESSMENTS, INDIRECT COST ASSESSMENTS | | | | | | |
|---|---|---|---|---|---|---|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| | | | | | | |
| FY 2016-17 APPROPRIATION | | | | | | |
| FY 2016-17 Long Bill (H.B. 16-1405) | $1,112,009 | $0 | $157,869 | $845,654 | $108,486 | 0.0 |
| **TOTAL** | **$1,112,009** | **$0** | **$157,869** | **$845,654** | **$108,486** | **0.0** |
| | | | | | | |
| FY 2017-18 RECOMMENDED APPROPRIATION | | | | | | |

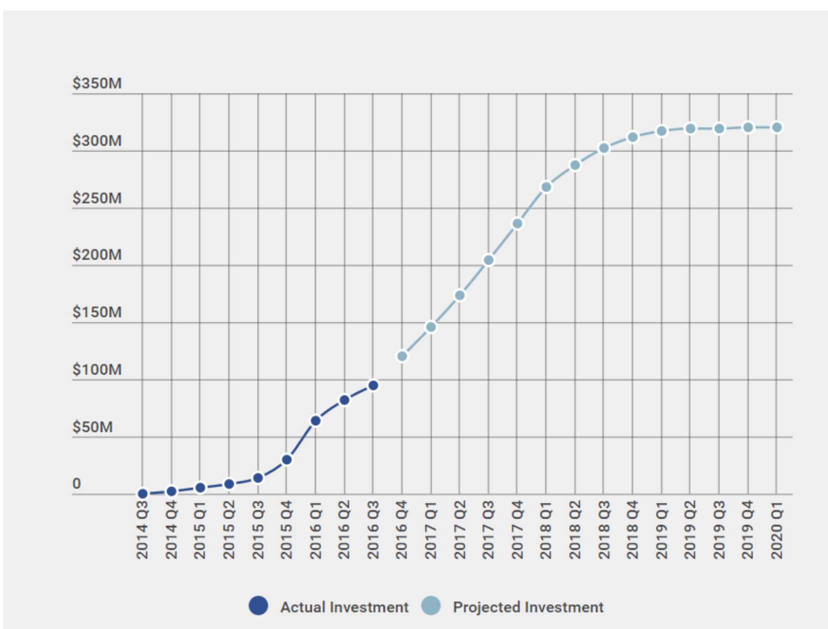
| Division Of Local Government, Indirect Cost Assessments, Indirect Cost Assessments | | | | | | |
|---|---|---|---|---|---|---|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| FY 2016-17 Appropriation | $1,112,009 | $0 | $157,869 | $845,654 | $108,486 | 0.0 |
| Indirect cost assessment | (301,605) | 0 | 17,431 | (276,560) | (42,476) | 0.0 |
| **TOTAL** | **$810,404** | | **$175,300** | **$569,094** | **$66,010** | **0.0** |
| | | | | | | |
| **INCREASE/(DECREASE)** | **($301,605)** | **$0** | **$17,431** | **($276,560)** | **($42,476)** | **0.0** |
| Percentage Change | (27.1%) | 0.0% | 11.0% | (32.7%) | (39.2%) | 0.0% |
| | | | | | | |
| **FY 2017-18 EXECUTIVE REQUEST** | **$1,174,407** | **$0** | **$166,726** | **$893,106** | **$114,575** | **0.0** |
| Request Above/(Below) Recommendation | $364,003 | | ($8,574) | $324,012 | $48,565 | 0.0 |

# (5) EMERGENCY MANAGEMENT AND DISASTER RECOVERY

The Emergency Management Division previously assisted local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation. The Division was responsible for preparing and maintaining a state disaster plan, as well as taking part in the development and revision of local and inter-jurisdictional disaster plans. House Bill 12-1283 transferred the functions, personnel, and resources of DEM to the Department of Public Safety (DPS).

Although the Department no longer has overall responsibility for state disaster response, ***it is the fiscal recipient of a large federal grant related to recovery from the September 2013 flooding disaster: the Community Development Block Grant – Disaster Recovery. By December 2014, the State had been awarded $320.3 million in federal funds from this source.*** This represents a significant portion of the estimated $1.6 billion total funds, including $1.4 billion in federal funds, allocated for flood recovery efforts. The overall flood recovery effort, including the CDBG-DR funds, is coordinated through Colorado United in the Governor's Office, but the Department of Local Affairs has significant responsibilities related to assisting local government recovery efforts.

The chart below reflects the Department's projections for expenditure of the federal CDBG-DR funds. As shown, only about $100 million of the total has been spent thus far, though all funds have now been allocated. Spending is expected to continue through FY 2019-20. A*ssociated federal funds amounts have not been included in the state budget* as they reflect a temporary funding source over which the General Assembly has no appropriations authority.



# LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

## LONG BILL FOOTNOTES

Staff recommends the following **new** Long Bill footnotes:

N Department of Local Affairs, Division of Housing, Field Services, Affordable Housing Construction Grants and Loans – The purpose of this line item is construction grants and loans for housing developers. Appropriations for state administration of the grants and loans, including administration funding authorized pursuant to Section 24-32-721(3)(b), C.R.S., is appropriated in, and should be spent from, the Affordable Housing Program Costs line item.

**COMMENT:** Section 24-32-721 allows up to 3.0 percent of amounts in the Colorado Affordable Housing Construction Grants and Loans Fund to be used for administration. Staff understands that while the Department does not routinely budget personal services from the Affordable Housing Grants and Loans line item, it has at times used the statutory authority at Section 24-32-721(3)(b), C.R.S., to spend up to 3.0 percent of the Affordable Housing Grants and Loans line item for administration. Staff is concerned that such spending on personal services may not be transparent.

N Department of Local Affairs, Division of Housing, Field Services, Supportive Housing for Behavioral Health – This appropriation remains available through June 30, 2019. The appropriation from the Marijuana Tax Cash Fund in this line item is "to treat and provide related services to people with any type of substance use disorder, including those with co-occurring disorders", pursuant to the provisions of Section 39-28.8-501(2)(b)(IV)(C), C.R.S.

**COMMENT:** Staff recommends this RFI if the Committee approves the Department's Request R3 with the funding splits and structure recommended by staff. This footnote provides roll-forward authority and explains the legal basis for use of Marijuana Tax Cash Funds in this line item.

Staff recommends **continuing** the following footnote:

68 Department of Local Affairs, Division of Housing -- It is the intent of the General Assembly that the Department target state General Fund appropriations for affordable housing to projects and clients that can be reasonably expected to reduce other state costs.

**COMMENT:** This footnote expresses legislative intent. The Department has indicated that for many kinds of projects it may not be able to identify related state savings. Nonetheless, the footnote provides some direction to the Department on the kinds of projects the General Assembly hopes it will prioritize, given that some kinds of housing (e.g., for individuals at risk of institutional placement) are more likely to provide savings to the State.

Staff recommends **continuing and modifying** the following footnote:

68a Department of Local Affairs, Division of Local Government, Field Services, Rural Economic Development Initiative – This appropriation shall remain available until June 30, ~~2018~~ 2019.

**COMMENT:** The Department requested, and the JBC approved, providing the REDI program with roll-forward authority through an FY 2016-17 supplemental adjustment. The Department has argued that this is necessary to: (1) avoid end-of-year reversions, when grantees underspend their allocations; and (2) allow for grants that may take more than one year to complete.

## REQUESTS FOR INFORMATION

Staff recommends the following **new** request for information:

N Department of Local Affairs, Executive Director's Office, Moffat Tunnel Improvement District – The Department is requested to submit a report by October 1, 2017, concerning the Moffat Tunnel Improvement District. The report should address: (1) What land/property is owned by the Improvement District? (2) What are the State and Improvement District's legal and functional responsibilities for the Tunnel and any related lands versus that of other entities? (3) Does Union Pacific or another entity have legal responsibility for ensuring the structural soundness and safety of the Tunnel? (4) Does the State or should the State or the Improvement District have any related responsibility for ensuring the Tunnel's soundness, given its length and age? (5) Does the State anticipate again attempting to sell the Tunnel or to renegotiate lease agreements and, if so, is this anticipated to occur in 2025 or at another time? (6) What steps are likely to be required prior to sale or renegotiation of lease amounts (e.g., legal, engineering, consultation with other State and local entities)? (7) How does the Department propose to use money accumulating in the Moffat Tunnel Cash Fund? How much is likely to be required and when? (8) Does the Department recommend any statutory or administrative changes related to the Tunnel or the Improvement District?

**COMMENT:** The Department has administrative authority over the Moffat Tunnel Improvement District, which owns the Moffat Tunnel train tunnel. The Moffat Tunnel train tunnel and a parallel water tunnel run 6.2 miles under the Continental Divide between Rollinsville and Winter Park. Freight trains, passenger trains, and fiber optic cables currently operate through the tunnel. There are currently two lessees, Union Pacific Railroad (UP) and Century Link (formerly Qwest). The Department has made virtually no expenditures related to tunnel for at least six year, while a cash fund balance from lease payments has accumulated. The UP lease expires in 2025, and the tunnel is approaching its 100-year anniversary. This RFI asks the Department to comment on current and future plans for the tunnel.

N Department of Local Affairs, Executive Director's office – The Department of Local Affairs is requested to submit a report by September 1, 2017 on the use of local government severance tax and mineral impact funds for Department administration. This report should compare:

- workload related to serving energy-impacted communities;
- workload related to administering energy impact grant and direct distribution programs; and
- the appropriation of energy impact funds throughout the Department.

The report may provide more than one approach to the analysis.

**COMMENT:** While there is no specific statutory authority for using energy impact funds for departmental administration, the JBC began refinancing Department General Fund with energy impact funds starting in FY 2001-02, and the share of administrative funding from this source has grown significantly in recent years. Because much of the refinancing occurred long ago, the Department has no current methodology for explaining the amount of cash funds from this source it its budget. The JBC should be aware that this analysis could indicate that these cash funds are over-represented in the Department's budget or could potentially indicate that these funds are under-represented (though this may be less likely). No matter the results, the JBC will not be required to make a budget adjustment, given that the existing authority for use of these funds is simply the General Assembly's practice. However, staff believes some additional analysis on the use of these funds could be helpful.

N Department of Local Affairs, Division of Housing, Field Services, Supportive Housing for Behavioral Health – The Department is requested to provide a report by October 1, 2017 detailing the following:

- Procedures to be followed to ensure consistent prioritization of clients with the highest levels of need. This is anticipated to include use of the Vulnerability Index – Service Prioritization Decision Assistance Tool (VI-SPDAT);
- Plans for evaluating the program's impact and cost-effectiveness;
- Process for tracking key information related to individuals participating in the program, so that it will be possible to identify the resident's prior placements and source of referral (e.g., state mental health institute, community mental health centers, Department of Corrections) and whether program participants have a substance abuse diagnosis that would allow related services to be covered with MTCF funds
- Process for identifying the entity (e.g., mental health center, behavioral health organization) that is providing the resident with case management services associated with his or her housing placement;
- Copies of memoranda of understanding between the Department of Local Affairs, the Department of Human Services, the Department of Health Care Policy and Financing, the Department of Corrections, and samples of contracts that will be used with housing providers that ensure that procedures are in place to support a successful program and enable the Department to report on the program's impact and outcomes.

**COMMENT:** Staff recommends this RFI, if the Committee approves the Department's Request R3, to help promote appropriately targeted services and adequate data for program evaluation.

Staff recommends **continuing and modifying** the following RFI:

1 Department of Local Affairs, Division of Housing -- The Department is requested to submit a report by ~~November 1, 2016,~~ SEPTEMBER 1, 2017 on its affordable housing programs. The report should specifically address:

- the projects funded with the affordable housing construction moneys provided;
- the per-unit costs of these projects identifying specifically state funds and other funds;
- how the projects funded align with the goals outlined in the Department's FY 2014-15 budget request to "end homelessness for veterans and chronically homeless" and "ensure sufficient affordable housing for persons with the lowest incomes"; and
- what progress the State has made in achieving each of these goals.

**COMMENT:** Staff believes this annual report is useful for tracking how state housing dollars are used and helping to ensure that they are targeted consistent with legislative intent. Staff believes an earlier submission date will assist the Department in managing its workload and promoting a high-quality submission.

Staff recommends **discontinuing** the following RFI:

2 Department of Local Affairs, Division of Local Government -- The Department of Local Affairs is requested to submit a report by November 1, 2016, on the Rural Economic Development Initiative program. The report should explain the goals of the "2.0" version of the program first funded in FY 2015-16, what entities are eligible to participate, the administrative structure for the program, and any recommendations for program changes, including any recommendations for creating the program in statute. The Department is also requested to submit a list of grants awarded for FY 2015-16.

**COMMENT:** The Department submitted the FY 2016-17 report as requested. The Department has explained how the program is currently managed, and staff does not believe the scale of the program warrants a report each year.

# INDIRECT COST ASSESSMENTS

## DESCRIPTION OF INDIRECT COST ASSESSMENT METHODOLOGY

The Department of Local Affairs' indirect cost assessment methodology is calculated based on three components: an "Indirect Cost Pool", an "Indirect Cost Base", and an "Indirect Cost Rate". The Department's plan is negotiated with the federal Department of Housing and Urban Development, which oversees most of the Department's federal grants.

## INDIRECT COST POOL

The Indirect Cost Pool is comprised of approved division level costs, including statewide indirect costs, which are used to provide support either to the entire department through the Executive Director's Office (EDO) or to individual divisions through program and personal services lines. The pool costs are based on the most recent fiscal year actual costs, a two year lag time. The FY 2017-18 pool costs, for example, are based on FY 2015-16 actuals. DOLA is also allocated statewide indirect costs for inclusion into its indirect cost rate proposal. Finally, fixed asset depreciation, leave costs, and indirect cost carry-forward adjustments are also included.

## INDIRECT COST BASE

The Department uses eligible personal services costs to calculate the Indirect Cost Base, which is used in determining the proportional allocation of the Total Recoverable Indirect Cost Pool to divisions.

## INDIRECT COST RATE

The Indirect Cost Rate is then calculated for each division by dividing the Indirect Cost Pool by the Indirect Cost Base. The Indirect Cost Rate is multiplied by the projected salary and fringe benefits by funding source to determine the estimated indirect cost assessment for each of the divisions. Table 1 shows the FY 2017-18 Department estimated indirect cost assessment for each division by fund source.

**Table 1: Department of Local Affairs Indirect Cost Assessment Proposal for FY 2017-18**

| Indirect Cost Assessment Recommendations for FY 2017-18 | | | | |
|---|---|---|---|---|
| Description | Total Funds | Cash Fund Sources | Reappropriated Fund Sources | Federal Fund Sources |
| | | | | |
| Division of Property Taxation | $396,026 | $212,851 | $183,175 | $0 |
| Local Government Severance Tax Fund | 98,915 | 0 | 98,915 | 0 |
| Local Gov't Mineral Impact Fund | 84,261 | 0 | 84,261 | 0 |
| Property Tax Exemption Fund | 181,735 | 181,735 | 0 | 0 |
| BAA Cash Fund | 31,116 | 31,116 | 0 | 0 |

| INDIRECT COST ASSESSMENT RECOMMENDATIONS FOR FY 2017-18 | | | | |
|---|---|---|---|---|
| DESCRIPTION | TOTAL FUNDS | CASH FUND SOURCES | REAPPROPRIATED FUND SOURCES | FEDERAL FUND SOURCES |
| Division of Housing | $ 884,327 | $223,345 | $22,862 | $ 638,120 |
| Local Government Severance Tax Fund | 12,345 | $ - | 12,345 | 0 |
| Local Gov't Mineral Impact Fund | 10,516 | 0 | 10,516 | 0 |
| Building Regulation Fund | 199,576 | 199,576 | 0 | 0 |
| Private Activity Bond Fund | 23,769 | 23,769 | 0 | 0 |
| Homeless Prevention Activities Program Fund | 0 | 0 | 0 | 0 |
| Federal grants | 638,120 | 0 | 0 | 638,120 |
| Division of Local Governments | $810,404 | $175,300 | $569,094 | $66,010 |
| Local Government Severance Tax Fund | 307,311 | 0 | 307,311 | 0 |
| Local Gov't Mineral Impact Fund | 261,783 | 0 | 261,783 | 0 |
| Colorado Water Resource & Power Development Authority, Water Pollution Control Revolving Fund | 47,805 | 47,805 | 0 | 0 |
| Conservation Trust Fund | 49,329 | 49,329 | 0 | 0 |
| Local Government Limited Gaming Impact Fund | 27,248 | 27,248 | 0 | 0 |
| Search and Rescue Fund | 20,730 | 20,730 | 0 | 0 |
| Marijuana Tax Cash Fund | 30,188 | 30,188 | | |
| Community Development Block Grant | 35,074 | 0 | 0 | 35,074 |
| Community Services Block Grant & Other FF | 30,936 | 0 | 0 | 30,936 |
| **Total Indirect Cost Assessments** | **$2,090,757** | **$611,496** | **$775,131** | $704,130 |

## USE OF INDIRECT COST COLLECTIONS TO OFFSET GENERAL FUND OTHERWISE REQUIRED

Indirect cost collections are applied in the divisions to offset General Fund otherwise required in FY 2017-18. For FY 2017-18, the Department will also use the balance in the Indirect Cost Excess Recoveries Fund to offset General Fund appropriations. As a result, use of total indirect costs will exceed the FY 2017-18 projections reflected above.

The staff recommendation includes:

- Applying indirect cost collections to the Payments to OIT line item in FY 2017-18.
- Spending more from the Indirect Cost Excess Recoveries Fund than was reflected in the Department plan, in light of growing balances in the Fund. The Department proposed $281,383 from the Indirect Cost Excess Recoveries Fund. The staff recommendation uses $350,000.

| INDIRECT COST COLLECTIONS+EXCESS RECOVERIES FUND USED TO OFFSET DEPARTMENT GENERAL FUND IN FY 2017-18 | |
|---|---|
| FY 2017-18 Indirect Assessments | $2,090,757 |
| Indirect Costs Excess Recoveries Fund | 350,000 |

| | |
|---|---|
| **Total IC Cost Collections Used** | **$2,440,757** |

With this adjustment, total indirect cost offsets to General Fund in FY 2017-18 will still be slightly higher the FY 2016-17 amount, resulting in a reduced General Fund need of $68,617.

| Application of Indirect Cost Recoveries and Excess IC Fund | | | |
|---|---|---|---|
| | FY 2016-17 | FY 2017-18 | Change |
| Executive Director's Office (personal services, operating expenses, payments to OIT) | 1,952,477 | $2,021,094 | 68,617 |
| Property Taxation, Board of Assessment Appeals | 63,155 | 63,155 | 0 |
| Division of Local Government, Local Gov't & Community Services, Personal Services | 356,507 | 356,507 | 0 |
| **Total** | $2,372,139 | **$2,440,756** | **68,617** |

## Appendix A: Number Pages

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|

### DEPARTMENT OF LOCAL AFFAIRS

### (1) EXECUTIVE DIRECTOR'S OFFICE

This division is responsible for the management and administration of the Department, including accounting, budgeting, human resources, as well as other miscellaneous functions statutorily assigned to the Department, including administration of the Moffat Tunnel Improvement District.

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| Personal Services | 1,294,248 | 1,352,634 | 1,381,026 | 1,382,981 | 1,382,981 | |
| FTE | 15.0 | 12.9 | 14.2 | 14.2 | 14.2 | |
| Reappropriated Funds | 1,294,248 | 1,352,634 | 1,381,026 | 1,382,981 | 1,382,981 | |
| | | | | | | |
| Health, Life, and Dental | 1,131,931 | 1,511,654 | 1,429,520 | 1,624,511 | 1,616,584 | * |
| General Fund | 214,400 | 355,517 | 296,753 | 382,455 | 382,455 | |
| Cash Funds | 238,318 | 225,527 | 262,556 | 264,954 | 264,954 | |
| Reappropriated Funds | 425,281 | 603,918 | 545,246 | 602,265 | 594,338 | |
| Federal Funds | 253,932 | 326,692 | 324,965 | 374,837 | 374,837 | |
| | | | | | | |
| Short-term Disability | 19,552 | 22,751 | 21,653 | 22,479 | 22,365 | * |
| General Fund | 4,268 | 4,967 | 4,014 | 4,801 | 4,801 | |
| Cash Funds | 1,241 | 3,301 | 3,378 | 2,891 | 2,891 | |
| Reappropriated Funds | 9,984 | 9,708 | 9,515 | 10,115 | 10,001 | |
| Federal Funds | 4,059 | 4,775 | 4,746 | 4,672 | 4,672 | |
| | | | | | | |
| S.B. 04-257 Amortization Equalization Disbursement | 396,523 | 484,972 | 560,808 | 613,891 | 610,888 | * |
| General Fund | 78,859 | 99,960 | 103,946 | 131,133 | 131,133 | |
| Cash Funds | 58,913 | 69,147 | 87,633 | 78,957 | 78,957 | |
| Reappropriated Funds | 183,715 | 219,765 | 246,315 | 276,180 | 273,177 | |
| Federal Funds | 75,036 | 96,100 | 122,914 | 127,621 | 127,621 | |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| S.B. 06-235 Supplemental Amortization Equalization Disbursement | 379,315 | 468,441 | 554,966 | 613,891 | 610,888 | * |
| General Fund | 73,930 | 96,551 | 102,863 | 131,133 | 131,133 | |
| Cash Funds | 62,805 | 66,825 | 86,720 | 78,957 | 78,957 | |
| Reappropriated Funds | 172,438 | 212,241 | 243,749 | 276,180 | 273,177 | |
| Federal Funds | 70,142 | 92,824 | 121,634 | 127,621 | 127,621 | |
| Salary Survey | 278,297 | 106,646 | 9,579 | 332,562 | 332,562 | |
| General Fund | 57,596 | 26,613 | 1,261 | 71,388 | 71,388 | |
| Cash Funds | 46,268 | 0 | 4,909 | 42,984 | 42,984 | |
| Reappropriated Funds | 124,014 | 56,133 | 1,266 | 148,715 | 148,715 | |
| Federal Funds | 50,419 | 23,900 | 2,143 | 69,475 | 69,475 | |
| Workers' Compensation | 94,854 | 88,090 | 108,635 | 128,068 | 128,068 | |
| General Fund | 87,680 | 81,521 | 100,419 | 118,452 | 118,452 | |
| Cash Funds | 3,215 | 2,989 | 3,682 | 4,282 | 4,282 | |
| Reappropriated Funds | 3,959 | 3,580 | 4,534 | 5,334 | 5,334 | |
| Operating Expenses | 132,888 | 131,600 | 132,888 | 132,888 | 132,888 | |
| Reappropriated Funds | 132,888 | 131,600 | 132,888 | 132,888 | 132,888 | |
| Legal Services | 153,830 | 120,048 | 169,189 | 176,678 | 176,678 | |
| General Fund | 153,830 | 114,537 | 149,421 | 156,086 | 156,086 | |
| Cash Funds | 0 | 0 | 12,361 | 12,885 | 12,885 | |
| Reappropriated Funds | 0 | 0 | 2,072 | 2,147 | 2,147 | |
| Federal Funds | 0 | 5,511 | 5,335 | 5,560 | 5,560 | |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| Payment to Risk Management and Property Funds | 30,090 | 33,952 | 49,452 | 51,655 | 51,655 | * |
| General Fund | 28,009 | 31,604 | 46,032 | 48,084 | 48,084 | |
| Cash Funds | 1,858 | 2,096 | 3,007 | 3,135 | 3,135 | |
| Reappropriated Funds | 223 | 252 | 413 | 436 | 436 | |
| Vehicle Lease Payments | 79,365 | 70,311 | 97,998 | 90,241 | 90,241 | |
| General Fund | 71,363 | 70,311 | 88,054 | 81,074 | 81,074 | |
| Reappropriated Funds | 8,002 | 0 | 9,944 | 9,167 | 9,167 | |
| Information Technology Asset Maintenance | 80,469 | 32,656 | 80,469 | 80,469 | 80,469 | |
| General Fund | 29,913 | 29,913 | 29,913 | 29,913 | 29,913 | |
| Cash Funds | 13,049 | 2,743 | 13,049 | 13,049 | 13,049 | |
| Reappropriated Funds | 37,507 | 0 | 37,507 | 37,507 | 37,507 | |
| Leased Space | 55,456 | 60,420 | 65,000 | 65,000 | 65,000 | |
| General Fund | 22,376 | 22,376 | 22,376 | 22,376 | 22,376 | |
| Reappropriated Funds | 33,080 | 38,044 | 42,624 | 42,624 | 42,624 | |
| Capitol Complex Leased Space | 463,750 | 648,536 | 678,382 | 792,500 | 792,500 | |
| General Fund | 160,480 | 224,425 | 234,720 | 148,967 | 273,520 | |
| Cash Funds | 28,001 | 39,158 | 40,703 | 47,549 | 47,549 | |
| Reappropriated Funds | 241,965 | 338,378 | 354,115 | 538,010 | 413,457 | |
| Federal Funds | 33,304 | 46,575 | 48,844 | 57,974 | 57,974 | |
| Payments to OIT | 1,046,932 | 1,140,081 | 1,631,609 | 1,810,897 | 1,810,897 | * |
| General Fund | 189,934 | 205,571 | 272,207 | 394,069 | 325,452 | |
| Cash Funds | 5,712 | 6,139 | 113,689 | 135,561 | 135,561 | |
| Reappropriated Funds | 478,370 | 523,637 | 707,815 | 876,533 | 945,150 | |
| Federal Funds | 372,916 | 404,734 | 537,898 | 404,734 | 404,734 | |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| CORE Operations | 691,023 | 399,621 | 467,101 | 404,028 | 404,028 |
| General Fund | 391,735 | 205,893 | 201,806 | 174,685 | 174,685 |
| Reappropriated Funds | 204,431 | 149,511 | 221,956 | 191,680 | 191,680 |
| Federal Funds | 94,857 | 44,217 | 43,339 | 37,663 | 37,663 |
| Moffat Tunnel Improvement District | 36 | 71 | 100,000 | 100,000 | 100,000 |
| Cash Funds | 36 | 71 | 100,000 | 100,000 | 100,000 |
| Merit Pay | 110,908 | 101,218 | 0 | 0 | 0 |
| General Fund | 21,928 | 23,130 | 0 | 0 | 0 |
| Cash Funds | 21,557 | 0 | 0 | 0 | 0 |
| Reappropriated Funds | 47,144 | 54,456 | 0 | 0 | 0 |
| Federal Funds | 20,279 | 23,632 | 0 | 0 | 0 |
| Information Technology Security | 0 | 0 | 0 | 0 | 0 |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Cash Funds | 0 | 0 | 0 | 0 | 0 |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0 |
| **TOTAL - (1) Executive Director's Office** | 6,439,467 | 6,773,702 | 7,538,275 | 8,422,739 | 8,408,692 |
| *FTE* | 15.0 | 12.9 | 14.2 | 14.2 | 14.2 |
| General Fund | 1,586,301 | 1,592,889 | 1,653,785 | 1,894,616 | 1,950,552 |
| Cash Funds | 480,973 | 417,996 | 731,687 | 785,204 | 785,204 |
| Reappropriated Funds | 3,397,249 | 3,693,857 | 3,940,985 | 4,532,762 | 4,462,779 |
| Federal Funds | 974,944 | 1,068,960 | 1,211,818 | 1,210,157 | 1,210,157 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|

## (2) PROPERTY TAXATION

This section provides funding for the Division of Property Taxation, the State Board of Equalization, and the Board of Assessment Appeals.

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Division of Property Taxation | 2,685,668 | 2,453,706 | 2,849,315 | 2,848,932 | 2,848,932 |
| FTE | 31.9 | 30.6 | 37.2 | 37.2 | 37.2 |
| General Fund | 949,492 | 973,045 | 1,020,172 | 1,017,820 | 1,017,820 |
| Cash Funds | 866,265 | 737,683 | 926,873 | 928,842 | 928,842 |
| Reappropriated Funds | 869,911 | 742,978 | 902,270 | 902,270 | 902,270 |
| State Board of Equalization | 9,971 | 12,856 | 12,856 | 12,856 | 12,856 |
| General Fund | 9,971 | 12,856 | 12,856 | 12,856 | 12,856 |
| Board of Assessment Appeals | 574,302 | 474,394 | 619,580 | 620,290 | 620,290 |
| FTE | 13.4 | 6.4 | 13.2 | 13.2 | 13.2 |
| General Fund | 446,862 | 379,779 | 404,788 | 405,498 | 330,498 |
| Cash Funds | 75,247 | 32,681 | 151,637 | 151,637 | 226,637 |
| Reappropriated Funds | 52,193 | 61,934 | 63,155 | 63,155 | 63,155 |
| Indirect Cost Assessment | 357,244 | 354,710 | 413,095 | 436,274 | 396,027 |
| Cash Funds | 189,628 | 174,755 | 218,205 | 230,449 | 212,851 |
| Reappropriated Funds | 167,616 | 179,955 | 194,890 | 205,825 | 183,176 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **TOTAL - (2) Property Taxation** | 3,627,185 | 3,295,666 | 3,894,846 | 3,918,352 | 3,878,105 |
| *FTE* | 45.3 | 37.0 | 50.4 | 50.4 | 50.4 |
| General Fund | 1,406,325 | 1,365,680 | 1,437,816 | 1,436,174 | 1,361,174 |
| Cash Funds | 1,131,140 | 945,119 | 1,296,715 | 1,310,928 | 1,368,330 |
| Reappropriated Funds | 1,089,720 | 984,867 | 1,160,315 | 1,171,250 | 1,148,601 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|

## (3) DIVISION OF HOUSING

The Division provides financial and technical assistance to help communities provide affordable housing, it administers state and federal affordable housing programs, and it regulates the manufacture of factory-built residential and commercial buildings.Cash fund include certification and registration fees paid by the producers and installers of manufactured homes, among other sources. Reappropriated funds are from severance tax and federal mineral lease tax revenues transferred from the Division of Local Government.

### (A) Community and Non-Profit Services

**(i) Administration**

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Personal Services | 1,501,879 | 2,351,971 | 2,215,529 | 2,218,398 | 2,267,957 |
| FTE | 23.7 | 39.9 | 25.6 | 25.6 | 25.6 |
| General Fund | 327,476 | 341,264 | 348,495 | 348,714 | 348,714 |
| Cash Funds | 15,375 | 12,738 | 17,169 | 17,169 | 17,169 |
| Reappropriated Funds | 0 | 96,590 | 100,746 | 101,264 | 101,264 |
| Federal Funds | 1,159,028 | 1,901,379 | 1,749,119 | 1,751,251 | 1,800,810 |
| | | | | | |
| Operating Expenses | 325,908 | 375,437 | 378,873 | 378,873 | 378,873 |
| General Fund | 36,278 | 36,278 | 36,278 | 36,278 | 36,278 |
| Cash Funds | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Federal Funds | 287,130 | 336,659 | 340,095 | 340,095 | 340,095 |
| | | | | | |
| **SUBTOTAL - (i) Administration** | 1,827,787 | 2,727,408 | 2,594,402 | 2,597,271 | 2,646,830 |
| *FTE* | 23.7 | 39.9 | 25.6 | 25.6 | 25.6 |
| General Fund | 363,754 | 377,542 | 384,773 | 384,992 | 384,992 |
| Cash Funds | 17,875 | 15,238 | 19,669 | 19,669 | 19,669 |
| Reappropriated Funds | 0 | 96,590 | 100,746 | 101,264 | 101,264 |
| Federal Funds | 1,446,158 | 2,238,038 | 2,089,214 | 2,091,346 | 2,140,905 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **(ii) Community Services** | | | | | |
| Low Income Rental Subsidies | 44,803,726 | 50,720,443 | 48,024,412 | 48,024,412 | 53,136,975 |
| General Fund | 1,248,287 | 1,362,473 | 2,660,938 | 2,660,938 | 2,660,938 |
| Federal Funds | 43,555,439 | 49,357,970 | 45,363,474 | 45,363,474 | 50,476,037 |
| Homeless Prevention Programs | 1,641,208 | 1,571,568 | 1,635,236 | 1,635,236 | 1,984,430 |
| Cash Funds | 109,197 | 61,598 | 110,000 | 110,000 | 170,000 |
| Federal Funds | 1,532,011 | 1,509,970 | 1,525,236 | 1,525,236 | 1,814,430 |
| **SUBTOTAL - (ii) Community Services** | 46,444,934 | 52,292,011 | 49,659,648 | 49,659,648 | 55,121,405 |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General Fund | 1,248,287 | 1,362,473 | 2,660,938 | 2,660,938 | 2,660,938 |
| Cash Funds | 109,197 | 61,598 | 110,000 | 110,000 | 170,000 |
| Federal Funds | 45,087,450 | 50,867,940 | 46,888,710 | 46,888,710 | 52,290,467 |
| **(iii) Fort Lyon Supportive Housing Program** | | | | | |
| Program Costs | 3,223,851 | 3,223,851 | 4,989,637 | 4,989,637 | 4,989,637 |
| FTE | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 |
| General Fund | 3,223,851 | 3,223,851 | 4,989,637 | 4,989,637 | 4,989,637 |
| **SUBTOTAL - (iii) Fort Lyon Supportive Housing Program** | 3,223,851 | 3,223,851 | 4,989,637 | 4,989,637 | 4,989,637 |
| *FTE* | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 |
| General Fund | 3,223,851 | 3,223,851 | 4,989,637 | 4,989,637 | 4,989,637 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| **SUBTOTAL - (A) Community and Non-Profit Services** | 51,496,572 | 58,243,270 | 57,243,687 | 57,246,556 | 62,757,872 | |
| *FTE* | 23.7 | 39.9 | 26.6 | 26.6 | 26.6 | |
| General Fund | 4,835,892 | 4,963,866 | 8,035,348 | 8,035,567 | 8,035,567 | |
| Cash Funds | 127,072 | 76,836 | 129,669 | 129,669 | 189,669 | |
| Reappropriated Funds | 0 | 96,590 | 100,746 | 101,264 | 101,264 | |
| Federal Funds | 46,533,608 | 53,105,978 | 48,977,924 | 48,980,056 | 54,431,372 | |
| **(B) Field Services** | | | | | | |
| Affordable Housing Program Costs | 1,605,950 | 633,764 | 1,217,341 | 1,219,417 | 1,219,417 | * |
| FTE | 20.9 | 21.2 | 19.9 | 21.9 | 19.9 | |
| General Fund | 284,432 | 294,035 | 299,952 | 300,284 | 300,284 | |
| Cash Funds | 783,757 | 33,361 | 75,361 | 75,361 | 75,361 | |
| Reappropriated Funds | 256,272 | 291,185 | 294,586 | 295,375 | 295,375 | |
| Federal Funds | 281,489 | 15,183 | 547,442 | 548,397 | 548,397 | |
| Affordable Housing Grants and Loans | 13,720,876 | 13,157,670 | 20,228,793 | 38,548,693 | 20,228,793 | * |
| General Fund | 8,200,000 | 8,200,000 | 8,200,000 | 10,200,000 | 8,200,000 | |
| Cash Funds | 0 | 0 | 0 | 16,319,900 | 0 | |
| Federal Funds | 5,520,876 | 4,957,670 | 12,028,793 | 12,028,793 | 12,028,793 | |
| Manufactured Buildings Program | 0 | 724,138 | 733,697 | 733,697 | 733,697 | |
| FTE | 0.0 | 8.0 | 7.3 | 7.3 | 7.3 | |
| General Fund | 0 | 0 | 0 | 0 | 0 | |
| Cash Funds | 0 | 724,138 | 733,697 | 733,697 | 733,697 | |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Supportive Housing for Behavioral Health | 0 | 0 | 0 | 0 | 4,000,000 * |
| FTE | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| General Fund | 0 | 0 | 0 | 0 | 2,000,000 |
| Cash Funds | 0 | 0 | 0 | 0 | 2,000,000 |
| **SUBTOTAL - (B) Field Services** | 15,326,826 | 14,515,572 | 22,179,831 | 40,501,807 | 26,181,907 |
| *FTE* | 20.9 | 29.2 | 27.2 | 29.2 | 28.2 |
| General Fund | 8,484,432 | 8,494,035 | 8,499,952 | 10,500,284 | 10,500,284 |
| Cash Funds | 783,757 | 757,499 | 809,058 | 17,128,958 | 2,809,058 |
| Reappropriated Funds | 256,272 | 291,185 | 294,586 | 295,375 | 295,375 |
| Federal Funds | 5,802,365 | 4,972,853 | 12,576,235 | 12,577,190 | 12,577,190 |

## (C) Indirect Cost Assessments

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Indirect Cost Assessments | 212,096 | 266,421 | 694,609 | 733,585 | 884,326 |
| Cash Funds | 146,264 | 201,692 | 226,740 | 239,463 | 223,345 |
| Reappropriated Funds | 29,916 | 64,729 | 53,993 | 57,023 | 22,861 |
| Federal Funds | 35,916 | 0 | 413,876 | 437,099 | 638,120 |
| **SUBTOTAL - (C) Indirect Cost Assessments** | 212,096 | 266,421 | 694,609 | 733,585 | 884,326 |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash Funds | 146,264 | 201,692 | 226,740 | 239,463 | 223,345 |
| Reappropriated Funds | 29,916 | 64,729 | 53,993 | 57,023 | 22,861 |
| Federal Funds | 35,916 | 0 | 413,876 | 437,099 | 638,120 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **TOTAL - (3) Division of Housing** | 67,035,494 | 73,025,263 | 80,118,127 | 98,481,948 | 89,824,105 |
| *FTE* | 44.6 | 69.1 | 53.8 | 55.8 | 54.8 |
| General Fund | 13,320,324 | 13,457,901 | 16,535,300 | 18,535,851 | 18,535,851 |
| Cash Funds | 1,057,093 | 1,036,027 | 1,165,467 | 17,498,090 | 3,222,072 |
| Reappropriated Funds | 286,188 | 452,504 | 449,325 | 453,662 | 419,500 |
| Federal Funds | 52,371,889 | 58,078,831 | 61,968,035 | 61,994,345 | 67,646,682 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|

## (4) DIVISION OF LOCAL GOVERNMENT

This division provides information and training for local governments in budget development, purchasing, demographics, land use planning, and regulatory issues; and it manages federal and state funding programs to support infrastructure and local services development. Cash funds are predominantly from the Local Government Severance Tax Fund, Local Government Mineral Impact Fund, and the State Lottery.

### (A) Local Government and Community Services

**(i) Administration**

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Personal Services | 1,374,427 | 1,346,833 | 1,524,598 | 1,524,598 | 1,524,598 |
| FTE | 19.1 | 16.1 | 18.7 | 18.7 | 18.7 |
| General Fund | 436,959 | 326,058 | 333,377 | 333,377 | 333,377 |
| Reappropriated Funds | 937,468 | 1,020,775 | 1,043,865 | 1,043,865 | 1,043,865 |
| Federal Funds | 0 | 0 | 147,356 | 147,356 | 147,356 |
| Operating Expenses | 66,494 | 128,116 | 132,301 | 132,301 | 132,301 |
| General Fund | 42,178 | 47,831 | 43,128 | 43,128 | 43,128 |
| Reappropriated Funds | 24,316 | 16,258 | 25,146 | 25,146 | 25,146 |
| Federal Funds | 0 | 64,027 | 64,027 | 64,027 | 64,027 |
| Strategic Planning Group on Coloradans Age 50 and Over | 0 | 364,915 | 64,954 | 0 | 0 |
| FTE | 0.0 | 0.3 | 0.3 | 0.0 | 0.0 |
| General Fund | 0 | 364,915 | 64,954 | 0 | 0 |
| **SUBTOTAL - (i) Administration** | 1,440,921 | 1,839,864 | 1,721,853 | 1,656,899 | 1,656,899 |
| *FTE* | 19.1 | 16.4 | 19.0 | 18.7 | 18.7 |
| General Fund | 479,137 | 738,804 | 441,459 | 376,505 | 376,505 |
| Reappropriated Funds | 961,784 | 1,037,033 | 1,069,011 | 1,069,011 | 1,069,011 |
| Federal Funds | 0 | 64,027 | 211,383 | 211,383 | 211,383 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **(ii) Local Government Services** | | | | | |
| Local Utility Management Assistance | 157,921 | 162,173 | 171,762 | 171,762 | 171,762 |
| FTE | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Cash Funds | 157,921 | 162,173 | 171,762 | 171,762 | 171,762 |
| Conservation Trust Fund Disbursements | 51,166,726 | 57,134,256 | 50,000,000 | 50,000,000 | 50,000,000 |
| FTE | 1.8 | 2.0 | 2.0 | 2.0 | 2.0 |
| Cash Funds | 51,166,726 | 57,134,256 | 50,000,000 | 50,000,000 | 50,000,000 |
| Volunteer Firefighter Retirement Plans | 4,170,673 | 4,116,022 | 4,200,000 | 4,220,000 | 4,220,000 |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| General Fund Exempt | 4,170,673 | 4,116,022 | 4,200,000 | 4,220,000 | 4,220,000 |
| Firefighter Heart and Circulatory Malfunction Benefits | 797,640 | 1,743,429 | 1,903,273 | 1,903,273 | 1,703,273 |
| FTE | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 |
| General Fund | 51,128 | 958,183 | 964,220 | 964,220 | 864,220 |
| Cash Funds | 746,512 | 0 | 0 | 0 | 0 |
| Reappropriated Funds | 0 | 785,246 | 939,053 | 939,053 | 839,053 |
| Volunteer Firefighter Death and Disability Insurance | 21,065 | 21,065 | 30,000 | 30,000 | 30,000 |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| General Fund Exempt | 21,065 | 21,065 | 30,000 | 30,000 | 30,000 |
| Environmental Protection Agency Water/Sewer File Project | 58,156 | 50,669 | 62,718 | 62,718 | 62,718 |
| FTE | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Federal Funds | 58,156 | 50,669 | 62,718 | 62,718 | 62,718 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **SUBTOTAL - (ii) Local Government Services** | 56,372,181 | 63,227,614 | 56,367,753 | 56,387,753 | 56,187,753 |
| *FTE* | 4.6 | 4.8 | 5.0 | 5.0 | 5.0 |
| General Fund | 51,128 | 958,183 | 964,220 | 964,220 | 864,220 |
| General Fund Exempt | 4,191,738 | 4,137,087 | 4,230,000 | 4,250,000 | 4,250,000 |
| Cash Funds | 52,071,159 | 57,296,429 | 50,171,762 | 50,171,762 | 50,171,762 |
| Reappropriated Funds | 0 | 785,246 | 939,053 | 939,053 | 839,053 |
| Federal Funds | 58,156 | 50,669 | 62,718 | 62,718 | 62,718 |
| **(iii) Community Services** | | | | | |
| Community Services Block Grant | 5,625,726 | 6,256,901 | 6,000,000 | 6,000,000 | 6,000,000 |
| Federal Funds | 5,625,726 | 6,256,901 | 6,000,000 | 6,000,000 | 6,000,000 |
| **SUBTOTAL - (iii) Community Services** | 5,625,726 | 6,256,901 | 6,000,000 | 6,000,000 | 6,000,000 |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Federal Funds | 5,625,726 | 6,256,901 | 6,000,000 | 6,000,000 | 6,000,000 |
| **SUBTOTAL - (A) Local Government and Community Services** | 63,438,828 | 71,324,379 | 64,089,606 | 64,044,652 | 63,844,652 |
| *FTE* | 23.7 | 21.2 | 24.0 | 23.7 | 23.7 |
| General Fund | 530,265 | 1,696,987 | 1,405,679 | 1,340,725 | 1,240,725 |
| General Fund Exempt | 4,191,738 | 4,137,087 | 4,230,000 | 4,250,000 | 4,250,000 |
| Cash Funds | 52,071,159 | 57,296,429 | 50,171,762 | 50,171,762 | 50,171,762 |
| Reappropriated Funds | 961,784 | 1,822,279 | 2,008,064 | 2,008,064 | 1,908,064 |
| Federal Funds | 5,683,882 | 6,371,597 | 6,274,101 | 6,274,101 | 6,274,101 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| **(B) Field Services** | | | | | | |
| Program Costs | 2,590,548 | 2,677,328 | 2,943,757 | 3,034,637 | 3,027,282 | * |
| FTE | 25.5 | 20.7 | 28.2 | 29.2 | 29.2 | |
| General Fund | 533,886 | 0 | 0 | 0 | 0 | |
| Cash Funds | 103,982 | 21,655 | 109,027 | 109,027 | 109,027 | |
| Reappropriated Funds | 1,952,680 | 2,338,519 | 2,511,402 | 2,602,282 | 2,594,927 | |
| Federal Funds | 0 | 317,154 | 323,328 | 323,328 | 323,328 | |
| Community Development Block Grant | 14,030,415 | 8,330,821 | 5,200,000 | 5,200,000 | 5,200,000 | |
| Federal Funds | 14,030,415 | 8,330,821 | 5,200,000 | 5,200,000 | 5,200,000 | |
| Local Government Mineral and Energy Impact Grants and Disbursements | 130,466,720 | 122,351,291 | 125,000,000 | 125,000,000 | 100,000,000 | |
| Cash Funds | 130,466,720 | 122,351,291 | 125,000,000 | 125,000,000 | 100,000,000 | |
| Local Government Permanent Fund | 0 | 0 | 8,750,000 | 0 | 0 | |
| Cash Funds | 0 | 0 | 8,750,000 | 0 | 0 | |
| Local Government Limited Gaming Impact Grants | 4,141,322 | 5,315,590 | 4,900,000 | 4,900,000 | 4,900,000 | |
| Cash Funds | 4,141,322 | 5,315,590 | 4,900,000 | 4,900,000 | 4,900,000 | |
| Local Government Geothermal Energy Impact Grants | 0 | 8 | 50,000 | 50,000 | 50,000 | |
| Cash Funds | 0 | 8 | 50,000 | 50,000 | 50,000 | |
| Other Local Government Grants | 4,863 | 61,098 | 30,000 | 30,000 | 0 | |
| Cash Funds | 1,053 | 61,098 | 30,000 | 30,000 | 0 | |
| Reappropriated Funds | 3,810 | 0 | 0 | 0 | 0 | |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation | |
|---|---|---|---|---|---|---|
| Rural Economic Development Initiative Grants | 0 | 655,561 | 750,000 | 1,367,925 | 750,000 | * |
| FTE | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | |
| General Fund | 0 | 655,561 | 750,000 | 1,367,925 | 750,000 | |
| | | | | | | |
| Search and Rescue Program | 430,778 | 455,280 | 618,420 | 618,420 | 618,420 | |
| FTE | 1.2 | 0.9 | 1.3 | 1.3 | 1.3 | |
| Cash Funds | 430,778 | 455,280 | 618,420 | 618,420 | 618,420 | |
| | | | | | | |
| Local Government Marijuana Impact Grant Program | 0 | 1,126,946 | 1,117,540 | 1,117,540 | 1,117,540 | |
| FTE | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | |
| General Fund | 0 | 1,000,000 | 0 | 0 | 0 | |
| Cash Funds | 0 | 126,946 | 1,117,540 | 1,117,540 | 1,117,540 | |
| | | | | | | |
| **SUBTOTAL - (B) Field Services** | 151,664,646 | 140,973,923 | 149,359,717 | 141,318,522 | 115,663,242 | |
| *FTE* | 26.7 | 23.9 | 31.5 | 32.5 | 32.5 | |
| General Fund | 533,886 | 1,655,561 | 750,000 | 1,367,925 | 750,000 | |
| Cash Funds | 135,143,855 | 128,331,868 | 140,574,987 | 131,824,987 | 106,794,987 | |
| Reappropriated Funds | 1,956,490 | 2,338,519 | 2,511,402 | 2,602,282 | 2,594,927 | |
| Federal Funds | 14,030,415 | 8,647,975 | 5,523,328 | 5,523,328 | 5,523,328 | |

## (C) Indirect Cost Assessments

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| Indirect Cost Assessments | 832,535 | 795,723 | 1,112,009 | 1,174,407 | 810,404 |
| Cash Funds | 155,871 | 125,434 | 157,869 | 166,726 | 175,300 |
| Reappropriated Funds | 676,664 | 670,289 | 845,654 | 893,106 | 569,094 |
| Federal Funds | 0 | 0 | 108,486 | 114,575 | 66,010 |

| | FY 2014-15 Actual | FY 2015-16 Actual | FY 2016-17 Appropriation | FY 2017-18 Request | FY 2017-18 Recommendation |
|---|---|---|---|---|---|
| **SUBTOTAL - (C) Indirect Cost Assessments** | 832,535 | 795,723 | 1,112,009 | 1,174,407 | 810,404 |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash Funds | 155,871 | 125,434 | 157,869 | 166,726 | 175,300 |
| Reappropriated Funds | 676,664 | 670,289 | 845,654 | 893,106 | 569,094 |
| Federal Funds | 0 | 0 | 108,486 | 114,575 | 66,010 |
| | | | | | |
| **TOTAL - (4) Division of Local Government** | 215,936,009 | 213,094,025 | 214,561,332 | 206,537,581 | 180,318,298 |
| *FTE* | 50.4 | 45.1 | 55.5 | 56.2 | 56.2 |
| General Fund | 1,064,151 | 3,352,548 | 2,155,679 | 2,708,650 | 1,990,725 |
| General Fund Exempt | 4,191,738 | 4,137,087 | 4,230,000 | 4,250,000 | 4,250,000 |
| Cash Funds | 187,370,885 | 185,753,731 | 190,904,618 | 182,163,475 | 157,142,049 |
| Reappropriated Funds | 3,594,938 | 4,831,087 | 5,365,120 | 5,503,452 | 5,072,085 |
| Federal Funds | 19,714,297 | 15,019,572 | 11,905,915 | 11,912,004 | 11,863,439 |
| | | | | | |
| **TOTAL - Department of Local Affairs** | 293,038,155 | 296,188,656 | 306,112,580 | 317,360,620 | 282,429,200 |
| *FTE* | 155.3 | 164.1 | 173.9 | 176.6 | 175.6 |
| General Fund | 17,377,101 | 19,769,018 | 21,782,580 | 24,575,291 | 23,838,302 |
| General Fund Exempt | 4,191,738 | 4,137,087 | 4,230,000 | 4,250,000 | 4,250,000 |
| Cash Funds | 190,040,091 | 188,152,873 | 194,098,487 | 201,757,697 | 162,517,655 |
| Reappropriated Funds | 8,368,095 | 9,962,315 | 10,915,745 | 11,661,126 | 11,102,965 |
| Federal Funds | 73,061,130 | 74,167,363 | 75,085,768 | 75,116,506 | 80,720,278 |