

DEPARTMENT OF LOCAL AFFAIRS

FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 7, 2017

3:00 pm – 5:00 pm

3:00-3:15 INTRODUCTIONS AND OPENING COMMENTS

3:15-4:00 DIVISION OF HOUSING

Reentry Services for Individuals with Behavioral Health Disorders (S.B. 17-021)

- 1 *Background:* The Department requests an appropriation of \$4,758,600 cash funds for FY 2018-19 from newly created Housing Assistance for Persons Transitioning from the Criminal or Juvenile Justice System Cash Fund (R-01). The requested funds would be used to provide housing assistance for persons with behavioral or mental health disorders who are transitioning from incarceration, consistent with S.B. 17-021.
  - a. Provide an update on the Division’s implementation of this program to date, describe budget expectations for the next few years, and provide some examples of the types of projects and services that will be supported through this program.

The Department of Public Safety transferred \$4,758,600 GF from the Community Corrections program that was unspent at end of FY 2016-17 to the Housing Assistance for Persons Transitioning from the Criminal or Juvenile Justice System Cash Fund pursuant to S.B. 17-021. Although this legislation authorized the transfer, the bill did not include appropriation language allowing the Department to expend funds in FY 2017-18. R-01 is submitted as part of the Department’s budget in FY 2018-19 to request appropriation of these dollars as intended by S.B. 17-021.

The Program was designed to provide grants or loans for the acquisition, construction, or rehabilitation of rental housing for persons with a mental health disorder or co-occurring behavioral health disorder and newly released from the Department of Corrections (DOC), the Division of Youth Corrections (DYC) in the Department of Human Services (DHS), or county jails throughout Colorado. However, S.B. 17-021 included a repeal clause limiting the funding to one-time. As such, the Division is planning to focus the funds on the development of housing units rather than vouchers as vouchers require a long term multi-year commitment.

One example of a program that could be supported by these funds is the Second Chance Center’s (SCC) Providence at the Heights. SCC assists formerly incarcerated men and women transition to lives of success. Providence at the Heights will be a 49-unit permanent supportive housing project in Aurora consisting of 1- and 2-bedroom

units. Each resident will have an individualized services plan. This model could easily be adapted to serve persons with behavioral or mental health disorders who are transitioning from incarceration.

- b. Describe the Division's communication efforts and plans to inform county sheriffs and other stakeholders about this new program.

In May, the Vera Institute of Justice (Vera), an independent nonprofit national research and policy organization, issued a request for proposals for the Opening Doors to Public Housing Initiative which provides for nine months of technical assistance for the planning and implementation of reentry-focused housing programs and assistance with their admissions policies to safely increase access for people with conviction histories. Vera selected the Department's Division of Housing as one of six agencies nationwide to receive an award.

Since July 2017, the Division has been holding stakeholder outreach meetings to solicit input and ideas, as well as provide information on the Division's various state-funded housing programs. The Division anticipates working with Vera to expand its existing stakeholder outreach and engagement to ensure stakeholders are aware of this program as well as others. In addition, the Division will be working with Vera to engage public housing authorities across the state in hopes of expanding housing opportunities for the reentry population through the introduction of best practices that have worked in other areas of the country.

In addition to individual and group stakeholder meetings and working with Vera, the Division, along with CHFA, has hosted a series of training and technical assistance sessions for several communities throughout the state known as the Supportive Housing Toolkit. The aim of the toolkit is to build communities' capacity to develop and operate quality supportive housing, including supportive housing for individuals re-entering the community from the justice system. Specifically, SCC's Providence at the Heights, mentioned above, was result of last year's toolkit. In this year's toolkit, the Pueblo County's Sheriff's Office is actively involved and working closely with local providers and the Division towards the aim of creating a supportive housing project for individuals who are experiencing homelessness, have behavioral health needs, and are repeatedly involved in the Pueblo County justice system. It will also help create a model that the Division's is hopeful will be replicated by other counties.

- c. Describe the processes the Division will use to identify individuals who will benefit from this program, including adults released from county jails and the Department of Corrections, as well as youth and young adults released from the Department of Human Services' Division of Youth Services. How does the Division plan to prioritize funding for those individuals who are most at-risk?

Referrals are received from the State's three Continuum of Care homeless regions. The State of Colorado and its homeless providers are committed to the use of a coordinated entry system and the use of the Vulnerability Index & Services Prioritization Decision Assistance Tool (VI-SPDAT) to ensure that we are serving those most in need. Whenever possible, the Division utilizes this tool as detailed below.

Federal regulations require communities to develop a mechanism for common assessment and coordinated access. The VI-SPDAT is a "first-of-its-kind" tool designed to fill this need. The VI-SPDAT is a "supertool," that combines the strengths of two widely used existing assessments to determine and prioritize for housing, the most vulnerable homeless individuals. The VI-SPDAT now has a series of version for various populations beyond individuals, such as families, youth and justice involvement. Below is a brief overview of the two tools that comprise the foundation of the VI-SPDAT:

- The Vulnerability Index (VI) is a street outreach tool currently in use in more than 100 communities. Rooted in leading medical research, the VI helps determine the chronicity and medical vulnerability of homeless individuals.
- The Service Prioritization Decision Assistance Tool (SPDAT) is an intake and case management tool in use in more than 70 communities. Based on a wide body of social science research, the tool helps service providers allocate resources in a logical, targeted way.

Additionally, the Department is using the \$15.3 million dollar Marijuana Tax Cash Fund received in FY 2017-18 to design the Homeless Solutions Program. As you will recall, a portion of the \$15.3 is targeted to individuals with high needs behavioral or mental health disorders who are transitioning from incarceration. The Division has been working very closely the Department of Corrections on the current Homeless Solutions Program (HSP). Individuals are identified when they exit DOC using the following factors: 'high risk/high need' individuals who have a Mental Health and/or Substance Use Disorder, are at a high risk for recidivism, and have a history of homelessness or are likely exiting to unstable housing or a shelter. In addition, the Division has begun discussions with the Division of Youth Services on the design of their referral system. The groundwork that has been done with the HSP will continue as the S.B. 17-021 program is implemented.

We have also begun the work of understanding the county jail system and creating the relationships necessary to set up successful referral sources. We have had particular luck in both Pueblo and Denver and hope to use the lessons learned with those communities as we expand our outreach to other communities.

- 2 Describe how the Division coordinates with the Department of Human Services' Office of Behavioral Health and local behavioral health providers to ensure that individuals who receive housing assistance from the Division also have access to appropriate behavioral health services.

The Division has a very close working relationship with the Office of Behavioral Health (OBH). The two divisions meet monthly to discuss existing housing programs, referrals from the two mental health institutes, and any concerns regarding service provision by the community mental health centers. In addition, the Division contracts with 14 of the 17 community mental health centers for the administration of its voucher programs. This unique partnership, in place for over 30 years, enables behavioral health consumers to receive their housing assistance in the same location as their mental health services making for a seamless delivery system.

However, the community mental health centers are not the sole providers of behavioral health services in Colorado, nor can they be present in every supportive housing project in the State. The State of Colorado recognizes permanent supportive housing (PSH) as an effective way to house Colorado's most vulnerable individuals. In the last three years, Colorado has developed nearly 600 PSH units with several hundred new units in the pipeline.

Housing this population requires on-site supportive services, particularly those that support maintaining housing. As more developers and nonprofits enter the PSH arena, it has become obvious that agencies that are not Medicaid billers or Community Mental Health Centers are having a very difficult time accessing supportive service dollars. Even agencies that can bill Medicaid are not able to reimburse for all services which support housing stability.

Because of these challenges with services funding, the Division has proposed a LEAN effort with the Department of Human Services and the Department of Health Care Policy and Finance focused on services funding. This LEAN event will analyze the services that can be paid for using CDHS and HCPF funding and the gap left that may be able to be filled by the Division's limited dollars.

- 3 Does the Division have any specific plans, using money in this new cash fund or the Marijuana Tax Cash Fund, to identify and address the housing and supportive services needs of offenders who are addicted to opioids to mitigate the risk of overdose deaths upon release?

As stated above, the Division is working closely with OBH and HCPF to identify all supportive services funding for both individuals with mental health diagnosis and those with a substance use disorder. The Colorado State Targeted Response to the Opioid Crisis grant program lists the following as activities that are eligible for funding:

- Enhanced residential treatment for high need or homeless clients
- Day-of-release resources for individuals with OUD leaving incarceration

The Division will continue its work with OBH and defer to them on how and if these funds could benefit individuals residing in supportive housing projects and if the use of the Division's limited service dollars would be duplicative of these efforts or if they would enhance existing funding.

- 4 Provide an overview of federal Housing and Urban Development funding that was spent by the Department in FY 2016-17 and amounts that are anticipated to be spent in FY 2017-18. If the Department anticipates that the total amount will increase or decrease significantly in FY 2017-18, please explain the reason for the change.

Below is the summary chart from page 5 of the JBC staff briefing document for the Department dated November 30, 2017. It is useful for reviewing the Department’s HUD actual expenditures in FY 2016-17 and estimated expenditures in FY 2017-18.

ANNUAL EXPENDITURES FROM MAJOR ONGOING FEDERAL GRANTS ADMINISTERED BY DEPARTMENT OF LOCAL AFFIARS (\$ MILLIONS)				
	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 ACTUAL	FY 2017-18 APPROPS
Federal Department of Housing and Urban Development (HUD) rental subsidies	\$44.6	\$49.4	\$52.2	\$50.5
HUD affordable housing development *	6.2	5.0	3.7	12.0
Health and Human Services Community Services Block Grant	6.1	6.3	5.5	6.0
HUD Community Development Block Grant *	14.0	8.3	9.6	5.2
HUD Emergency Shelter and Homeless Prevention Programs	1.6	1.5	1.7	1.8
*The portion of the Community Development Block Grant (CDBG) that is used for affordable housing development in the Appropriation year is included in the affordable housing development amount, rather than the CDBG amount. However, actual expenditures reflect the Department’s practice expending all CDBG line item. In addition, the CDBG amount does not include CDBG-DR (disaster recovery) amounts that are not reflected in the Long Bill.				

The Department’s FY 2016-17 expenditures in the HUD Rental Subsidies is comprised of \$43,946,672 from Section 8 Housing Choice Voucher funds, \$6,334,328 from Continuum of Care funds, \$1,349,301 from Five-Year Mainstream funds, \$410,965 from TBRA funds, \$134,308 from Shelter + Care funds, and \$32,500 from Family Self-Sufficiency funds. The Department’s FY 2016-17 expenditures in the HUD Affordable Housing Development line is comprised of \$3,351,893 from Home Investment Partnership (HOME) funds and \$405,901 from Housing Opportunity for Persons with AIDS (HOPWA) funds. Lastly, the Department’s FY 2016-17 expenditures in the HUD Emergency Shelter and Homeless Prevention Programs is wholly comprised of Emergency Solution Grant funds.

The Department’s FY 2017-18 estimates in the HUD Rental Subsidies of \$50.5 million includes \$41,925,235 from Section 8 Housing Choice Voucher funds, \$6,787,997 from Shelter + Care funds, \$1,267,059 from Five-Year Mainstream funds, \$426,746 from HOPWA funds, and \$69,000 from Family Self-Sufficiency funds. The Department’s FY 2017-18 estimates in the HUD Affordable Housing Development line of \$12 million includes \$2,720,564 for the Community Development Block Grant; \$4,060,837 for HOME; \$2,700,000 for National Trust Fund; \$2,053,701 for Neighborhood Stabilization Program - Program Income (NSP-PI); and \$493,691 for NSP I. The Department expects to award the full amount of the first three programs. Because the NSP funds are restricted to certain neighborhoods, the expenditure of these funds is dependent on the feasibility of eligible projects. The Department believes these can also be utilized although the funds use is more restricted.

The Department believes the federal funds shown for the Division of Housing's programs in the chart above are accurate and expects to award 100 percent of HUD moneys estimated for FY 2017-18; however, due to the structure of these contracts, it is important to note that some portion of these expenditures will not occur in the state fiscal year in which they are awarded. For example, the estimate for total HUD program dollars in FY 2015-16 was \$7,472,633 and these dollars were fully awarded. However, the actual expenditures reported for FY 2015-16 was \$5 million. The difference is due to the timing of the contracts and the readiness of the projects to spend the moneys received.

Following are short descriptions of the HUD programs funded in each of the lines listed in the chart above.

**Federal HUD Rental Subsidies Programs** includes the Housing Choice Voucher Program, HOPWA Program, FSS Coordinator Fees, 5-Year Mainstream Program, Second Chance Program, and the Continuum of Care Programs. The Homeless Prevention Programs include the Youth Intervention Program, Money Follows the Person Program, and Emergency Shelter Grant. All these programs provide rental assistance, utility allowances, security deposits, and case management to participants.

**HUD Affordable Housing Development** includes CDBG (Community Development Block Grant), HOME (Home Investment Partnership Program), Neighborhood Stabilization Program, and National Trust Fund. All these programs provide gap funding for new construction, down payment assistance, rental rehabilitation, and acquisition in the form of grants or loans.

**HUD Community Development Block Grant** is used for grants and loans for community development in non-entitlement areas of the state.

**HUD Emergency Shelter and Homeless Prevention Programs** includes the ESG program which provides grants for homes shelters, funding to operate the shelters, engage homes individuals and families living on the streets, provide essential services, rapidly re-house homeless individuals and families, and prevent homelessness. The Homeless Prevention Programs include the Youth Intervention Program and Money Follows the Person Program. These programs, similar to the rental subsidies programs provide rental assistance, utility allowances, security deposits, and case management to participants.

#### Fort Lyon Supportive Residential Community Program

- 5 *Background: Pursuant to H.B. 16-1411, the State Auditor contracted with Illuminate Evaluation Services, LLC, to conduct a longitudinal evaluation of the Fort Lyon Program. The contractor issued a preliminary report in August 2017. The report was released in September 2017 following a presentation to the Legislative Audit Committee.*
  - a. Discuss findings in the August 2017 preliminary report that the Division considers most important or surprising.

The Division found several preliminary results included in the report to be important:

- **The Cost-Benefit of the Ft. Lyon Program.** Based on the available data at the time of the analysis, costs per participant decreased by 27 percent for physical and behavioral health care and by 66 percent for the judicial system (i.e., Department of Corrections incarceration and probation, but not county/municipal data) from pre-enrollment in the program for participants who had one year of post-enrollment data. Costs may have slightly increased for the participants who had two years of post-enrollment data, however. Specifically, the average of the physical and behavioral health care and judicial systems costs increased by 9 percent based on the limited judicial data available for the analysis.
- **Correlation between Length of Stay and Successful Outcomes.** The evaluators found that the number of days participants were in the Program was associated with slightly higher odds of completing the Program and finding permanent housing. These data suggest that the more days a participant stays in the program, the greater the odds of completing their goals and exiting to permanent housing.
- **Analysis of Potential Predictive Factors to Positive Outcomes:** A participant's drug and alcohol use history, behavioral health concerns, and participation in vocational, educational or employment programs were not significant predictors of completing the program or exiting to permanent housing.
- **Post Program Outcomes:** Post program interviews showed a significant decrease in alcohol, marijuana, and illegal drug use and significant improvements in behavioral health related to anxiety, depression, physical health, and overall quality of life.
- **Comparison Programs:** Of the three comparison programs reviewed, the Ft Lyon Program had the lowest costs, and a similar average length of stay as two of the three programs.
- **Program Outcomes & Exits:** The percentage of those who exited after completing the program has steadily increased during the past three years from 16 percent to 45 percent. Since inception, seventy-one percent of those who completed the program exited to permanent housing.

- b. Describe any additional data or information the Division hopes will be included or considered in the final report that is due in August 2018.

The Division expects that additional data and information included in the final report will include differentiating health care costs pre- and post-enrollment among emergency, behavioral health, primary and specialty care. We also expect the evaluators to construct a comparison group that is similar to the program participants, but is not receiving care, and compare its outcomes, costs, and benefits with program data.

We are hopeful the evaluators are able to obtain and include additional pre- and post-enrollment costs on housing, jail, and detox costs as the inclusion of these costs will provide a more comprehensive data set for the cost/benefit analysis.

We expect the evaluation to have more precise dosage information (such as how much time does one need to stay at Ft. Lyon) and are there particular interventions that better correlate towards self-sufficiency. Finally, we expect the final report to quantify resident experiences and feedback on particular program components and triangulate the data with resident interviews and qualitative information.

- 6 Given the Fort Lyon Program’s zero tolerance substance abuse policy, how does the Program address the treatment and recovery needs of those with substance use disorders (i.e., are those who are most likely to relapse screened out or are they less likely to complete the Program)?

No one is screened out based on the likelihood of relapse, which is impossible to reliably predict. On the contrary, the referral process is specifically designed to “screen in” as many persons experiencing homelessness as possible, utilizing a low-barrier admissions criteria. The Fort Lyon Program was specifically designed and developed to target the State’s most vulnerable homeless persons, those with a substance use disorder including many with co- and tri-morbid mental health and chronic health conditions. According to the most recent Annual Report, 60 percent of those served through the project have three or more disabling conditions.

The only two requirements for referral/admission into the program are: 1) must be homeless or at risk of homelessness; and 2) must have a substance use disorder and have a stated desire to address the addiction. A primary goal of the Program is to engage as many homeless persons with a substance use disorder as possible, with “on demand,” i.e., within 30-days, access. Given the high rate of relapse within the general population, estimated at 90 percent, (National Institute on Alcohol Abuse and Alcoholism, 2000), the Program’s graduation rate in FY 2017 of 45 percent is extraordinary.

The Supportive Residential Community was established to facilitate engagement of the target population, those with extensive years of homelessness and addictions, in a trauma-informed and peer-based model. The treatment and recovery needs are met within a comprehensive, integrated and collaborative framework utilizing local community primary and behavioral health care, structured addiction curriculum, group and individual recovery support, vocational and employment services and direct access to higher education and GED acquisition.

- 7 Describe the buildings that are located on the Fort Lyon campus.
- a. How many buildings does the Department use for the Fort Lyon Supportive Residential Community Program, how many are used for other purposes, and how many are vacant?

The Department uses 30 structures for the Fort Lyon Supportive Residential Community Program including residential dorms, boiler rooms, residential homes, and other small operations buildings. Of the 110 structures that exist on the campus, only 71 (65 percent)

are larger than 800 square feet. No buildings are used for purposes other than the Program. Of the thirty buildings currently in use by the Program, 16 are directly occupied or used by residents, and 14 are used for facilities and grounds operations.

- b. Provide an update on asbestos mitigation on the campus. Please include data concerning the number of buildings containing asbestos, the number of buildings mitigated to date, the cost of mitigation efforts to date, and the sources of funding that supported this work.

Historical Background and Abatement Prior to 9/2013 (opening of Ft. Lyon Residential Supportive Community)

The Officers' Row Homes, original Army buildings, were built in the 1860s. The remaining buildings were built during the Navy period. Several of the campus structures were built utilizing asbestos-containing materials. The VA did an extensive amount of asbestos abatement on the campus prior to 2001. The Colorado Department of Corrections (CDOC) also did asbestos cleanup during its tenure at Fort Lyon, and completed the following asbestos abatement projects during the 2006-2009 time period:

South Steam Tunnels,	September 2006
Dairy Barn 1	October 2008
Buildings 3, 4, 5, 6 & 8 Mechanical Rooms	April 2008
Boiler House Roof	February 2009
Building 19, complete abatement	February 2009
Buildings 5, 201, Gas Meter House & Manhole Vaults	May 2009
Steam Tunnels between Power Plant & Building 6	May 2009
Laundry Crawl Space/Mech Room, Building 5	August 2009
Manhole Vaults-Misc. Tunnels	July 2009

The asbestos in the red barn was removed during the summer of 2013, the year Bent County began providing maintenance for the facility. In September of that same year, The Fort Lyon Supportive Residential Community opened with its first residents. It was at this time that DOLA and Bent County began to focus on abatement of the remaining buildings on the campus.

Abatement since 9/2013 and Planned Abatement

Bent County applied for and was awarded a "Targeted Brownfields Assessment (TBA)" from the Environmental Protection Agency (EPA). With this award, the EPA contracted with Weston Solutions, Inc. of Lakewood, Colorado to perform Phase II Studies of the structures and to make recommendations regarding asbestos cleanup for Fort Lyon.

The Weston estimates are based on industry standards and known data for similar work. Bent County has found is that the actual bids for work closely mirror those estimates. The actual cost for cleanup will be somewhat higher for those buildings funded

through EPA grants, as the Federal requirement for Davis-Bacon wages applies for all asbestos abatement workers on the project.

In 2015, Bent County contracted with Colorado Hazard Control, an asbestos removal contractor, to abate 10 residential homes on the Fort Lyon campus. The average cost per home was approximately \$10,875. After this cleanup, 24 campus buildings remained that had not been abated. Those buildings included the 6 Officers' Row Homes, Building 7 (the only unoccupied brick building), Building 508 (an administrative building), and 16 residential homes. Grant funding is now in place for abatement of 11 of the 24 assessed buildings. Abatement of the remaining 13 buildings, at an average estimated cost of \$19,451 per building, will be addressed as funding allows.

The following table describes the abatement undertaken through Bent County to date:

**TABLE 1: Asbestos Abatement post-2013**

<b>Building</b>	<b>Date Completed</b>	<b>Cost</b>	<b>Funding Source</b>
10 residential homes	2015	\$108,750	Colorado Weatherization
3 Officers' Row Homes (502, 505, 506)	2017	\$156,644	Colorado Dept. of Public Health and Environment
5 buildings (508, 7, 503, 504, 507)	In progress, expected completion 3/2018	\$256,400 \$ 51,600	EPA Bent County
3 buildings (501, 306, 310)	Expected to start 1/2018, expected completion 9/2018	\$132,800 \$ 26,560	EPA Bent County

- 8 If the Department owns any buildings that are not on the Fort Lyon campus, please provide data concerning the location of each building and how the space is currently used (or if it is vacant).

The Department owns no buildings or facilities including any of the buildings on the Fort Lyon campus. The Department of Personnel and Administration (DPA) officially owns all of the buildings on the Fort Lyon campus. The Department's primary office space is located in the Centennial Building at 1313 Sherman Street and also occupies a State-owned building in Grand Junction. These are both part of the State's Capitol Complex Leased Space as managed by DPA. In addition, the Department leases limited amounts of office space in Alamosa, Durango, Frisco, Glenwood Springs, Loveland, Pueblo, and Sterling. These are utilized solely or jointly by the Divisions of Housing, Local Government, and Property Taxation.

Marijuana-related Grant Programs

- 9 Provide a Venn diagram or graphic depiction that illustrates the similarities and differences between the Local Government Marijuana Impact Grant Program and the Gray and Black Market Marijuana Enforcement Grant Program.

	<b>MJ Impact Grant</b>	<b>Gray &amp; Black Market Grant</b>
Statute	C.R.S. 24-32-117	C.R.S. 24-32-119
\$ Amount	\$1 million	\$6 million
Program intent	Award grants to <b><i>eligible</i></b> cities and counties for documented impacts related to retail marijuana sales in neighboring jurisdictions.	Cover costs to law enforcement agencies and district attorneys for actual expenses related to investigations and prosecutions of unlicensed marijuana cultivation or distribution operations.
Priorities	Pay for additional law enforcement activities related to retail marijuana; Fund youth services, especially those that prevent use of marijuana; and Mitigate other impacts that retail marijuana has on services provided by an eligible local government.	Provide financial assistance to local law enforcement agencies and district attorneys in the investigation and prosecution of unlicensed marijuana cultivation or distribution: 1) In rural areas; 2) Large-scale operations; 3) Organized crime operations; 4) Operations that divert marijuana outside of Colorado.
Number of eligible local governments in November 2017	40 Counties <u>174 municipalities</u> <b>214 Total</b>	For priority 1: 54 Counties <u>224 Municipalities</u> <b>278 Total</b> For priorities 2-4: 64 Counties <u>270 Municipalities</u> <b>334 Total Municipalities and Counties</b>

<p>Eligibility (generally speaking)</p>	<ul style="list-style-type: none"> <li>• A local government that does NOT impose, levy, or collect ANY tax on retail marijuana,; <b>and</b></li> <li>• Is contiguous with a local government that has actual sales of retail marijuana anywhere within their boundaries.</li> </ul>	<p>For the first priority (see above):  “Rural areas” are defined as:</p> <ul style="list-style-type: none"> <li>• a county with a population of less than 200,000; or</li> <li>• a municipality with a population of less than 30,000 that is located ten miles or more from a municipality with a population of more than 50,000 people.</li> </ul> <p>For priorities 2-4 (see above):  The term “rural” is not used, so all local law enforcement and district attorneys are eligible.</p>
<p>Similarities</p>	<ol style="list-style-type: none"> <li>1. Both programs are intended to assist local governments with issues related to marijuana.</li> <li>2. Both programs could pay for law enforcement investigation or prosecution activities either as a MJ Impact or as a Gray &amp; Black Market application.</li> </ol>	
<p>Differences</p>	<ol style="list-style-type: none"> <li>1. MJ Impact is allocated \$1 million; Gray &amp; Black Market is allocated \$6 million.</li> <li>2. The MJ Impact program is specific to eligibility for local governments that do not impose a tax on retail marijuana; the Gray &amp; Black Market program specifies rural areas as the first priority and does not mention the taxation of marijuana in a jurisdiction.</li> <li>3. The MJ Impact program has a broader focus, which includes impacts to the local government beyond investigations and prosecutions and encourages funding youth services and mitigating other impacts to the local government; the Gray &amp; Black Market program is specific to investigations and prosecutions for unlicensed marijuana cultivation or distribution. In other words, if for example a local government has impacts related to increased DUIs, increased suspension rates in schools, or increased health and human services needs, those expenses would be allowable under the MJ Impact program but would not be allowable under the Gray &amp; Black Market program, as they are not “...the investigation and prosecution of unlicensed marijuana cultivation or distribution”.</li> <li>4. The number of eligible local governments for the MJ Impact program could decrease as the number of local governments that tax retail marijuana sales increases; while population changes may alter the number of “rural” local governments for the first priority, all local governments are eligible for the second through fourth priorities.</li> </ol>	

- 10 Please discuss why the Department proposes to eliminate funding for the Local Government Marijuana Impact Grant Program.

The Department believes returning the \$1.1 million supporting the Marijuana Impact Grant Program (Impact Program) to the Marijuana Tax Cash Fund (MTCF) will ultimately provide better value to taxpayers through support for other state programs. In FY 2015-16, the Department awarded \$766,567 of the \$1 million in marijuana impact grants to eligible local jurisdictions. While there was collaboration with potential stakeholders during the subsequent grant cycle, the application and program requirements in statute applied did not generate a sufficient number of applicants for the \$1 million appropriation in FY 2016-17. During this grant cycle, only three applications were submitted. These only obligated \$140,491 of the \$1 million appropriation.

In addition to law enforcement activities, the Impact Program is charged with considering grant requests to fund youth services targeted at discouraging marijuana consumption and to mitigate other impacts that the cultivation, testing, sale, consumption, or regulation of retail marijuana places on the provision of services by eligible local governments. During the inaugural cycle of the Impact Program in FY 2015-16, it became quickly apparent that the largest demand for these dollars pertained to the needs of local law enforcement and prosecution.

Eliminating the Impact Program will not adversely affect local governments as the Department is offering another grant program that better meets a greater demand: law enforcement and prosecution efforts surrounding marijuana legalization. Beginning in FY 2017-18, the Department is appropriated nearly \$6 million from the MTCF by H.B. 17-1221 for the Gray and Black Market Marijuana Enforcement Grant Program (Gray and Black Program). While the Gray and Black Program does not serve the exact same population as the Impact Program, it meets the needs of more jurisdictions, especially in rural areas, because it has more funding and a statutory mission with greater focus on the demands of law enforcement in relation to large-scale cultivation sites and the exploitation of marijuana legalization in Colorado by criminal organizations.

The Department believes the creation of the Gray and Black Program will better meet the needs that local communities have demonstrated regarding the increased demands placed on law enforcement as a result of the legalization of marijuana in many parts of Colorado. The nearly \$6 million in available grant funding appropriated for this program is meeting a demand not presently addressed by any other state agency. There are several other agencies that receive moneys from the MTCF particularly the Departments of Human Services and Public Health and Environment that can address the other purposes of the Impact Program.

11 *Background: The Department of Public Safety has submitted a request for \$1,225,202 cash funds from the Marijuana Tax Cash Fund for FY 2018-19 to establish an eight-person unit within the Colorado Bureau of Investigation to investigate black market marijuana operations (R-07).*

- a. Describe how the FY 2018-19 request (R-07) from the Department of Public Safety relates to the Gray and Black Market Marijuana Enforcement Grant Program, which is administered by the Department of Local Affairs.

The purpose of funding provided to the Department in HB 17-1221 ('Concerning Gray and Black Market Marijuana Enforcement Efforts') and the Department of Public Safety's (DPS) R-07 change request ('Black Market Marijuana Interdiction') submitted in its FY 2018-19 budget request are separate and distinct uses of money from the Marijuana Tax Cash Fund. The Department's program awards grants to reimburse local law enforcement and district attorneys' offices for the costs of investigating and prosecuting unlicensed marijuana cultivation or distribution operations that violate state law. DPS's request seeks to establish a long-term and permanent task force to address black market marijuana operations. Based on the narrative for R-07, DPS hopes to provide a statewide resource to law enforcement in all jurisdictions and assist these jurisdictions as needed or required. These two programs could complement one another in many instances, but they are not addressing the same issues and concerns.

- b. Describe any coordination or collaboration that occurs between the Department of Local Affairs, the Department of Public Safety, and the Department of Law related to state and local efforts to enforce marijuana laws.

The Department communicates with the Department of Public Safety for subject matter expert recommendations on marijuana grant program policies.

#### Local Government Mineral and Energy Impact Grants and Disbursements

12 Please discuss the amount of severance tax and federal mineral lease revenues projected to be available to the Department of Local Affairs for FY 2017-18. If severance tax revenues are projected to be significantly lower than anticipated, does the Department have any thoughts or suggestions about how to mitigate the resulting impacts to local governments?

The Department plans to award approximately \$59 million in new grant awards from severance and federal mineral lease funds to local governments for three application cycles in FY 2017-18. These funds come from both a combination of fund balance remaining at the end of FY 2016-17 and anticipated revenues in FY 2017-18. The Department does not announce the amount for an application cycle without already having received the funds. The Department also manages fund balance in an effort to maintain a 'cycle in reserve' to carry forward for one cycle in the event of a revenue disruption or overly robust forecasts. This cash management practice means the anticipated April 1, 2018 application cycle should have

\$20 million available. That said, the Department with the assistance of the Department of Revenue is evaluating monthly severance net receipts closely and if these funds do not come in as anticipated later this fiscal year, we will adjust future award cycles accordingly. The industry and commodity prices are in a much better place than two years ago as Legislative Council and OSPB economic forecasts have shown. However, near-term uncertainty and volatility continues.

**4:30-5:00      MOFFAT TUNNEL IMPROVEMENT DISTRICT**

13 *Background: The Department submitted a response to a Request for Information (#1) from the Joint Budget Committee concerning the Department's administrative authority and role related to the Moffat train tunnel. This report was prepared with assistance from the Attorney General's Office.*

a. Describe the types of freight trains and passenger trains that currently use the Moffat tunnel.

The primary purpose of the tunnel is a rail route for local coal and freight, but it also serves some functions for tourists and passengers. From January 5 - March 25 of each year, Amtrak has a train that runs on the weekends from Union Station to Winter Park with one-round trip on Saturday and another on Sunday. The Winter Park train averages about 500 people per trip. Amtrak also offers a cross country route on the Colorado Zephyr which runs from Chicago to San Francisco. In 2016, the Zephyr transported more than 410,000 people. On a recent visit by the Executive Director and senior staff, Union Pacific tunnel operators stated average current traffic volume is approximately 12 trains per day.

b. Discuss the report findings, and potential short-term actions that may be reasonable and necessary to mitigate the State's liability exposure.

The Attorney General's Office (AGO) provided an informal opinion to the Department and determined that the state has "...no potential liability for negligence claims arising from inadequate Tunnel maintenance. By contract, the District has no duty to maintain the Tunnel. Even if it did, the District is immune to claims for damages due to injuries caused by negligent railway tunnel maintenance or construction, or by Tunnel ownership. These claims are barred by the Colorado Governmental Immunity Act. §24-10-101, et seq., C.R.S. (2017).

The District's greatest potential liability lies in the provisions in the Railroad Contract that cap the Railroad's responsibility for fires and 'unforeseen' catastrophes. Most prominently, in the event of an 'unforeseen catastrophe' that renders the Tunnel unfit for railroad use for 30 days or more and that could not be anticipated by the Railroad's 'reasonable inspection,' the District must pay the first \$1 million for Tunnel repairs. The Railroad is required to re-pay the District for Tunnel repairs up to \$1 million, but the

Railroad's liability is capped at that amount. The District is wholly responsible for repairs exceeding \$1 million. Also, the Railroad Contract caps the Railroad's liability for fire damage at the Tunnel's 'insured value,' which may be inadequate to repair Tunnel structures.”

The AGO also speculated that, “Whatever the nature of the catastrophe - cave-in, explosion, or otherwise - it is in the Railroad's interest to claim that the disaster could not have been anticipated by reasonable inspection. If such an event occurred: 1) the District (state) would be required to front the first \$1 million for repairs; and, 2) the District (state) would be responsible for Tunnel repairs costing more than \$1 million. If a catastrophic event that leads to long-term Tunnel shutdown occurs, it is likely that the Railroad will seek payment from the District (state) for Tunnel repairs on the basis that the event could not have been foreseen by the Railroad's reasonable inspection.”

Last, the AGO recommended that the State may wish to “...conduct its own engineering study to determine the condition of the Tunnel. This would establish the Tunnel's condition and possibly forestall a future disagreement about whether a condition could have been reasonably foreseen. Based on such a study, the District could demand that the Railroad perform needed maintenance. Under the Railroad Contract, the District has the right to enter the Tunnel "for the purpose of inspection or for any other lawful purpose" so long as Railroad operations are not disrupted. Railroad Contract, Art. I, ~ 5.”

The Division contacted the State Manager of Risk Management who confirmed that the State does possess insurance for purposes of the financial risk to cover the replacement cost of the tunnel and deemed that additional insurance is not necessary. Short-term actions that may reduce the State’s risk would be to renegotiate the Lease agreement to require a larger financial responsibility for the Railroad. This might include increasing the repayment amount beyond \$1 million, which is their current responsibility, and require the Railroad to insure the tunnel for the actual cost of repair in the case of a tunnel fire. The insurance currently requires that it maintain insurance at the “insured value” which is likely insufficient. Both of these options are unlikely to be supported by the Railroad. The current Railroad lease expires in 2025.

c. Is the Department aware of any federal safety or regulatory requirements that relate to train tunnel maintenance or that may prevent the State from selling the train tunnel?

The Department is not aware of any regulatory requirements related to maintenance nor any that would limit the state’s ability to sell the tunnel. The Department is unaware of any such regulatory requirements, but recommends further due diligence.

d. Is the Department aware of any federal funding that may be available to assist the State in maintaining the train tunnel or reducing the State’s liability exposure (e.g., is the Moffat

train tunnel considered part of the nation's critical infrastructure and thus potentially eligible for funding through the federal Department of Homeland Security)?

The Department is unaware of whether funding exists for purposes of reducing the state's liability exposure. Again, the state's liability is generally covered via the State's insurance and the Governmental Immunity Act. The Department is unaware of any such regulatory requirements, but recommends further due diligence.

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

- 14 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

At this time, there is no legislation that the Department has not implemented or only partially implemented.

- 15 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office (SAO) and dated June 30, 2017? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken to resolve HIGH PRIORITY OUTSTANDING recommendations can be found.

Based on the SAO's follow-up audit process and information reported by the Department as of June 30, 2017, there are no outstanding audit recommendations. In the SAO's 2016 Annual Report: Status of Outstanding Audit Recommendations, the Department also had no outstanding audit recommendations. From July 1, 2011, through June 30, 2016, the Department agreed or partially agreed to implement 36 audit recommendations. Two of these were from financial audits and 34 were from performance or information technology audits.

- 16 If the Department receives federal funds of any type, please respond to the following:
- a. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.

The Department is not aware of any current or pending sanctions for state activities related to its federal funding.

- b. Are you expecting any changes in federal funding with passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for each program?

The Department has not been informed of any significant changes to funding for federal programs from which it receives money.

- c. Does the Department have a contingency plan if federal funds are eliminated?

Since the Department is not aware of any funding reductions to federal programs from which it receives money, no contingency plans have been developed. We continue to closely monitor discussions and proposals at the Federal level, along with partner communities and agencies, for further developments.

- 17 Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign.

The Department did not spend any of its funding on public awareness campaigns in FY 2016-17 and does not plan to do so in FY 2017-18.

- 18 Based on the Department’s most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?

Information on FTE vacancies in FY 2016-17 for both the Department and each division is provided in the Schedules 3 and 14 included as part of the Department’s FY 2018-19 budget submission. A summary of the division vacancies is provided below. This data was compiled as of June 30 at the close of FY 2016-17.

Division	FY 2016-17 Approp.	FY 2016-17 Actual	Vacancy Rate
Executive Director’s Office	14.2 FTE	13.5 FTE	4.9%
Division of Property Taxation	37.2 FTE	30.9 FTE	16.9%
Board of Assessment Appeals	13.2 FTE	6.9 FTE	47.7%
Division of Housing	53.8 FTE	49.3 FTE	8.4%
Division of Local Government	55.5 FTE	52.6 FTE	5.2%

The vacancy rate for the Board of Assessment Appeals is misleading since appropriated FTE includes eight board members. These critical staff typically works 30-40 hours per month and pursuant to Section 24-50-603 (7), C.R.S., are provided full benefits for their service. To ensure that full salary benefits (‘POTS’) are provided to the Department, each of these staff must be appropriated at the level of 1.0 FTE. If the board members are excluded from both appropriated and actual FTE, then the vacancy rate for the Board of Assessment Appeals in FY 2016-17 drops almost to zero.

The Department’s FY 2016-17 employee turnover rate will be provided by the Department of Personnel and Administration in one of their hearing responses at a later date. Reasons for leaving the Department’s employment are self-reported by separating employees and are often not provided. Reasons that have been provided include early retirement, accepting a job outside the State system, and personal reasons.

- 19 Please provide an update on the Department’s status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What

unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?

The Office of Information Security, under the leadership of the state CISO, provides security governance, security architecture, risk management, compliance assessment support, and security operations functions for all executive branch agencies (with a few exceptions such as the Departments of Education, Law, and State, as well as the State Lottery). Besides such exceptions, agencies do not have dedicated cybersecurity personnel.

The Office of Information Security has input into the 5-year plans for each Department and has worked to prioritize projects benefiting each Department such as: the Enterprise Firewall Refresh project, new quarterly security awareness training, two-step verification, and an enterprise security log collection and correlation engine. Additionally, the Office of Information Security, within OIT, produces a quarterly risk report card, in which they measure risk for each Department and set specific goals set for reducing risk.

Annually, the CISO develops an enterprise information security plan, utilizing input from the Governor's goals, the 5-year plans for each department, and the OIT playbook. The information security plan includes communication and information resources that support the operations and assets of each department.

The Office of Information Security implements enterprise-wide security controls to secure sensitive data for each department. Some of these controls include: ensuring encryption is in place to secure the transmission of data, utilizing Zix to encrypt sensitive data in email, and implementing specific configurations and technologies to encrypt data in storage. Additionally, OIT has implemented two-step verification to add a layer of protection to email, contacts, and data stored within G-Suite. Each department implements additional procedures, such as training, data retention and access control policies, implemented at a department level to further protect and secure sensitive data. These local security procedures augment technical controls implemented by OIT to enhance the department's continued security health.

OIT supports all of the audits that occur for each department. OIT maintains a register of outstanding technology recommendations for each department, and works individually with the department to prioritize and secure funding to implement the recommendations. In addition to performing remediation, OIT continues to implement controls and improve processes in an attempt to proactively (rather than reactively) improve security.

20 What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?

The Department believes the SMART Act is an effective mechanism for informing the Department's Committees of Reference of our top priorities and initiatives and the progress being made to improve the lives of citizens across the State. The Department utilizes data driven analysis in the evaluation of its programs and in requesting additional resources from

the Legislature. The Department has also undertaken – and continues to undertake – a number of LEAN process improvement projects to make more efficient use of resources in all divisions.

- 21 Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of “evidence-based,” indicate which programs are “evidence-based,” and describe the evidence used to support these programs.

Under the current Governor’s administration, many of the Department’s change requests have been ‘evidence-based’. Fundamentally, the Department believes that ‘evidence-based’ is using outcome data to propose changes, to make additions, or to make reductions to programs within divisions. Many programs within the Division of Housing are ‘evidence-based’ including both voucher assistance and affordable housing grants and loans. For example, staff knows how many people can be provided vouchers using available state and federal funds and the impact that increasing rents will have on the size of this population. This analysis will inform the Department as to whether additional state funds should be requested. Awards made under several of the grant programs within the Division of Local Government are based on historical data that quantifies what has been a productive use of funds in past funding cycles. These programs include Local Government Mineral and Energy Impact Grants, Local Government Limited Gaming Impact Grants, and Rural Economic Development Initiative (REDI) Grants.

- 22 Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department’s rules as a whole? If so, please provide an overview of each analysis.

The Department has not promulgated any new rules within the past two fiscal years. In the past year, the Division of Housing has repealed rules that were no longer pertinent to the Private Activity Bond Program and the Division of Property Taxation assisted the State Board of Equalization in revising and updating applicable rules. The Department reviews all of its rules on an ongoing basis and has a place on its website for the public to submit comments on current rules. The Department has not conducted a cost-benefit analysis of the rules that apply to its various programs.

- 23 Describe the expected fiscal impact of proposed changes to PERA made by both the Governor’s Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?

The proposed changes to PERA made by the PERA Board of Directors include a 2.0 percentage point increase in employer contributions from 20.15 percent to 22.15 percent, which will have a direct budgetary impact on the Department. The Department of Personnel

and Administration (DPA) will provide a statewide estimate for this impact. PERA's proposal makes this change starting January 2020, thus it would affect the Department's budget starting in FY 2019-20. The PERA Board proposal also includes a recommendation for contributions to be made on gross pay rather than net pay, which increases the salary base upon which the annual contribution is calculated for both employers and employees. This would have a direct impact on the Department's budget as well as employees' take home pay. The Office of State Planning and Budget (OSPB) and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The PERA Board proposal also includes a 3.0 percentage point increase in employee contributions – from 8.0 percent to 11.0 percent of pay – beginning in January 2020. Without an increase in employee salaries, these changes would reduce take home pay for state employees beginning in FY 2019-20.

The Governor's proposed changes to PERA will not have a direct budgetary impact on the department, with the exception of maintaining the PERA Board's recommendation for employee and employer contributions to be made on gross pay rather than net pay. As mentioned above, this would increase the salary base upon which the annual contribution is calculated for both employers and employees. OSPB and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The Governor's proposal includes a 2.0 percentage point increase in employee contributions – from 8.0 percent to 10.0 percent of pay – beginning in January 2019, a year earlier than PERA's proposal. The Governor's budget request includes an across-the-board salary survey increase of 3.0 percent for most state employees beginning July 1, 2018. With the proposed increase in employee contributions, this will average to a take home pay increase of 2.0 percent for the fiscal year. The Department's total proposed FY 2018-19 salary survey increase is \$409,559 and includes \$81,338 General Fund.

- 24 Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:

In the course of its statutory duties, the Office of State Planning and Budgeting (OSPB) complied with the provisions of S.B. 17-267. A provision of the bill required OSPB's consideration of proposed two percent reductions for certain principal department budgets. OSPB found the process to be useful. In recommending the budget request, especially in the General Fund, while considering each department's budget reduction items, OSPB also took into account the various pressures on spending and needs throughout the state. Additionally, S.B. 17-267's provisions informed decision making in the request, in particular the recommendation for a decrease in the Budget Stabilization factor in the School Finance Act as well as the recommendation to increase the statutory reserve in the General Fund. With respect to the two percent target of General Fund spending as defined in the bill, these two items exceeded the suggested target.

- Where these reductions can be found in the Department’s request;

The Department included one budget reduction item in its FY 2018-19 budget request and is entitled ‘Elimination of Marijuana Impact Grant Program (R-02)’. This program is located in the Field Services section for the Division of Local Government and is officially titled as the Local Government Marijuana Impact Grant Program.

- What programs are impacted by the reduction; and

This program is a single line item and does not impact other line items in the Division’s budget.

- Total amount of the reduction.

The total amount of the proposed reduction is \$1,120,636 and 1.0 FTE.

25 Please provide the following information for the Department’s custodial funds and continuously appropriated funds:

- Name of the fund;
- Amount of funds received;
- Whether the revenues are one-time or multi-year;
- Current cash fund balance;
- Source(s) of the funds;
- A list of FY 2015-16 and FY 2016-17 expenditures from these funds;
- Expected uses of the funds in FY 2017-18 and FY 2018-19; and
- Legal authorization and restrictions/limitations on the Department’s use of these funds.

A response will be forthcoming within the next few weeks. The Executive Branch seeks to provide consistent information from each Department and this will take some time.

26 What is the Department’s process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor’s Office, local governments, and/or citizens?

**Federal Lands:** As a result of H.B. 15-1225, up to \$1 million per year, for three years ending FY 2017-18, is offered to support more effective local government coordination and engagement in federal land management decision-making processes. Grants are offered for planning analysis, public engagement, coordination and collaboration with federal agencies and stakeholders. Technical assistance is offered for entering into cooperating agency relationships or memorandums of understanding with federal agencies, sharing information and expertise with federal land managers, developing local land use or related plans with the meaning, hiring consultants to perform analyses of local government interest, implementing similar methods to improve coordination, cooperation and collaboration.

**Environmental/Water Policy Issues:** The Department's Division of Local Government is a partner in many programs that affect the environment and plays an active role in several key environmental programs. As a result of disaster recovery from the 2013 floods, the Department is the lead on several planning and infrastructure projects through watershed coalitions and serves as a partner with the Department of Natural Resources. As community planning experts, the Department assists local governments in rural Colorado in their efforts to address natural hazards in planning. The Department provides grants to major infrastructure statewide in rural Colorado including water and wastewater service systems and serves as the credit evaluator for communities seeking funds through the State's Revolving Loan Fund for water and wastewater service systems.

**Coordination with Local Governments:** The Division of Local Government provides strategic expertise, advocacy and funding to all forms of local government in Colorado including special districts, municipalities, counties and councils of governments. Sections within the Division include the Local Government Services including the largest clearing house on local government budgeting and finance; the Community Development Office experts in community and land use planning often the first consulted by rural Colorado on community land use; the State's Demography Office who is the primary state agency for all of Colorado's population and demographic information; the Field Team which includes eight Regional Managers whose backgrounds as leaders in local government management offer capacity and strategic planning primarily to rural Colorado; and finally Financial Assistance through 13 different state and federal funding programs offering grants, loans and formulaic distributions to Colorado's communities. This Division is one of the first stops on any new legislation drafted to provide input on impacts to Colorado's local governments.

#### **Coordination with Other Departments and the Governor's Office**

- **Rural, Response, Recovery, and Resilience (4R):** The primary focus in our newest program to economically stabilize rural Colorado coal country. Staff has been hired to ensure, across all state departments, resources are brought to communities. Coordinated efforts are intended to reduce the draw on often small community operating capacity to gain access to resources the state offers.

- **Colorado Resiliency and Recovery Office (CRRO):** Once under the Governor's Office, the CRRO has been integrated into the Division of Local Government to oversee Colorado's portfolio of resiliency efforts and thread together the network of agencies and resources to streamline actions and investments, advocate for resources, solve complex policy challenges, and support local, state and federal efforts to address communities vulnerable to shocks and stresses.

- **Broadband:** As a member of the Broadband Deployment board and a funder of broadband efforts in Colorado's rural communities, the Division promotes inter-jurisdictional communication, supports better access to service, and provides planning and middle-mile infrastructure grants. The Division also supported the Governor's Office in its efforts to educate local governments on cybersecurity concerns.

DEPARTMENT OF LOCAL AFFAIRS  
FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 7, 2017  
3:00 pm – 5:00 pm

**3:00-3:15      INTRODUCTIONS AND OPENING COMMENTS**

**3:15-4:00      DIVISION OF HOUSING**

Reentry Services for Individuals with Behavioral Health Disorders (S.B. 17-021)

- 1 *[Background Information: The Department requests an appropriation of \$4,758,600 cash funds for FY 2018-19 from newly created Housing Assistance for Persons Transitioning from the Criminal or Juvenile Justice System Cash Fund (R1). The requested funds would be used to provide housing assistance for persons with behavioral or mental health disorders who are transitioning from incarceration, consistent with S.B. 17-021.]*
  - a. Provide an update on the Division's implementation of this program to date, describe budget expectations for the next few years, and provide some examples of the types of projects and services that will be supported through this program.
  - b. Describe the Division's communication efforts and plans to inform county sheriffs and other stakeholders about this new program.
  - c. Describe the processes the Division will use to identify individuals who will benefit from this program, including adults released from county jails and the Department of Corrections, as well as youth and young adults released from the Department of Human Services' Division of Youth Services. How does the Division plan to prioritize funding for those individuals who are most at-risk?
- 2 Describe how the Division coordinates with the Department of Human Services' Office of Behavioral Health and local behavioral health providers to ensure that individuals who receive housing assistance from the Division also have access to appropriate behavioral health services.
- 3 Does the Division have any specific plans, using money in this new cash fund or the Marijuana Tax Cash Fund, to identify and address the housing and supportive services needs of offenders who are addicted to opioids to mitigate the risk of overdose deaths upon release?
- 4 Provide an overview of federal Housing and Urban Development funding that was spent by the Department in FY 2016-17 and amounts that are anticipated to be spent in FY 2017-18. If the Department anticipates that the total amount will increase or decrease significantly in FY 2017-18, please explain the reason for the change.

## Fort Lyon Supportive Residential Community Program

- 5 *[Background: Pursuant to H.B. 16-1411, the State Auditor contracted with Illuminate Evaluation Services, LLC, to conduct the longitudinal evaluation of the Fort Lyon Program. The contractor issued a preliminary report in August 2017, and the report was released in September 2017 following a presentation to the Legislative Audit Committee.]*
  - a. Discuss findings in the August 2017 preliminary report that the Division considers most important or surprising.
  - b. Describe any additional data or information the Division hopes will be included or considered in the final report that is due in August 2018.
- 6 Given the Fort Lyon Program's zero tolerance substance abuse policy, how does the Program address the treatment and recovery needs of those with substance use disorders (i.e., are those who are most likely to relapse screened out or are they less likely to complete the Program)?
- 7 Describe the buildings that are located on the Fort Lyon campus.
  - a. How many buildings does the Department use for the Fort Lyon Supportive Residential Community Program, how many are used for other purposes, and how many are vacant?
  - b. Provide an update on asbestos mitigation on the campus. Please include data concerning the number of buildings containing asbestos, the number of buildings mitigated to date, the cost of mitigation efforts to date, and the sources of funding that supported this work.
- 8 If the Department owns any buildings that are not on the Fort Lyon campus, please provide data concerning the location of each building and how the space is currently used (or if it is vacant).

### **4:00-4:30      DIVISION OF LOCAL GOVERNMENT**

#### Marijuana-related Grant Programs

- 9 Provide a Venn diagram or graphic depiction that illustrates the similarities and differences between the Local Government Marijuana Impact Grant Program and the Gray and Black Market Marijuana Enforcement Grant Program.
- 10 Please discuss why the Department proposes to eliminate funding for the Local Government Marijuana Impact Grant Program.

- 11 *[Background Information: The Department of Public Safety has submitted a request for \$1,225,202 cash funds from the Marijuana Tax Cash Fund for FY 2018-19 to establish an eight-person unit within the Colorado Bureau of Investigation to investigate black market marijuana operations (R7).]*
- a. Describe how the FY 2018-19 request (R7) from the Department of Public Safety relates to the Gray and Black Market Marijuana Enforcement Grant Program, which is administered by the Department of Local Affairs.
  - b. Describe any coordination or collaboration that occurs between the Department of Local Affairs, the Department of Public Safety, and the Department of Law related to state and local efforts to enforce marijuana laws.

#### Local Government Mineral and Energy Impact Grants and Disbursements

- 12 Please discuss the amount of severance tax and federal mineral lease revenues projected to be available to the Department of Local Affairs for FY 2017-18. If severance tax revenues are projected to be significantly lower than anticipated, does the Department have any thoughts or suggestions about how to mitigate the resulting impacts to local governments?

#### **4:30-5:00      MOFFAT TUNNEL IMPROVEMENT DISTRICT**

- 13 *[Background Information: The Department submitted a report in response to a Request for Information (#1) from the Joint Budget Committee concerning the Department's administrative authority and role related to the Moffat train tunnel. This report was prepared with the assistance of the Attorney General's Office.]*
- a. Describe the types of freight trains and passenger trains that currently use the Moffat tunnel.
  - b. Discuss the report findings, and potential short-term actions that may be reasonable and necessary to mitigate the State's liability exposure.
  - c. Is the Department aware of any federal safety or regulatory requirements that relate to train tunnel maintenance or that may prevent the State from selling the train tunnel?
  - d. Is the Department aware of any federal funding that may be available to assist the State in maintaining the train tunnel or reducing the State's liability exposure (e.g., is the Moffat train tunnel considered part of the nation's critical infrastructure and thus potentially eligible for funding through the federal Department of Homeland Security)?

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

- 14 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.
- 15 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2017 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

<http://leg.colorado.gov/audits/annual-report-status-outstanding-audit-recommendations-june-30-2017>

- 16 If the Department receives federal funds of any type, please respond to the following:
- Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.
  - Are you expecting any changes in federal funding with the passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for each program?
  - Does the Department have a contingency plan if federal funds are eliminated?
- 17 Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign.
- 18 Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?
- 19 Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside

entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?

- 20 What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?
- 21 Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of “evidence-based,” indicate which programs are “evidence-based,” and describe the evidence used to support these programs.
- 22 Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department’s rules as a whole? If so, please provide an overview of each analysis.
- 23 Describe the expected fiscal impact of proposed changes to PERA made by both the Governor’s Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?
- 24 Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:
  - Where these reductions can be found in the Department’s request;
  - What programs are impacted by the reduction; and
  - Total amount of the reduction.
- 25 Please provide the following information for the Department’s custodial funds and continuously appropriated funds:
  - Name of the fund;
  - Amount of funds received;
  - Whether the revenues are one-time or multi-year;
  - Current cash fund balance;
  - Source(s) of the funds;
  - A list of FY 2015-16 and FY 2016-17 expenditures from these funds;
  - Expected uses of the funds in FY 2017-18 and FY 2018-19; and
  - Legal authorization and restrictions/limitations on the Department’s use of these funds.

- 26 What is the Department's process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor's Office, local governments, and/or citizens?