



# JOINT BUDGET COMMITTEE STAFF FY 2021-22 BUDGET BRIEFING SUMMARY

Colorado General Assembly  
Joint Budget Committee

*Department of Local Affairs*

The Department of Local Affairs is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department's FY 2020-21 appropriation represents approximately 1.0 percent of statewide operating appropriations and 0.4 percent of statewide General Fund appropriations.

## FY 2020-21 APPROPRIATION AND FY 2021-22 REQUEST

DEPARTMENT OF LOCAL AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2020-21 APPROPRIATION:</b>						
HB 20-1360 (Long Bill)	337,148,712	41,432,649	200,338,105	13,420,858	81,957,100	199.8
Other Legislation	(3,455,962)	123,788	(5,337,555)	1,757,805	0	(0.4)
<b>TOTAL</b>	<b>\$333,692,750</b>	<b>\$41,556,437</b>	<b>\$195,000,550</b>	<b>\$15,178,663</b>	<b>\$81,957,100</b>	<b>199.4</b>
<b>FY 2021-22 REQUESTED APPROPRIATION:</b>						
FY 2020-21 Appropriation	\$333,692,750	41,556,437	\$195,000,550	\$15,178,663	\$81,957,100	199.4
R5 Law Enforcement Community Services Grant Program	200,000	0	200,000	0	0	0.0
R6 Geothermal Energy Impact Grants one-time elimination	(50,000)	0	(50,000)	0	0	0.0
R8 Personal services reductions	(124,658)	(124,658)	0	0	0	(1.0)
R7 Refinance Firefighter Heart and Circulatory Malfunction Benefits	(150,000)	(150,000)	0	0	0	0.0
R1 Defense Counsel on First Appearance Grant Program realignment	(687,625)	(687,625)	0	0	0	0.0
R3 Crime Prevention Initiative Grants continued adjustment	(1,000,000)	(1,000,000)	0	0	0	0.0
R2 Gray & Black Market Marijuana Enforcement restructure	(4,000,000)	0	(4,000,000)	0	0	0.0
R4 Affordable Housing Funds adjustment	(4,681,311)	(4,544,962)	0	(136,349)	0	(1.7)
Annualize prior year budget actions	6,244,859	2,482,163	3,750,000	12,696	0	0.0
Annualize prior year legislation	945,686	415,539	45,434	483,833	880	0.7
Centrally appropriated line items	298,050	(174,489)	279,348	85,116	108,075	0.0
Non-prioritized requests	(59,201)	(5,212)	(12,397)	(25,543)	(16,049)	0.0
Indirect cost assessment	(53,633)	0	(11,613)	(24,571)	(17,449)	0.0
<b>TOTAL</b>	<b>\$330,574,917</b>	<b>\$37,767,193</b>	<b>\$195,201,322</b>	<b>\$15,573,845</b>	<b>\$82,032,557</b>	<b>197.4</b>
<b>INCREASE/(DECREASE)</b>	<b>(\$3,117,833)</b>	<b>(\$3,789,244)</b>	<b>\$200,772</b>	<b>\$395,182</b>	<b>\$75,457</b>	<b>(2.0)</b>
Percentage Change	(0.9%)	(9.1%)	0.1%	2.6%	0.1%	(1.0%)

**R1 DEFENSE COUNSEL ON FIRST APPEARANCE GRANT PROGRAM REALIGNMENT:** The request includes a one-time reduction of \$687,625 General Fund for the Defense Counsel on First Appearance (DCFA) Grant Program, for a total FY 2021-22 appropriation of \$1,309,520. This program was established by H.B. 18-1353 (Defense Counsel in Municipal Court Grant Program) to reimburse local governments for the costs associated with the provision of

defense counsel to defendants making their first appearances in municipal courts. Funding for the DCFA Grant Program was reduced by \$1,560,000 General Fund in FY 2019-20 as part of the Governor's sequestration order. The appropriation for FY 2020-21 was reduced from the request amount of \$1,997,145 to \$1,000,000 for budget balancing purposes. Despite these reductions, the Department expects some portion of the FY 2020-21 appropriation to roll-forward into FY 2021-22.

**R2 GRAY & BLACK MARKET MARIJUANA ENFORCEMENT RESTRUCTURE:** The request includes a one-time reduction of \$4.0 million Marijuana Tax Cash Funds to the Gray & Black Market Marijuana Enforcement Grant Program. The Program provides grants to local governments, law enforcement agencies, and district attorneys to assist with the enforcement of unlicensed and illegal marijuana cultivation and related crimes. A reduction of the same amount was made in FY 2020-21 at the Department's request. Grant spending had not met the program appropriation level in its first years, resulting in a large amount of funds carried forward annually. The program was further reduced by \$1.0 million in FY 2020-21 for budget balancing purposes, leaving \$950,673 of the \$5,950,673 base appropriation intact.

**R3 CRIME PREVENTION INITIATIVE GRANTS CONTINUED ADJUSTMENT:** The request includes a one-year continuation of the \$1.0 million General Fund reduction to the Crime Prevention Initiative Grant Program made during budget balancing in the 2020 Session. The Program, created through H.B. 17-1326 (Justice Reinvestment Crime Prevention Initiative), was appropriated \$3.0 million General Fund annually since FY 2017-18 until being reduced to \$2.0 million in FY 2020-21. In FY 2019-20, 43 organizations in the target communities of North Aurora and southeast Colorado Springs received funding through this line item. Grants focus on recidivism reduction, substance use, safety for homeless persons, trafficking prevention, and addressing systemic causes of disparities. Geographic diversity, makeup of the organization (i.e. minority led), and diversity of persons served are all considered in grant criteria. The Denver Foundation, the organization that oversees the program, stated that only 21 grantees received funding in FY 2020-21 due to the reduction. The program has expended its full appropriation each year since its inception.

**R4 AFFORDABLE HOUSING FUNDS ADJUSTMENT:** The request includes a one-time reduction of \$4.5 million General Fund to the Affordable Housing Construction Grants and Loans line item, and a corresponding reduction of 1.7 FTE in Affordable Housing Program Costs. The Department has identified this option for General Fund savings with the expectation that it will receive a more than offsetting influx of affordable housing funds in FY 2021-22 from transfers related to recent legislation. House Bill 19-1245 (Affordable Housing Funding from Vendor Fee Changes) made changes to the State's vendor fee that resulted in additional sales tax revenue to the State, including a transfer to the Housing Development Grant Fund (HDGF) at the end of each fiscal year. Legislative Council Staff's September 2020 economic forecast estimates that the HDGF will not receive a transfer in FY 2020-21, but anticipates a transfer of \$24.3 million in FY 2021-22 and \$25.4 million in FY 2022-23. Additionally, H.B. 20-1427 (Cigarette Tobacco and Nicotine Products Tax), approved by voters in the November 2020 General Election, estimates that \$11.2 million will be transferred to the HDGF in FY 2020-21 through FY 2022-23.

**R5 LAW ENFORCEMENT COMMUNITY SERVICES GRANT PROGRAM:** The request includes an ongoing increase of \$200,000 cash funds spending authority from the Law Enforcement Community Services (LECS) Grant Program Fund to being making grants. The LECS Grant Program was created by H.B. 18-1020 (Civil Forfeiture Reforms) with a mission of supplementing local efforts focused on drug intervention, prevention, treatment, and recovery. Eligible applicants for these funds include law enforcement agencies, local governments, and community organizations. The program was intended to begin grantmaking in FY 2020-21, however, the fund has not been accruing revenue as quickly as originally estimated due to the unpredictable nature of the revenue stream coming from the sale of seized assets.

**R6 GEOTHERMAL ENERGY IMPACT GRANTS ONE-TIME ELIMINATION:** The request includes a one-time elimination of the \$50,000 cash funds appropriation for the Local Government Geothermal Energy Impact Grants line item. The Geothermal Resource Leasing Fund was created for the deposit of all revenue from sales, bonuses, royalties, leases, and rentals related to the State’s geothermal resources. The Local Government Geothermal Energy Impact Grants program was created to provide grants to state agencies, school districts, and political subdivisions affected by the development and production of geothermal resources as authorized by federal law. The Department has not had the occasion to provide grants for the statutorily specified purposes over the past six years and therefore proposes transferring the balance of this fund to supplement the General Fund in FY 2021-22.

**R7 REFINANCE FIREFIGHTER HEART AND CIRCULATORY MALFUNCTION BENEFITS:** The request includes a one-time reduction of \$150,000 General Fund to the Firefighter Heart and Circulatory Malfunction Benefits line item, with a corresponding increase spent from the program’s fund balance. The program underwent a similar refinancing as part of the 2020 Session balancing actions to reduce the General Fund appropriation by \$250,000. If this request is approved, there will be no available fund balance remaining at the close of FY 2021-22. The program will therefore require the full General Fund appropriation of \$870,000 in future years to continue operating.

**R8 PERSONAL SERVICES REDUCTIONS:** The request includes ongoing personal services reductions of \$49,658 General Fund and 1.0 FTE in the Property Taxation Division and \$75,000 General Fund in the Division of Housing, Community and Non-Profit Services subdivision. The Property Tax position is a high-turnover role that is currently vacant; duties associated with this position have been absorbed elsewhere. The Division of Housing reduction comes from a series of cost savings identified throughout the Community and Non-Profit Services subdivision.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The request includes a net increase of \$6,244,859 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize Gray & Black Market Marijuana reduction	\$4,000,000	\$0	\$4,000,000	\$0	0.0
Annualize Crime Prevention Initiative Grants reduction	1,000,000	1,000,000	0	0	0.0
Annualize Defense Counsel on First Appearance Grants reduction	997,145	997,145	0	0	0.0
FY 2020-21 GF HLD reduction	235,018	235,018	0	0	0.0
FY 2019-20 NP1/HCPF R14 Community Living	12,696	0	0	12,696	0.0
Annualize Firefighter Benefits funds adjustment	0	250,000	(250,000)	0	0.0
<b>TOTAL</b>	<b>\$6,244,859</b>	<b>\$2,482,163</b>	<b>\$3,750,000</b>	<b>\$12,696</b>	<b>0.0</b>

**ANNUALIZE PRIOR YEAR LEGISLATION:** The request includes a net increase of \$945,686 total funds to reflect the FY 2021-22 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 18-1326 Transition from Institutional Settings	\$552,840	\$552,840	\$0	\$0	\$0	0.0
HB 19-1245 Affordable Housing Vendor Fee Changes	365,097	0	0	365,097	0	1.7
HB 20-1379 Suspend PERA Direct Distribution	323,311	161,219	44,897	117,195	0	0.0
HB 20-1095 Water Elements in Local Gov’t Plans	36,240	36,240	0	0	0	0.5
SB18-200 PERA unfunded liability	4,182	1,224	537	1,541	880	0.0
HB 20-1019 Prison Population Reduction	(250,000)	(250,000)	0	0	0	0.0
HB 19-1239 Census Outreach Grant Program	(85,984)	(85,984)	0	0	0	(1.5)
<b>TOTAL</b>	<b>\$945,686</b>	<b>\$415,539</b>	<b>\$45,434</b>	<b>\$483,833</b>	<b>\$880</b>	<b>0.7</b>

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

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Payments to OIT adjustment	\$206,144	\$35,712	\$71,208	\$83,071	\$16,153	0.0
Health, life, and dental adjustment	118,364	28,328	14,270	42,727	33,039	0.0
Capitol Complex leased space adjustment	66,839	28,178	(1,855)	47,764	(7,248)	0.0
Payment to risk management / property funds adjustment	30,171	9,802	4,391	15,978	0	0.0
PERA Direct Distribution	21,841	(60,204)	(572)	9,968	72,649	0.0
AED adjustment	5,347	(218)	(6,715)	6,182	6,098	0.0
SAED adjustment	5,347	(218)	(6,715)	6,182	6,098	0.0
Legal services adjustment	(124,713)	(205,734)	221,021	(140,000)	0	0.0
CORE adjustment	(26,549)	(7,232)	(11,700)	10,940	(18,557)	0.0
Workers' compensation adjustment	(3,212)	(2,397)	(3,543)	2,728	0	0.0
Short-term disability adjustment	(1,529)	(506)	(442)	(424)	(157)	0.0
<b>TOTAL</b>	<b>\$298,050</b>	<b>(\$174,489)</b>	<b>\$279,348</b>	<b>\$85,116</b>	<b>\$108,075</b>	<b>0.0</b>

**NON-PRIORITIZED REQUESTS:** The request includes adjustments related to non-prioritized request that originate in the Governor's Office of Information Technology (OIT) and the Department of Personnel.

NON-PRIORITIZED REQUESTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
NP2 Annual fleet request	\$23,506	\$17,630	\$0	\$5,876	\$0	0.0
NP1 DPA Center for Organizational Effectiveness	3,247	897	487	1,233	630	0.0
NP3 OIT Budget request package	(85,954)	(23,739)	(12,884)	(32,652)	(16,679)	0.0
<b>TOTAL</b>	<b>(\$59,201)</b>	<b>(\$5,212)</b>	<b>(\$12,397)</b>	<b>(\$25,543)</b>	<b>(\$16,049)</b>	<b>0.0</b>

**INDIRECT COST ASSESSMENT:** The request includes net adjustments to indirect costs across all divisions.

## BUDGET REQUESTS IMPACTING FY 2020-21 COVID-19 STIMULUS PACKAGE

The Governor's 2020 budget request includes items that will be formally submitted for consideration during the supplemental budget cycle that starts in January. The following summarizes the Governor's proposed FY 2020-21 COVID-19 Stimulus Package that impact the Department of Local Affairs.

**S1 EMERGENCY HOUSING AND DIRECT CASH ASSISTANCE:** The Governor's supplemental request will propose \$45.0 million General Fund for emergency housing assistance and \$5.0 million General Fund for emergency direct cash assistance. Approximately \$35.3 million has been provided to the Division of Housing (DoH) for emergency rental and mortgage assistance since March; the Division projects that all of these funds will be fully expended by December 31, 2020. The Center for Disease Control issued an eviction moratorium in September that expires on December 31<sup>st</sup>; Governor Polis also issued a statewide moratorium on October 21<sup>st</sup> that will likely be extended through December 31<sup>st</sup>. Advocates worry a flood of evictions will be filed when tenant back rent comes due on January 1<sup>st</sup> without additional aid to help catch up on payments. The \$5.0 million for direct cash assistance will be focused on individuals who are not eligible for other assistance, such as unemployment insurance, food assistance, and federal stimulus payments. Based on current average payments, the Division anticipates serving up to 19,000 households with the additional rental assistance funds and 5,000 households with direct cash assistance.

**S2 RENEW INITIATIVE GRANTS FUNDING LINE ITEM:** The Governor’s supplemental request proposes creating the RENEW Grants Program line item with a \$5.0 million General Fund appropriation. The Renewable and Clean Energy Initiative was launched in summer 2019 using a \$12.0 million set aside from Energy/Mineral Impact Assistance Funds. There is currently a \$4.0 million shortage in funding for projects in the immediate pipeline, and an additional \$11.0 million gap in projects in the planning stages. Sharp declines in severance and federal mineral lease revenue make it unlikely that these projects will move forward in the near future without additional funding. Projects are expected to begin within six months of being fully funded.

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**INFORMATIONAL ISSUE – 2020 SESSION BUDGET BALANCING ACTIONS:** This issue describes actions taken in response to budget challenges in the 2020 Session. The Joint Budget Committee and the General Assembly took actions that reduced FY 2020-21 General Fund appropriations to the Department of Local Affairs by \$4.6 million. The General Assembly’s actions also made an additional \$1.0 million available in the Marijuana Tax Cash Fund for balancing purposes, and transferred \$2.5 million from DOLA cash funds to the General Fund. These adjustments contributed to a net decrease in the Department’s General Fund and total funds budget for FY 2020-21.

**INFORMATIONAL ISSUE – COVID-19 FUNDS IN THE DEPARTMENT OF LOCAL AFFAIRS:** This issue summarizes the large influx of state and federal funds to DOLA in the 2020 calendar year to combat the effects of the COVID-19 pandemic. The CARES Act provided approximately \$72.3 million directly to DOLA to supplement existing U.S. Department of Housing and Urban Development (HUD) programs. The Department also received transfers of Coronavirus Relief Funds and Disaster Emergency Funds through executive orders and legislation totaling \$35.3 million to provide emergency housing assistance. Additionally, DOLA was directed to distribute \$275.0 million Coronavirus Relief Funds to local governments that did not receive a distribution directly from the federal government.

## FOR MORE INFORMATION

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**TO READ THE ENTIRE BRIEFING:** Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2020.