

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
 FROM Amanda Bickel, JBC Staff
 DATE March 13, 2017
 SUBJECT Department of Local Affairs Comebacks

INDIRECT COST ASSESSMENTS

When the Department submitted its indirect cost plan in January, it indicated that this was preliminary. During the staff figure setting on February 7, staff requested permission to incorporate minor changes but noted that staff would bring any changes exceeding \$10,000 back to the JBC for approval. The Department submitted a revised plan on March 14. The revised plan significantly reduces estimated indirect collections available. The revised plan reflects the allocations the Department will bring to federal authorities consistent with rules for the Department of Housing and Urban Development. *Staff recommends the Department's proposed revisions for FY 2017-18 but has requested that the Department reexamine its procedures to avoid such a last-minute change in the future.*

The Department's revised plan is reflected in the table below. As shown, **the Department is proposing that there be no change to the indirect cost recovery amount applied to offset General Fund when compared with FY 2016-17.** The projected FY 2017-18 recoveries are lower than the FY 2016-17 recoveries, but the Department proposes to make up the difference by draining the entire balance in the Indirect Cost Excess Recoveries Fund. **The Department's original plan included higher collections in FY 2017-18, and staff had proposed using \$350,000 from the Indirect Cost Excess Recoveries Fund and taking General Fund savings of \$68,617. It is no longer possible to take these savings, given the lower collections anticipated.**

	TOTAL FUNDS	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2017-18 IC Plan				
INDIRECT COST COLLECTIONS FY 2017-18				
Division of Property Taxation	\$321,379	\$168,733	\$ 152,646	\$0
Division of Housing	737,429	186,245	19,064	532,120
Division of Local Government	<u>816,110</u>	<u>176,535</u>	<u>573,102</u>	<u>66,474</u>
Total FY 2017-18 Collections	1,874,917	531,512	744,812	598,594
USE OF INDIRECT COST COLLECTIONS AND IC COST EXCESS RECOVERIES FUND				
FY 2017-18 Appropriated Collections	1,874,917		1,874,917	
Estimated reserves IC Excess Recoveries Fund	<u>497,222</u>		<u>497,222</u>	
FY 2017-18 IC Recoveries Appropriated to Offset General Fund	\$2,372,139		\$2,372,139	
FY 206-17 IC Recoveries Appropriated to Offset General Fund	\$2,372,139		\$2,372,139	

AFFORDABLE HOUSING GRANTS AND LOANS LINE ITEM AND FOOTNOTE

During figure setting for the Department of Local Affairs, the JBC approved a line item name change and footnote to clarify that administrative spending for housing construction grants and loans should be spent from the Affordable Housing Program Costs line item. The recommendation was to ensure that the Department did not use the current Affordable Housing Grants and Loans line item for rental assistance, rather than construction grants.

The current line item name is the “Affordable Housing Grants and Loans”. The current use of the line item is based on the provisions of Section 24-32-721, C.R.S., which creates the Housing Development Grant Fund. The statutory language includes slightly conflicting references to an “affordable housing grants and loans fund” which does not exist. Key provisions are highlighted.

24-32-721. Colorado affordable housing construction grants and loans - housing development grant fund - creation

(1) **There is hereby created in the state treasury the housing development grant fund, which fund shall be administered by the division and is referred to in this section as the "fund". The fund shall consist of moneys appropriated to the Colorado affordable housing construction grants and loan fund** by the general assembly, all moneys collected by the division for purposes of this section from federal grants, from other contributions, gifts, grants, and donations received from any other organization, entity, or individual, public or private, and from any fees or interest earned on such moneys. The division is hereby authorized and directed to solicit, accept, expend, and disburse all moneys collected for the fund from the sources specified in this subsection (1) for the purpose of making grants or loans and for program administration as provided in this section. All such moneys shall be transmitted to the state treasurer to be credited to the fund. The moneys in the fund are hereby continuously appropriated to the division for the purposes of this section. The moneys in the fund may be expended for the purpose of funding activities initiated during the current state fiscal year that are to be completed in subsequent state fiscal years.

(2) (a) Subject to the requirements of this section, upon the approval of the board, **the division may make a grant or loan from moneys in the fund to improve, preserve, or expand the supply of affordable housing in Colorado as well as to fund the acquisition of housing and economic data** necessary to advise the board on local housing conditions. In making loans of moneys or grants from the fund, the division shall give priority to owners of property that was either destroyed or incurred substantial damage as a result of one or more state or federally declared natural disasters where the property owner has received the maximum insurance proceeds and public disaster assistance.

(b) and (c) (Deleted by amendment, L. 2014.)

(3) (a) Any moneys in the fund not expended or encumbered from any appropriation at the end of any fiscal year, including interest earned on the investment or deposit of moneys in the fund, shall remain in the fund and shall not revert to the general fund or any other fund and shall remain available for expenditure by the division in the next fiscal year for the purposes specified in subsection (2) of this section without further appropriation.

(b) Notwithstanding any other provision of this section, **the division, in its discretion, may transfer twenty percent of the balance of moneys in the fund into the housing investment trust fund** established in [section 24-32-717 \(1\) \(a\)](#), which balance is calculated as of July 1 of the state fiscal year in which the money is transferred. For any given state fiscal year, **no more than three percent of the moneys appropriated from the fund may be expended for the administrative costs of the division in administering the fund.**

The Department objected to changing the line item name to “Affordable Housing Construction Grants and Loans” because the line item is also used to fund certain studies and administrative costs, consistent with this statute.

However, given the slightly odd language in the statute, which references appropriations to a (non-existent) “Affordable Housing Construction Grants and Loans Fund” and to maintain some continuity in the line item name, staff now recommends that the line item be renamed as follows:

Affordable Housing CONSTRUCTION Grants and Loans PURSUANT TO SECTION 24-32-721, C.R.S.

In addition, staff has been concerned about how the Department would implement the footnote recommended by staff and approved by the Committee to clarify that administrative spending should be from the Affordable Housing Program Costs line item. Staff therefore recommends:

- Adding \$246,000 reappropriated funds to the Affordable Housing Program Costs line item for amounts transferred from the Affordable Housing Construction Grants and Loans line item, to ensure that administrative amounts are spent in the appropriate line item.
- Slightly modifying the previously-approved footnote to read as follows.

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