COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2013-14 STAFF BUDGET BRIEFING

DEPARTMENT OF LOCAL AFFAIRS

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
Byron DeLuke, JBC Staff
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For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

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DEPARTMENT OF LOCAL AFFAIRS

Department Overview

The Department of Local Affairs (DOLA) is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. While current law creates a number of divisions[1], the Department currently consists of the following:

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

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

- The *Board of Assessment Appeals* is a quasi-judicial body which hears individual taxpayer appeals concerning the valuation of real and personal property, property tax abatements, and property tax exemptions.

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

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

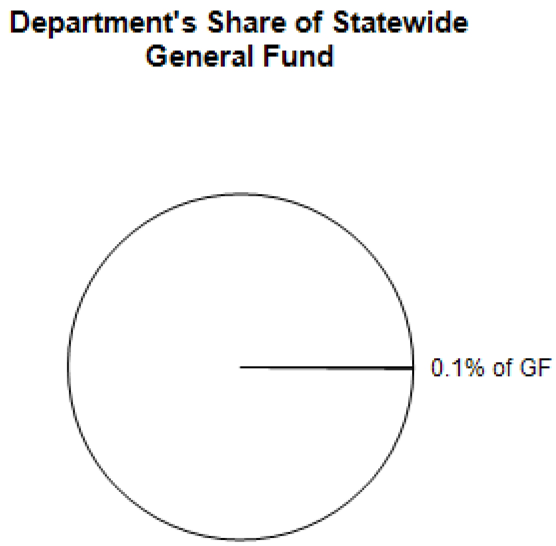
[1] Divisions, offices, and boards created in Sections 24-1-125, 24-32-2105, 39-2-101, 39-9-101, and 39-2-123, and Article 32 of Title 24,C.R.S., include: the Division of Local Government; the Division of Planning; the Division of Commerce and Development; the Division of Housing; the Office of Rural Development; the Office of the Colorado Youth Conservation and Service Corps; the Office of Smart Growth; the Division of Preperty Taxation; the State Board of Equalization; and the Board of Assessment Appeals.

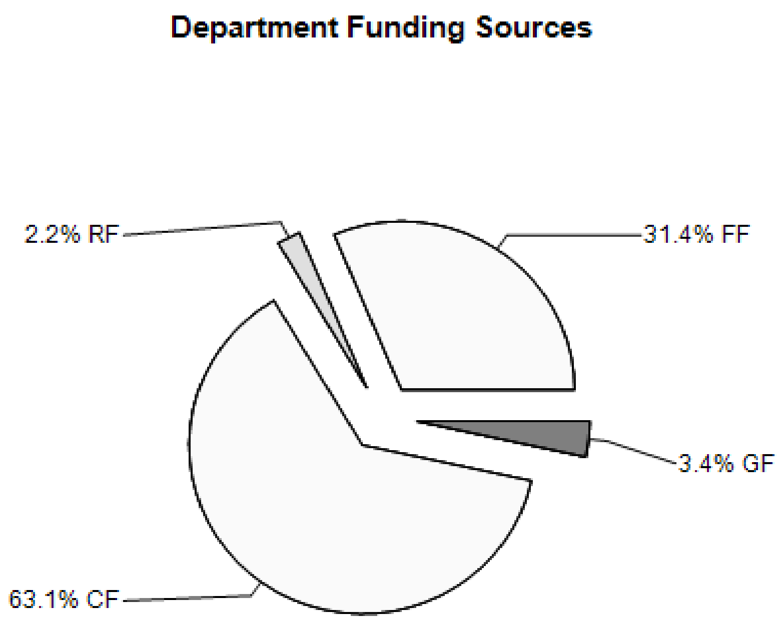
Department Budget: Recent Appropriations

Funding Source	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 *
General Fund	$10,530,849	$10,379,500	$11,098,481	$18,780,294
Cash Funds	203,509,756	228,629,982	206,386,363	206,473,966
Reappropriated Funds	7,243,477	7,102,736	7,129,597	7,958,965
Federal Funds	96,977,419	117,319,185	102,623,672	102,719,209
Total Funds	**$318,261,501**	**$363,431,403**	**$327,238,113**	**$335,932,434**
Full Time Equiv. Staff	176.0	191.1	163.2	164.2

*Requested appropriation.

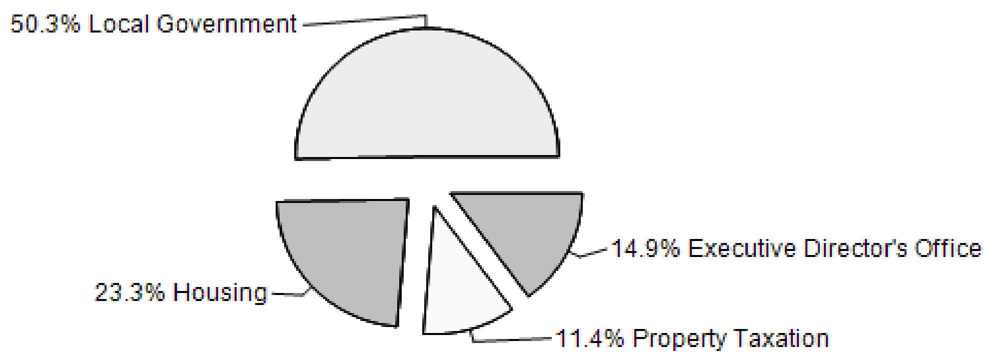
Department Budget: Graphic Overview



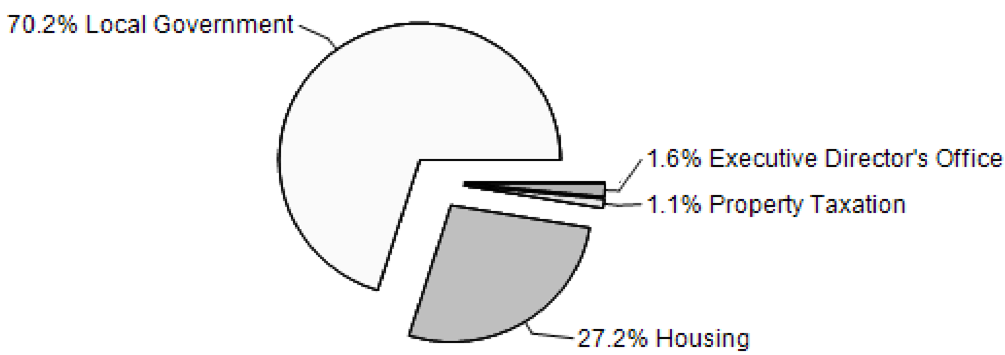


All charts are based on the FY 2012-13 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2012-13 appropriation.

General Factors Driving the Budget

Funding

Funding for this department in the current fiscal year consists of 3.4 percent General Fund, 63.1 percent cash funds, 2.2 percent reappropriated funds, and 31.4 percent federal funds.

Dedicated Funding Sources

The Department is responsible for a number of programs with dedicated cash revenue sources. The largest of these include (percentage of dedicated cash revenues for current year in italics):

- Local Government Mineral and Energy Impact Grants (72.7 percent) – a portion of state severance tax revenues as well as federal mineral lease revenues distributed to local governments affected by mineral extraction activities;

- Conservation Trust Fund Disbursements (24.2 percent) – a portion of state lottery proceeds distributed to local entities on a formula basis for parks, recreation, and open space purposes; and

- Limited Gaming Impact Grants (1.4 percent) – a portion of limited gaming tax revenues distributed to communities impacted by gaming activities.

Program expenditures fluctuate with changes in the revenue available from these various dedicated funding sources. The following table summarizes recent actual and estimated revenues.

Major Constitutionally or Statutorily Dedicated Cash Revenues Administered by the Department of Local Affairs ($ millions)					
Revenues	**FY 2009-10 Actual**	**FY 2010-11 Actual**	**FY 2011-12 Actual**	**FY 2012-13 Appropriation**	**FY 2013-14 Request**
Severance Tax /1	$24.1	$81.7	$103.1	$82.8	$82.8
Federal Mineral Lease	51.5	63.8	68.9	67.2	67.2
Conservation Trust Fund	45.3	45.3	49.3	50.0	50.0
Limited Gaming Fund /2	6.0	4.7	4.8	2.9	2.9
Waste Tire Fees /3	4.2	0.0	0.0	0.0	0.0

/1 The large fluctuations reflect the fact that oil, gas, and mineral prices and production volumes create windfall revenues in some years and poor prices or production volumes create revenue shortfalls in other years. Additional severance tax volatility occurs because of the timing of the ad valorem tax credit, which does not align with the same production year of the severance tax. This misalignment magnifies the effect of price and volume fluctuations and can severely reduce revenues.
/2 The decrease from FY 2011-12 to FY 2012-13 reflects changes made to the statute related to the distribution of 50 percent of the balance remaining in the Limited Gaming Fund that is allocated to the General Fund or other funds (known as the "State share") at the end of FY 2011-12 and each fiscal year thereafter pursuant to S.B. 11-159.
/3 Administration of this Cash Fund was transferred along with the program to the Department of Public Health and Environment during FY 2010-11 pursuant to H.B. 10-1018.

Federal Funds

Federal funds comprise about one-third ($102.6 million) of the Department of Local Affairs' current year appropriation. These federally-funded programs often do not require state matching funds and are provided at the discretion of federal authorities. Some of the major on-going federal grants that are administered by this department are summarized in the following table. House Bill 12-1283 transferred the Department's Division of Emergency Management, including all emergency preparedness and training grants provided by the United States Department of Homeland Security, to the Department of Public Safety beginning in FY 2012-13.

Major On-going Federal Grants Administered by Department of Local Affairs ($ millions)					
	FY 2009-10 Actual	**FY 2010-11 Actual**	**FY 2011-12 Actual**	**FY 2012-13 Appropriation**	**FY 2013-14 Request**
HUD rental subsidies/[1, 2]	$17.2	$19.3	$43.7	$36.9	$36.9
HUD Affordable housing development/[1, 3]	11.4	15.8	6.7	45.0	45.0
Preparedness grants and training/[4]	12.0	9.3	11.9	0.0	0.0
HUD Community Development Block Grants/[1, 5]	23.7	20.8	10.3	9.7	9.7
Health and Human Services Community Services Block Grants/[1, 6]	14.2	10.1	4.8	6.0	6.0
HUD Emergency Shelter Program/[1]	0.9	1.0	1.0	1.0	1.0

/1 Amounts exclude portions used for administration and overhead.
/2 The increase from FY 2010-11 to FY 2011-12 reflects the inclusion of Colorado's Supportive Housing & Homeless Program (formerly administered by Human Services) in this line along with the federal Section 8 Voucher Program pursuant to H.B. 1230.
/3 The increase from FY 2011-12 to FY 2012-13 represents the receipt of $34.0 million in federal grant moneys for the Neighborhood Stabilization Program.
/4 The decrease from FY 2011-12 to FY 2012-13 reflects the consolidation of Colorado's homeland security, fire, and emergency response functions within the Department of Public Safety due to the passage of H.B. 12-1283.
/5 The decrease from FY 2009-11 to FY 2011-12 reflects both the expenditure of one-time ARRA funds (in FY 2010-11) and also a reduction in federal support for CDBG. In FFY 2010, CDBG was funded at $3.9 billion. In FFY 2011, CDBG was decreased to $3.3 billion. In FFY 2012, CDBG was decreased to $2.9 billion.
/6 The decrease from FY 2009-10 to FY 2011-12 reflects both the expenditure of one-time ARRA funds (in FY 2010-11) and also a reduction in federal support for CSBG. In FFY 2010, CSBG was funded at $700 million. In FFY 2011, CSBG was decreased to $680 million. In FFY 2012, CSBG funding decreased slightly to $677 million.

Summary:FY 2012-13 Appropriation & FY 2013-14 Request

	Department of Local Affairs					
	Total Funds	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**FTE**
FY 2012-13 Appropriation:						
HB 12-1339 (Long Bill)	$347,313,310	$11,478,263	$210,897,351	$7,479,574	$117,458,122	191.1
HB 12-1283 (Wildfire Response Consolidation)	(20,075,990)	(380,575)	(4,510,988)	(349,977)	(14,834,450)	(27.9)
HB 12-1246 (Paydate Shift)	793	793	0	0	0	0.0
TOTAL	**$327,238,113**	**$11,098,481**	**$206,386,363**	**$7,129,597**	**$102,623,672**	**163.2**
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	$327,238,113	$11,098,481	$206,386,363	$7,129,597	$102,623,672	163.2
R-1 Additional Affordable Housing Units	2,000,000	2,000,000	0	0	0	0.0
R-2 Assistance to Rural Communities	3,000,000	3,000,000	0	0	0	1.0
R-3 Fort Lyon Transitional Community	2,740,852	2,740,852	0	0	0	0.0
NPI-1 OIT Enterprise Asset Management	3,099	3,099	0	0	0	0.0
NPI-2 Employee Engagement Survey Adjustment	383	356	24	3	0	0.0
NPI-3 Capital Complex Building Upgrades	34,541	13,147	2,010	19,384	0	0.0
Centrally Appropriated Line Items	915,447	(75,640)	85,569	809,981	95,537	0.0
TOTAL	**$335,932,435**	**18,780,295**	**$206,473,966**	**$7,958,965**	**$102,719,209**	**164.2**
Increase/(Decrease)	$8,694,322	$7,681,814	$87,603	$829,368	$95,537	1.0
Percentage Change	2.7%	69.2%	0.0%	11.6%	0.1%	0.6%

Issue: R-1; Additional Affordable Housing Units

The Department of Local Affairs is requesting $2.0 million General Fund to provide additional affordable housing units for workforce needs and lower income families.

SUMMARY:

- The affordable housing gap continues to widen, driven by stagnant income and a decreasing availability of rental housing. Statewide vacancy rates declined from 7.4 percent in the fourth quarter of 2009 to 5 percent in the fourth quarter of 2011.

- Private activity bonds have been a major resource for affordable housing. However, their use has declined markedly due to the statewide decline in real estate values. The under-utilization of PABs has resulted in the State losing some of its tax-exempt bonding authority.

- The Department is requesting $2.0 million General Fund for FY 2013-14 to leverage private activity bonds and finance the development of 1,200 new rental units per year, of which 800 will be designated affordable units for workforce needs and lower income families.

- While there is some disagreement in the academic community over the magnitude and types of effects, cost/benefit studies generally suggest that there are significant cost avoidance opportunities for communities investing in affordable housing.

- Additionally studies suggest that there is a significant return on investment regardless of increased use for communities with respite care programs supporting individuals moved to stable low-income housing.

- If the request is not approved, the level of federal and state grants awarded will be insufficient to meet the present need for affordable housing units, resulting in a larger number of rent-burdened households and homeless individuals. Social costs associated with transient and homeless individuals or families will increase.

DISCUSSION:

Background

The affordable housing gap in Colorado continues to widen, driven by stagnant income and a decreasing availability of rental housing. The term "affordability" assumes rent equal to 30 percent or less of a household's income. The U.S. Department of Housing and Urban Development (HUD) determined that the Colorado AMI for FY 2011-12 was $60,940. Therefore, this request is focused on providing additional housing units for households with an income of $18,282 or less. Food stamps, Medicaid, and CHIP are not included in a household's income. The following items are included in income calculations:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

- Interest, dividends, and other net income of any kind from real or personal property;

- The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits;

- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;

- Welfare assistance payments. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program;

- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

- All regular pay, special pay and allowances of a member of the Armed Forces; and

- Student loan amounts above and beyond the cost of tuition.

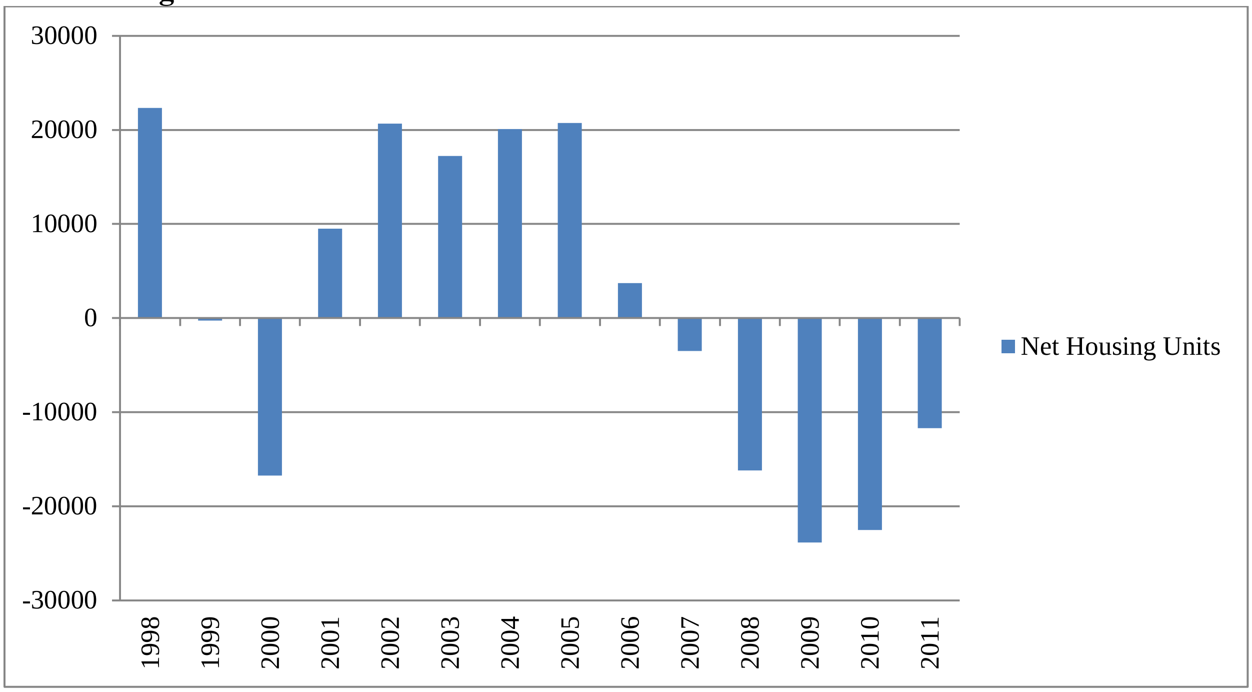
The Department's April 2010 (updated in June 2011) "Housing Mismatch and Rent Burden Information for Rental Housing in Colorado" publication states that there are now almost 600,000 renter households in Colorado. Of this total, nearly 150,000 pay 35 percent or more of their household income for housing and make less than $20,000 per year in gross income as defined above. Because of a sluggish housing market and increased demand for rentals, vacancy rates continue to decline and the number of rent-burdened households continues to grow.

Housing Demand vs. Supply

In the wake of the record house-price declines of the recession and continued financial market fallout, the economic recovery continues to move forward slowly. Evidence points toward a slow expansion due to private sector employment growth; however, decreased government spending, business investment, and consumer spending continue to have a negative impact. Additionally, while improving, the construction and real estate sectors remain weak.

The following graphics demonstrate the slow growth in new housing units produced in the face of increasing demand. From 2002 to 2005, there were 78,000 more units produced than households formed in the State. From 2008 to 2011, there were 74,000 fewer units produced than households formed.

Net Housing Units Added in Colorado



Vacancy Rates vs. Income Growth

The sluggish economy is putting additional pressure on low income communities. Many of these areas were hotspots for risky subprime lending prior to the recession and individuals that lived in homes within these communities are now faced with the fallout. HUD data show that census tracts where the poverty rate was at least 40 percent in 2000—the HUD definition of concentrated poverty—today have an estimated foreclosure rate over 10 percent, roughly double the nationwide average. As these individuals and families move out of their homes, the need for rental units becomes ever more acute.

The vacancy rate in metro Denver declined from 7.7 percent in the fourth quarter of 2009 to 5.5 percent in the fourth quarter of 2010 and 5.4 percent in the fourth quarter of 2011. Statewide vacancy rates declined from 7.4 percent in the fourth quarter of 2009 to 5.5 percent in the fourth quarter of 2010 and 5 percent in the fourth quarter of 2011. No data is available for the fourth quarter of 2012; however, the Department projects that the statewide vacancy rate will decrease slightly as it was 4.9 percent during the second quarter of 2012. This is the lowest vacancy rate recorded since mid-2001—representing a 12 year low.

Meanwhile, average rents continue to rise at a rate of three percent annually while renter incomes remain flat. The average statewide rent of $914 is up 4.7 percent from a year ago. Over the past decade rents have increased 37 percent. Renter incomes in Colorado have only increased 6 percent over the same timeframe. In spite of the lackluster income growth, the State's population continues to grow. More than 30,000 households were formed each year in Colorado from 2008-2010—all of which were recession years with declining employment. This suggests a strong foundation for accelerating household formation in the State. As a result, pent-up demand may become even more apparent in the case of more robust economic and income growth.

Critically, units suitable for low-income households have become especially scarce as rents increase along with demand. The table below summarizes the relationship between income and rental unit availability.

Relationship between Income and Affordable Housing

Income Level*	Affordable Monthly Payment**	Number of Renter Households	Available Housing Units	Households Per Housing Unit
$10,000	$250	83,384	44,401	1.9
15,000	375	140,530	60,173	2.3
20,000	499	190,877	94,224	2.0
25,000	624	247,849	166,774	1.5
30,000	750	296,781	254,078	1.2
35,000	875	344,543	327,290	1.1

*Based on gross income, as determined by HUD
**Based on housing expense as 30 percent of gross income

As the table above illustrates, there are currently more households living at an income level of $10,000 to $35,000 than there are available housing units within the affordable monthly payment range. When a household spends more than 30 percent of its gross income on housing, it is considered to be a "rent burdened household." Out of a total of 594,540 renter households, there were approximately 282,200 households (47 percent) paying 30 percent or more of income toward housing.

Spending this much negatively impacts a household's ability to spend on essentials such as food, energy, clothing, and medical at a time when the price of these essential items and services continues to rise. In August, the U.S. Bureau of Labor Statistics reports that the Consumer Price Index for All Urban Consumers (CPI-U) for the Denver-Boulder-Greeley metropolitan area increased 1.8 percent from the first half of 2011 to the first half of 2012. Regional Commissioner Stanley W. Suchman noted that higher costs for shelter (2.1 percent) and food (3.9 percent) had the largest upward impact on the index. Energy costs rose 1.1 percent and the index for all items less food and energy was up 1.5 percent.

Declining Use of Private Activity Bonds

Private Activity Bonds (PABs) issued by both local governments and the State have been a major resource offering tax exempt permanent financing for affordable multifamily housing in Colorado. However, the use of PABs to develop affordable housing has declined markedly since 2008 due to the statewide decline in real estate values. Essentially, as values have dropped, the loan-to-value ratio for multifamily residential housing has gone up—increasing risk for private sector bond investors to an untenable level.

The under-utilization of PABs due to the reduced value of real estate is a major concern. While the federal government grants annual allocations of this bonding authority to states under the *Tax Reform Act of 1986*, PABs must be issued within three years or the bonding authority is lost. The State began losing its tax-exempt bonding authority in 2009. In 2011, $108 million in PAB authority went unused and was returned to the U.S. Treasury. The table below outlines PAB authority issued and lost since 2007.

PABs Allocate, Issued, and Lost (in millions)

	2007	2008	2009	2010	2011
Federal Allocation	$404	$413	$444	$452	$477
Bond Issues	404	413	428	328	369
Total Bond Authority Lost	**0**	**0**	**16**	**124**	**108**

The loss of this funding negatively impacts the production of affordable housing. This lower level of production may result in larger homeless populations, lost construction and real estate jobs, lower property tax revenues, and an inability of Colorado communities to retain companies looking for affordable workforce housing.

DOLA Request

R-3	**Decision Item—Additional Affordable Housing Units**		**FY 2013-14**
	Division of Housing: Low Income Rental Subsidies	FTE	0.0
		GF	$2,000,000
		Total	**$2,000,000**

The Department is requesting $2.0 million General Fund for FY 2013-14 to finance the development of 1,200 new rental units per year, of which 800 will be designated affordable units. Over the past five years, the average annual production rate of new affordable rental units is 1,600; therefore, this investment would increase production to 2,400 affordable units annually. This represents a return to pre-recession levels of investment.

More specifically, DOLA would utilize these General Fund dollars to provide a supply-side subsidy (average of $2,500 per unit) to investors. This subsidy to bond investors reduces the loan-to-value ratio to the point that a PAB becomes attractive. If the subsidy is approved, a covenant is placed on the property guaranteeing a certain percentage of affordable units for a set period of time (usually about 30 years). Properties financed by PAB are mixed income and the minimum percentage of affordable units required by federal law is 40 percent of the total for any given project. The Department's goal for the percentage of affordable units constructed with the requested funding is 67 percent.

Anticipated Outcomes

Assessing the benefits of targeted assistance to low-income, homeless, and disabled individuals through additional affordable housing units can be difficult as there are different views about the extent to which benefits (usually avoided costs) can be quantified. The most straight forward type of measurement is through cost effectiveness studies where the direct costs to the budgets of government agencies such as DOLA's Division of Housing can be attributed to the additional services provided to low-income people and families. The issue with these types of studies, however, is that they do not generally attempt to quantify benefits. As a result, they do not provide insight as to whether the benefits provided by services rendered outweigh the direct costs to the government agencies involved.

Social Benefits

Rather than utilizing cost effectiveness studies in its request, the Department refers to a series of studies that discuss the 'social costs' experienced by individuals and society due to homelessness, arguing that these costs are better considered in a social rather than an economic framework. Indeed, the Department claims that the additional affordable housing units can prevent substantial economic costs on the community as well as personal costs on the individuals and families concerned. These cost benefit analyses, however, place values on a range of indirect, sometimes difficult to quantify effects and intangible costs and benefits as well as making assumptions about longer run interactions in the broader economy.

The highly diverse scope and methodologies adopted by the authors of these and other studies reviewed for this analysis make it difficult to settle on clear findings regarding affordable housing and homelessness. However, a number of significant trends are identified and advanced below, with reference to the individual studies. Particular attention is focused on those studies which attempted to quantify the level of dollar costs/benefits associated with affordable housing or homelessness. Staff utilizes some of these studies to analyze the Department's request for the proposed Fort Lyon Transitional Community (R-3) as well.

- Providing stable housing generated cost savings in a range of support services areas such as medical care, mental health therapy, academic achievement, and prison recidivism. In some cases the savings paid for most if not all of the housing expenditure[1]; in other cases the gains exceeded the costs[2].

- Providing stable housing significantly increases the likelihood of employment and, hence, increased income. Individuals and society benefit through increased income (productive output), increased property taxes (real estate appreciation due to a lower concentration of homeless persons and shelters in a particular region), and reduced government expenditure on unemployment benefits[3].

- Providing stable housing has positive schooling effects for the children of previously unemployed homeless people[4].

[1] Culhane, D., S. Metraux, et al. (2002). "Public Service Reductions Associated with the Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." Housing Policy Debate 13(1): 107-163.

[2] Eberle, M., D. Kraus, et al. (2001). Homelessness: causes & effects. Volume 3. The Costs of Homelessness in British Columbia. Vancouver, British Columbia, Ministry of Community, Aboriginal and Women's Services; Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

[3] Lewis, D. and P. Rowlatt (1996). Estimating the Costs and Benefits of Youth Homelessness. A. Evans (Ed.) We Don't Choose to be Homeless: The Inquiry into Preventing Youth Homelessness. London, CHAR: 155-167; University of Pennsylvania Centre for Mental Health Policy and Services Research, Anderson Consulting LLP, et al. (2002) Connecticut Supportive Housing Demonstration Program Evaluation Report. The Corporation for Supportive Housing. Retrieved from http://www.csh.org/pubs.html; Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

[4] Obradović J., J. D. Long, et al. (2009). "Academic Achievement of Homeless and Highly Mobile Children in an Urban School District: Longitudinal Evidence on Risk, Growth, and Resilience." Development and Psychopathology 21(2), 493-518.

Staff was concerned, however, that in some cases, improved housing for homeless people may increase their access to and therefore use of support services. Indeed, it has been suggested that the cost of medical care and support (mostly through respite care) increases significantly for homeless individuals entering supported accommodation[5]. If this were to be the case, the critical question would be—does increased support through respite care lead to improved health, employment prospects, family stability and so on? And does the value placed on such benefits exceed the additional costs?

Cost studies suggest a significant return on investment can be achieved through respite care programs even though the utilization of services increases. A Cook County, IL study suggests that respite care improves health outcomes and reduces overall health care costs through a reduction in expensive and lengthy emergency visits[6]. The National Health Care for the Homeless Council (NHCHC) has found that homeless patients are less likely to be readmitted to a hospital within 90 days following their discharge if they enter a respite program—resulting in significant cost savings[7]:

- $3 million annual savings for hospitals in Los Angeles, CA;
- $3.5 million total savings over three years for one hospital in Portland, OR; and
- $6.2 million annual savings for three hospitals and the community in Cincinnati, OH.

Economic Benefits

Home building, whether single-family, multifamily, or a combination of the two, generates significant local economic activity. The National Association of Home Builders (NAHB) has developed a model to estimate these benefits, capturing the primary impacts of construction activity on wages and contractual services, secondary impacts when income is spent on local goods and services, and the tertiary impacts that result from residents paying property taxes in new homes. Based on this methodology and the NAHB report, "The Economic Impact of Subsidized Housing Programs in Metro Denver, Colorado: Income, Jobs, and Taxes Generated", building 1,200 additional housing units would result in the following benefits:

- $133 million in local income during the construction phase and $24 million in new personal income thereafter;
- $14 million in revenue from taxes during the construction phase and $3.4 million in tax revenue thereafter; and
- 1,617 jobs during the construction phase and 270 permanent jobs.

[5] Rosenheck, R., P. Gallup, et al. (1993). "Health Care Utilization and Costs After Entry Into and Outreach Program for Homeless Mentally Ill Veterans." Hospital and Community Psychiatry 44(12): 1166-1171.

[6] Buchanan D., B. Doblin, et al. (2006). "The Effects of Respite Care for Homeless Patients: A Cohort Study." American Journal of Public Health 96(7): 1278–1281.

[7] National Health Care for the Homeless Council (2010). "Medical Respite Care: Demonstrated Cost Savings." Retrieved from http://www.nhchc.org/resources/publications/fact-sheets/leftcolart/.

While there is little reason to doubt these economic numbers, staff does not feel that the economic impact would be lost altogether if the Department's request were not to be funded. It is likely that without a supply-side subsidy from DOLA, the return on investment for an affordable housing project would not be large enough to make the risk worth taking for many private sector developers. However, pent-up demand and a recovering housing market would simply drive the targeted private sector investment toward lower-risk alternatives.

The National Association of Realtors reported this month that the median price for an existing, single-family home rose to $186,100 in the third quarter of the year, posting a 7.6 percent gain from $173,000 in the third quarter of 2011. The gain is the largest year-over-year increase in existing home prices since the first quarter of 2006, and follows a 7.2 percent annual increase realized in the second quarter of 2012[8]. A shrinking supply of available homes for sale contributed to these gains, which were realized in 120 of the 149 metropolitan housing markets tracked by the association. Record-low interest rates are also driving increased demand.

Given this recovery, staff feels there is little evidence suggesting that there would be an absolute loss of private sector investment without additional funding for affordable housing subsidies. However, this investment would not result in additional affordable housing units and the State would likely continue to lose some of its tax exempt bonding authority.

Consequences if Not Funded

If this request is not approved, the level of federal and state grants awarded will be insufficient to meet the present need for affordable housing units. The affordable housing gap will widen as rents continue to increase at 3 percent annually while renter incomes remain flat, resulting in a larger number of rent-burdened households (those putting 35 percent or more of their household income toward housing) and homeless individuals. Without additional investment from the private sector, which is unlikely in the short-term due to the high risk nature of mixed-use housing (high loan-to-value ratio), social costs associated with transient and homeless individuals or families will increase. Additionally, some communities may become less competitive with companies looking for affordable workforce housing because of high rents.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The DOH mission is "to ensure that Coloradans live in safe, decent, and affordable housing". Two of the primary objectives within this overarching mission are to "preserve the existing statewide supply of affordable rental or home-ownership housing" and "increase the statewide supply of affordable 'workforce' rental housing and home-ownership opportunities". The DOH Performance Measure for 2012 is to rehabilitate or produce 1,600 new affordable housing units. This request will increase annual production to 2,400 affordable units.

[8] National Association of Realtors (2012). "Metro Area Home Prices Show Stronger Increases in Third Quarter, Sales Up." Retrieved from http://www.realtor.org/news-releases/2012/10/metro-area-home-prices-show-stronger-increases-in-third-quarter-sales-up.

Issue: R-2; Economic Development Assistance to Rural Communities

The Department of Local Affairs is requesting $3.0 million General Fund within the Division of Local Governments (DLG) for two years beginning in FY 2013-14 for the administration of a grant program to grow and diversify the economies of rural communities, with an emphasis on those communities that depend on a single large employer such as a state prison.

SUMMARY:

- The Department is requesting $3.0 million General Fund and 1.0 FTE for the administration of a new grant program to grow and diversify the economies of rural communities that depend on a single large employer such as a state prison.

- Many of the State's rural communities are dominated by only one industry, and the economic performance of these local areas is inextricably linked with the performance of said specialty industry, putting them at increased economic risk.

- These communities face the prospect of a potentially irreversible decline if an industry shutters or significantly curtails operations. Even when a community is spared a closure or major job cuts, there is an ever-present fear that livelihoods might suddenly be taken away, making it difficult to attract both new residents and business investment.

- If implemented, the request would create a new grants program to provide job training for both existing and new employees, diversify the economic base, and soften the impact of a closure in targeted communities.

- If this request is not approved, rural communities that are overly-dependent on a single large employer will have to utilize existing resources provided by DOLA and OEDIT for rural economic development efforts.

DISCUSSION:

Background

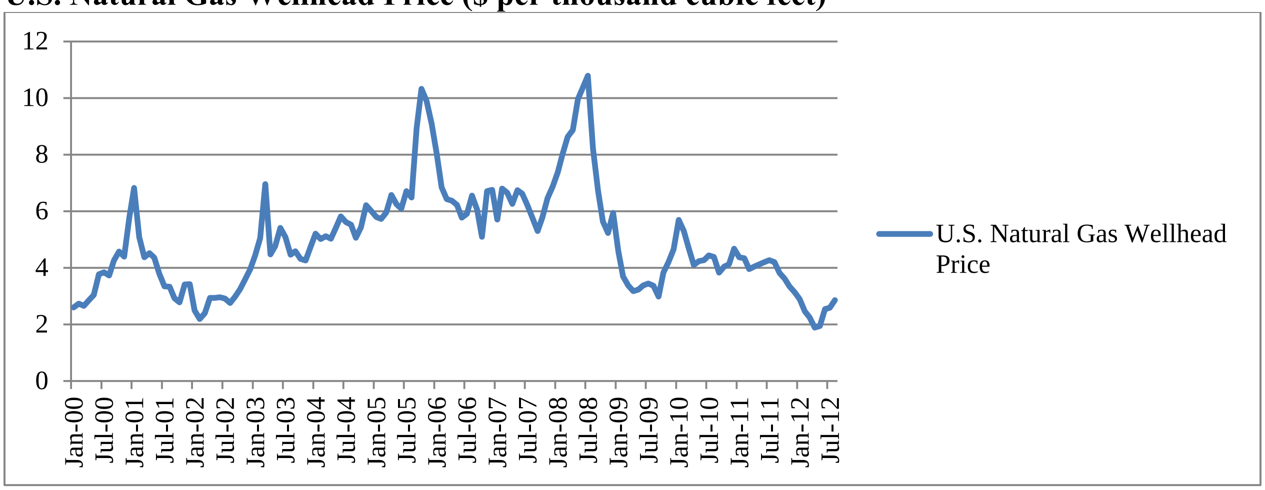
Many of Colorado's rural communities are dominated by only one industry. The economic performance of these local areas is inextricably linked with the performance of the specialty industry. For example, many communities in western counties such as Mesa, Grand, or Garfield that rely heavily on the petroleum and natural gas industries to create jobs and generate income for the local population boom when prices rise and go bust when prices drop. The entire local economy in these areas, including local equipment retailers, grocery stores, and restaurants, is affected by decisions or conditions on the state, national, and international level. Essentially, the specialized industry becomes the lifeblood of these communities and the boom-and-bust cycle created by said industry can create an economic whiplash for property values and local government revenues.

Oil and Mining Communities

When Exxon announced it was closing down an oil-shale project near Parachute, CO, in 1982, thousands of people from oil crews and support companies were immediately out of work. Other energy companies operating in the area quickly followed suite, and approximately $85.0 million in annual payroll disappeared from the regional economy in just a few years. Almost 30,000 people abandoned Mesa, Grand, and Garfield counties over the next two years. Unemployment climbed from near zero to almost ten percent and vacancy rates, once nonexistent, topped 15 percent in population centers like Grand Junction. Foreclosures in Mesa County increased from 98 in 1980 to over 1600 in 1985[9]. Smaller rural communities fared even worse, as people departed in search of the wages and opportunities to which they had grown accustomed—creating a string of towns that now contain a fraction of their former populations.

While some diversification has occurred over the past two decades, decoupling the performance of rural economies in Colorado from boom-and-bust cycles, many rural areas are still dominated by only a few industries. Communities located in the Piceance Basin such as Meeker, for example, still rely almost entirely on the energy industry for their well-being. As the following table shows, natural gas prices are sagging near ten-year lows, largely because of reduced demand and a surge in supplies unlocked by the spread of hydraulic fracturing techniques.

U.S. Natural Gas Wellhead Price ($ per thousand cubic feet)



Source: U.S. Energy Information Administration

Because of the low prices, energy producers have pulled out of the deep and remote gas fields in the region. Local officials report that four years ago, there were about 115 drilling rigs in the basin. Now, there are about 16. Energy jobs and residents have flowed elsewhere, businesses are struggling, and big new schools built across the region to accommodate a surge of students from the last energy rush are now watching their enrollments dwindle. Indeed, the Meeker School District reported that its enrollment fell by 8.5 percent from Calendar Year 2009 to 2011.

[9] Colorado School of Mines (2008). "Oil Shale" Retrieved from http://emfi.mines.edu-emfi2008/OilShale2008.pdf; University of Colorado at Boulder, Center of the American West (2008). "Black Sunday: Legacies of a Failed Policy". Retrieved from http://www.centerwest.org/publications/oilshale-3engineering/6blacksunday.php.

State Prison Communities

Some rural communities are also now dependent on state prison facilities. During the 1990s and early 2000s, the State's need for additional capacity was growing. The State strategically placed prison facilities in rural areas in order to contribute to rural economic development efforts and help insulate these communities from the boom-and-bust cycles associated with energy, mining, and agriculture. However, Colorado's prison population is now declining.

Legislative Council Staff (LCS) and the Division of Criminal Justice (DCJ) both project that the prison population will decrease through FY 2013-14. Currently the total inmate population statewide is 22,610. LCS estimates that the total statewide population will fall to 21,583 (a 4.5 percent reduction) by June 30, 2014. DCJ estimates that the total statewide population will fall to 20,256 (a 10.4 percent reduction) by June 30, 2014. Faced with this decreasing population, the State is studying how to optimize its use of existing beds and may look to decommission an existing prison. The threat of closure places an enormous strain on rural families for whom few other opportunities are available. If a prison were to close, homeowners and businesses in that community could do little but watch the value of their properties fall.

As an example, the median listing price for homes in Las Animas, CO (the main community for employees of the former Fort Lyon State Penitentiary) was $78,000 in May 2011. However, S.B. 11-214 was approved by the General Assembly and signed by the Governor that same month. Pursuant to S.B. 11-214, the Department of Corrections would stop housing offenders at the FLCF by the end of February 2012. By October 2012, the median listing price for homes in Las Animas, CO had fallen to $42,000[10], a decrease in value of almost 50 percent at a time when other communities around the State were seeing a slow but steady uptick. As property values in communities such as Las Animas diminish, so does the tax base—the main source of revenue used by municipal governments to fund public services and infrastructure.

A Barrier to Diversification

Many rural and remote communities face the prospect of a potentially irreversible decline, and families have no option but to leave their communities. Often workers have invested a great deal of time into a particular community, ending up without any opportunities, without experience, and in many cases, without schooling if an industry shutters or significantly curtails operations. Even when a community is spared a closure or major job cuts, there is an ever-present fear that livelihoods might suddenly be taken away. This situation makes it difficult to attract both new residents and business investment.

DOLA Request

R-3	**Decision Item—Economic Development Assistance to Rural Communities**		**FY 2013-14**	**FY 2014-15**
	Division of Local Governments: Field Services	FTE	1.0	1.0
		GF	$1,492,369	$1,507,631
		Two-Year Total		**$3,000,000**

[10] Zillow (2012). "Las Animas Home Prices and Home Values". Retrieved from http://www.zillow.com/local-info/CO-Las-Animas-home-value/r_42227/.

The Department is requesting $3.0 million General Fund and 1.0 FTE within the Division of Local Governments (DLG) for two years beginning in FY 2013-14 for the administration of a grant program to grow and diversify the economies of rural communities, with an emphasis on those communities that depend on a single large employer such as a state prison. The new program would complement the existing economic development efforts of DOLA and the Governor's Office of Economic Development and International Trade (OEDIT). The Department will utilize four main strategies.

1. Community Asset Analysis: The Department will provide technical guidance to communities as they assess economic development opportunities. Community leaders (including local elected officials, economic development organizations, civic leaders, and media leaders) will be engaged in an intensive comprehensive assessment program to identify potential opportunities.

2. Stakeholder Engagement: The Department will engage local stakeholders with state and federal partners to develop a plan to grow and diversify rural economies that are dependent on a single large employer. In cooperation with Downtown Colorado Inc., the Department will develop a Community Revitalization Plan to identify opportunities for enhancing these communities' downtown centers. Efforts will be focused on the development of key industries within the community. These industries are identified within existing regional Comprehensive Economic Development Strategy (CEDS) plans and Regional Economic Blueprints. Community colleges and local workforce centers will be encouraged to leverage local job training resources. State and federal agency officials will be engaged to tap resources and explore opportunities to reduce regulatory hurdles.

3. Competitive Community Grants: The Department will provide competitive grant funding for community infrastructure to support new and expanding business development and job training. Training dollars will support both newly hired employees and former employees of a shuttered business seeking new employment.

4. Income Assistance Vouchers: The Department will provide grant funding to local governments to provide income assistance to employees who have lost their job due to the shuttering of a dominant industry in the community (such as a prison closure). These vouchers will be distributed to former employees in accordance with appropriate state and federal guidelines during the time that the employees are engaged in a qualified job training program for a period of up to one year.

Cost Assumptions

The Department anticipates distributing 90 percent of the requested General Fund dollars, or $2.7 million, as grants in the manner described above. The remaining $300,000 would be utilized to pay for grants administration, revitalization plan development, and community assessments. The grants program will be administered by 1.0 FTE at a cost of $81,590 in FY 2013-14 and $83,896 in FY 2014-15. These totals include benefits and operating costs. The position will be a temporary position for two years. Additional grants administration costs include infrastructure redevelopment consultants, facility asset assessments, and travel expenses. Please see the following table for detailed cost assumptions.

R-2 Program Expenses

Program Expenses	FY 2013-14	FY 2014-15	Total	FTE
GP V-Program Manager	$60,287	$65,772	$126,059	1.0
Benefits	15,650	17,264	32,914	--
Infrastructure/Redevelopment Consultants	21,360	64,000	85,360	--
Facility Asset Assessments	25,000	0	25,000	--
Operating Costs for 1.0 FTE	5,653	896	6,549	--
Travel Expenses	14,419	9,699	24,118	--
Total Administrative Costs	**$142,369**	**$157,631**	**$300,000**	**1.0**
Income Assistance Vouchers and Competitive Grants	1,350,000	1,350,000	2,700,000	--
Total Program Cost	**$1,492,369**	**$1,507,631**	**$3,000,000**	**1.0**

Operational Details

- Applicants for grant funding must be a local government.

- Grants will be administered by DOLA in coordination with OEDIT and managed by a program manager to be hired for two years. Communities will discuss projects with their DOLA regional manager and OEDIT Regional Development Team to determine viable opportunities and funding needs.

- Grant awards will be determined by a joint decision by DOLA and OEDIT. Grant funding amounts are not to exceed $500,000 for any single project. Higher funding amounts may be considered for significant job creation projects.

- Points will be awarded for projects that lead to concrete results for a region based on the following key metrics:

    - Increase in new jobs for the region;
    - Increase in capital investment that benefits a rural key industry for such region;
    - Increase in average wages paid by a grant recipient; and
    - Collaboration and growth that benefits more than one community within a region.

- Micro-loans will be considered if they better meet the objectives of any given project.

Consequences if Not Funded

If the request is not approved, rural communities will have to utilize existing resources provided by DOLA and OEDIT for rural economic development efforts. DOLA could utilize Community Development and Services Block Grant (CDBG & CSBG) dollars as well as unused funds within the State's economic revolving loan fund for rural development. DOLA's Community Development Office also works to empower local governments by providing various technical and financial resources related to land use planning, economic development, and sustainable community development through programs such as the Colorado Main Street Program. Finally, DOLA's Local Government Financial Assistance section manages a number of grant and loan programs specifically designed to address public facility and service needs; however, a majority of the funds within these programs are distributed according to formulas and are targeted toward physical infrastructure rather than business development and job training.

None of the aforementioned programs specifically target rural communities that are overly-dependent on a single large employer such as a state penitentiary. If these particular communities are not able to qualify for or access existing resources, they may realize increased unemployment levels and reductions in the local population if residents relocate after a facility closure. The community would lose tax revenue and its ability to attract future residents or private sector investment.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The DLG mission is to provide "high quality technical and financial assistance services to local governments and communities throughout Colorado to enable them to achieve sustainable community development". The request relates to the narrower performance measure to enhance local governments' community and economic development efforts, including land use planning and downtown revitalization, and resident employee training. If implemented, the request could impact this performance measure by providing job training for both existing and new employees, diversifying the economic base, and softening the impact of a closure in targeted communities.

Issue: R-3; Fort Lyon Transitional Community

The Department of Local Affairs, in collaboration with the Department of Corrections, Department of Human Services, and Department of Health Care Policy and Financing, is requesting $2,740,852 million General Fund in FY 2013-14 to pay for case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of a transitional therapeutic residential treatment community for homeless individuals at Fort Lyon.

SUMMARY:

- The chronically homeless present major challenges as their substance abuse, mental health, and medical/physical disorders create barriers to successful transition to long-term housing.

- The chronically homeless place significant demands on human service systems due to the costs of hospitalization, medical treatment, incarceration, police intervention, and shelters.

- The request is for $2,740,852 million General Fund in FY 2013-14 to repurpose the Fort Lyon Facility as a transitional community for 200 chronically homeless individuals. The request would annualize to $3,175,852 General Fund for FY 2014-15, as the resident population at the facility would grow to 300 chronically homeless individuals.

- The total cost to repurpose the facility would be $3,992,274 in FY 2013-14 and annualize to $5,044,063 in FY 2014-15. The difference between General Fund expenditures and the total cost would be paid for with mortgage settlement dollars that have been allocated to DOLA.

- In addition to the requested General Fund moneys, the Departments are seeking federal support for the operations and services to be provided at Fort Lyon.

- If the request is not approved, the State will be required to indefinitely provide maintenance and security for the facility.

DISCUSSION:

Background

Homelessness[11] has become an entrenched feature of Colorado society. According to the 2012 Metro Denver Homeless Initiative Point-In-Time (PIT) Study, for example, a total of 12,605 individuals were identified as homeless on January 23, 2012 in the seven-county Metro Denver Area[12]. A PIT provides a snapshot by counting those who are homeless at a particular time; however, it is critical to note that surveyors may miss some homeless individuals—leading to an

[11] In its definition of a chronically homeless person, HUD defines the term "homeless" as "a person sleeping in a place not meant for human habitation (e.g. living on the streets, for example) OR living in a homeless emergency shelter".

[12] Metro Denver Homeless Initiative (2012). "Homeless in the Denver Metropolitan Area: 2012 Homeless Point-In-Time Study". Retrieved from http://mdhi.org/wp-content/uploads/2012/05/2012-Point-in-Time-Report.pdf.

overly low estimate of the homeless population. These individuals might not receive services at the agencies where homeless persons are counted on the night of the PIT or may be afraid of being counted, such as undocumented persons.

Regardless, the report reveals that thousands of people on any given night lack a safe and permanent home in Colorado. The 2012 PIT found that more homeless adults and children were counted than in years past: 11,377 in 2011 and 8,668 in 2004 (first annual PIT). Additionally, a greater number of respondents that were identified as not homeless in 2012 were at places such as employment services, food banks, and emergency service providers. This signals that an increasing number of people are at risk. Indeed, in 2012, fully one quarter of all homeless persons were newly homeless, and nearly three-quarters of this group were living in households with children. Additionally, there was a substantial increase in families with children living on the street, camping out or staying in cars—nearly one-third of all unsheltered homeless in the 2012 PIT were in families with children, up from less than one-quarter in 2011[13].

The majority of 2012 PIT respondents received some type of government benefit, and nearly one-third were working in the past month. Nearly half of respondents reported that they or some adult in their household had at least one disabling condition. Almost 25 percent of these individuals indicated that a household member experienced a serious mental illness, with many citing post-traumatic stress syndrome (PTDS) and/or bipolar disorder, and almost 20 percent reported substance abuse disorders. Nearly ten percent of respondents were chronically homeless[14], of whom the great majority are single males. Of these chronically homeless persons, more than one in five is in a household with children[15].

The chronically homeless present major challenges to local and state services. They utilize a disproportionate share of shelter beds and emergency services on any given night and their substance abuse, mental health, and medical/physical disorders create significant barriers to successful transition to long-term housing[16]. The needs of this group also place significant demands on other human service systems, resulting in a broad cost to society through lost productivity and reduced social cohesion. More specifically, the cost of homelessness due to hospitalization, medical treatment, incarceration, police intervention, and emergency shelter expenses can be quite high[17]. The Colorado Coalition for the Homeless (CCH) estimates that these costs exceed $40,000 for a chronically homeless individual[18].

[13] Metro Denver Homeless Initiative (2012). "Homeless in the Denver Metropolitan Area: 2012 Homeless Point-In-Time Study". Retrieved from http://mdhi.org/wp-content/uploads/2012/05/2012-Point-in-Time-Report.pdf.

[14] HUD defines a chronically homeless individual as "either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, OR (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years".

[15] Metro Denver Homeless Initiative (2012). "Homeless in the Denver Metropolitan Area: 2012 Homeless Point-In-Time Study". Retrieved from http://mdhi.org/wp-content/uploads/2012/05/2012-Point-in-Time-Report.pdf.

[16] Eberle, M., D. Kraus, et al. (2001). Homelessness: causes & effects. Volume 3. The Costs of Homelessness in British Columbia. Vancouver, British Columbia, Ministry of Community, Aboriginal and Women's Services; Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

[17] Eberle, M., D. Kraus, et al. (2001). Homelessness: causes & effects. Volume 3. The Costs of Homelessness in British Columbia. Vancouver, British Columbia, Ministry of Community, Aboriginal and Women's

Fort Lyon Facility

Fort Lyon has been utilized for many purposes, including as a U.S. Army base, Navy sanatorium for sailors and Marines afflicted with tuberculosis, a Veterans Administration neuropsychiatry facility, and most recently as the Fort Lyon Correctional Facility (FLCF) operated by the Colorado Department of Corrections (DOC). Pursuant to the provisions of S.B. 11-214, the DOC stopped housing offenders at the FLCF at the end of February 2012.

To help in the repurposing of the facility, the General Assembly approved a $410,570 General Fund supplemental for FY 2011-12 during the 2012 session, which allowed minimal levels of maintenance, utilities, and security at Fort Lyon until the end of June 2012. Because no tenant was found for the facility before the start of FY 2012-13, the General Assembly included $934,089 General Fund in the FY 2012-13 Long Bill to pay for minimal operations and security until the end of December 2012. The DOC submitted an interim supplemental request in September 2012 for an additional $839,012 General Fund and 4.3 FTE for FY 2012-13. These additional dollars are required to pay for utilities and light maintenance, and for two 24-hour posts. If approved by the committee, the supplemental dollars would be sufficient to protect the facility and keep critical building and utility systems operational through June 2012. This budget request would extend operations and security while also paying for substance abuse treatment, medical care, and job training starting July 1, 2013.

DOLA Request

R-3	Decision Item--Requested increase for Ft Lyon Repurposing		FY 2013-14	FY 2014-15 Annualization
	Division of Housing: New Fort Lyon Line	FTE	0.0	0.0
		GF	$2,740,852	$3,157,852
		Total	**$2,740,852**	**$3,157,852**

The Department of Local Affairs is requesting $2,740,852 million General Fund for FY 2013-14 to pay for case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of a transitional therapeutic residential treatment community for homeless individuals at Ft. Lyon. The Department, in collaboration with the Department of Corrections, Department of Human Services, Department of Health Care Policy and Financing, Bent County, and CCH, will create a residential community with enhanced support services to help chronically homeless individuals with substance abuse disorders, mental illness, or co-occurring conditions.

In FY 2012-13, the Department of Local Affairs plans to use up to $650,000 of the Mortgage Settlement funding to support the initial start-up phase of the program (January 1, 2013 through June 30, 2013), for 80 individuals at Fort Lyon. As mentioned above, the Department of Corrections has submitted a companion supplemental request to cover facility maintenance and

Services; Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

[18] Perlman, J., J. Parvensky, et al. (2006). "Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report." Retrieved from http://www.denversroadhome.org/files/FinalDHFCCostStudy_1.pdf.

utilities during that time. Beginning July 1, 2013, the number of persons residing at Fort Lyon would increase to 200 and by July 1, 2014, the number of persons residing at Fort Lyon would increase to 300—resulting in an annualization increase of $417,000 for FY 2014-15. Please see the following tables for details of projected Fort Lyon expenditures related to this request.

FY 2012-13 Start-up Costs: 80 Clients

		GF Supplemental				Mortgage Settlement
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**DHS**	**DOLA**
CCH Patient Care	$650,000	$0	$0	$0	$0	$650,000
Maintenance and Operations (DOC)	839,012	0	839,012	0	0	0
Total	**$1,489,012**	**$0**	**$839,012**	**$0**	**$0**	**$650,000**

FY 2013-14: 200 Clients

		GF Request (R-3)				Mortgage Settlement
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**DHS**	**DOLA**
CCH Patient Care	$1,866,422	$615,000	$0	$0	$0	$1,251,422
Maintenance and Operations (DOLA Grant to Bent County)	2,125,852	2,125,852	0	0	0	0
Total	**$3,992,274**	**$2,740,852**	**$0**	**$0**	**$0**	**$1,251,422**

FY 2014-15: 300 Clients

		GF Request Annualization (R-3)				Mortgage Settlement
FY 2012-13	**Total Expense**	**DOLA**	**DOC**	**HCPF**	**DHS**	**DOLA**
CCH Patient Care	$2,918,211	$1,050,000	$0	$0	$0	$1,868,211
Maintenance and Operations (DOLA Grant to Bent County)	2,125,852	2,125,852	0	0	0	0
Total	**$5,044,063**	**$3,175,852**	**$0**	**$0**	**$0**	**$1,868,211**

The housing services at Fort Lyon will be provided by CCH on a contractual basis. Individuals residing at the facility will receive medical, mental health, and substance abuse treatment in addition to job training. CCH is awaiting approval of the Federally Qualified Health Clinic (FQHC) license from the U.S. Department of Health and Human Services. In the interim, residents that qualify for Medicaid can seek their services from the existing FQHC operated by Valley-Wide Medical, located in Las Animas. Bent County will lease the property from the State and maintain it under contract to the Department of Local Affairs.

Federal Assistance
In addition to the requested General Fund moneys, the Departments are seeking federal support for the operations and services to be provided at Fort Lyon. The Department of Local Affairs has requested funding for rental assistance through the HUD Section 8 program administered by the Division of Housing. After one year of residency, Fort Lyon residents would be able to return to their communities with a rental voucher to lease permanent housing.

Additionally, the Departments of Health Care Policy and Financing and Human Services are working to secure Federal Financial Participation (FFP) in the form of matching funds under Medicaid (title XIX of the *Social Security Act*). There is concern, however, that treatment costs will not qualify for federal matching funds. Centers for Medicare and Medicaid Services (CMS) staff have said that Fort Lyon is likely to be classified as an Institute for Mental Diseases (IMD). Section 1905 (a) of the *Social Security Act* prohibits FFP for individuals receiving services from an IMD. While there is a possibility of gaining federal approval through a waiver, CMS has indicated that a waiver review would take a considerable amount of time. Because of this, the Departments believe it is prudent to begin the program using General Fund dollars.

Cost Assumptions
The request assumes that the current CCH cost experience will be applicable for treatment services delivered at Fort Lyon, including estimates for housing, medical, substance abuse treatment, and case management. Additionally, while the transitional community will only operate out of four buildings on the Fort Lyon campus, the Department of Corrections has estimated that the amount for maintaining the entire campus will be $2,125,852. This estimate is based upon current operating expenses. Please see the following tables for details.

FY 2012-13 Costs: 80 Clients

Cost Category	Total
CCH Patient Care Contract	
Personnel	$379,500
Taxes and Benefits	110,055
Travel	11,400
Equipment	0
Supplies	14,000
Resident Support	94,628
Indirect Costs (10.65% of personnel)	40,417
Total CCH Patient Care Contract	650,000
Maintenance and Operations	
Personnel	279,426
Maintenance and Operating	194,586
Utilities	365,000
Total Maintenance and Operations	839,012
Total Costs	**$1,489,012**

FY 2013-14 Costs: 200 Clients

Cost Category	Total
CCH Patient Care Contract	
Personnel	$1,005,000
Taxes and Benefits	291,450
Travel	32,800
Equipment	27,000
Supplies	35,000
Resident Support	337,100
Indirect Costs (10.65% of personnel)	138,072
Total CCH Patient Care Contract	1,866,422
Maintenance and Operations	
Personnel	686,835
Maintenance and Operating	245,000
Utilities	1,194,017
Total Maintenance and Operations	2,125,852
Total Costs	**$3,992,274**

FY 2014-15 Costs: 300 Clients

Cost Category	Total
CCH Patient Care Contract	
Personnel	$1,640,000
Taxes and Benefits	475,600
Travel	20,000
Equipment	21,000
Supplies	40,000
Resident Support	496,300
Indirect Costs (10.65% of personnel)	225,311
Total CCH Patient Care Contract	2,918,211
Maintenance and Operations	
Personnel	686,835
Maintenance and Operating	245,000
Utilities	1,194,017
Total Maintenance and Operations	2,125,852
Total Costs	**$5,044,063**

Consequences if Not Funded

If this request is not approved, repurposing efforts fail, and Colorado continues to own the Fort Lyon facility—there is some question of ownership due to a "reversion clause" in the 2002 quit claim deed that appears to automatically return Fort Lyon to the Federal Government when the State stops using it for correctional purposes—the State will be required to indefinitely provide maintenance and security for the facility. These expenditures would be necessary because as the owner, Colorado would be obligated to maintain the buildings and provide security. Indeed, according to the Departments, break-ins, vandalism, and even arson would be likely if the facility were to close. Adequate maintenance and security would minimize these threats.

Because Fort Lyon has 105 separate buildings, the state's maintenance and security obligations would be substantial. The DOC estimates that the cost to maintain and secure a vacant Fort Lyon would be $150,000 per month. This annualizes to $1.8 million each year. Some maintenance and security could be provided by contractors—potentially reducing overall costs. However, costs to the DOC would still be substantial and would spike in years when major exterior repairs are required. The Department of Corrections would be required to oversee the campus because a closed building remains the responsibility of the agency that last operated it.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The DOH mission is "to ensure that Coloradans live in safe, decent, and affordable housing". One of the primary objectives within this overarching mission is to "meet community needs for the homeless statewide by providing supportive services and increasing the number of shelter beds available". The Division already utilizes ESG and CDBG funds to support homeless shelter operations and services, and CDBG funds to increase shelter capacity in non-entitlement areas of the State. This request will create a "gateway" for homeless individuals in the State.

Homeless outreach teams operating through the DOH will identify individuals seeking housing and treatment and make referrals to the Fort Lyon staff. If consenting, the individual will be transported to Fort Lyon within 48 hours to begin their one-year long residency. After one year, an individual will be given the option of returning to their community with a Section 8 voucher to seek a permanent housing solution. If the individual desires, they will be able to stay at Fort Lyon longer. As a compliment to these housing stabilization services, Fort Lyon residents will be offered job training and skill development by Otero Junior College. The combination has the potential to stabilize and reduce the overall population of chronically homeless individuals.

Issue: Federal Budget Sequestration

In August 2011, bipartisan majorities in both the U.S. House of Representatives and Senate voted for the *Budget Control Act of 2011* (BCA). The legislation would order budget sequestration for federal fiscal year (FFY) 2013 (January through September 2013) on January 2, 2013, pursuant to section 251A of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended (BBEDCA). This sequestration, should it occur, is the result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, legislation reducing the deficit by $1.2 trillion, as required by the BCA.

The threat of sequestration was utilized as a mechanism to force Congress to act on further deficit reduction. The specter of harmful across-the-board cuts to defense and nondefense programs was intended to drive both sides to compromise. However, there is growing pessimism that Congress will be able to reach an agreement by January 2. This issue brief provides a breakdown of non-exempt DOLA accounts, an estimate of the funding reductions that would be required across these accounts, and an explanation of the calculations behind these numbers.

SUMMARY:

- The estimates and classifications in the report are preliminary–if the sequestration were to occur, the actual results would differ based on changes in law and ongoing legal, budgetary, and technical analysis.

- However, the sequestration would potentially be deeply destructive to many of DOLA's federally funded programs.

- Nationally, sequestration would result in a 9.4 percent reduction in non-exempt defense discretionary funding and an 8.2 percent reduction in non-exempt nondefense discretionary funding. The sequestration would also impose cuts of 2.0 percent to Medicare, 7.6 percent to other non-exempt nondefense mandatory programs, and 10.0 percent to non-exempt defense mandatory programs.

- Colorado could experience a reduction in federal funding of at least $67.9 million in federal fiscal year 2012-13. These amounts are estimates based on a survey of state departments conducted in June 2012.

- DOLA estimates that its federally funded community development and affordable housing programs may lose up to $2.6 million in federal fiscal year 2012-13.

DISCUSSION:

Background

The BCA established the Joint Select Committee on Deficit Reduction to identify $1.5 trillion in deficit reduction over the period of federal fiscal years (FFYs) 2012-13 through 2020-21. The joint committee was charged with achieving deficit reduction with no restrictions on how they accomplish the net reductions in the deficit. Because the joint committee was unable to reach agreement on $1.5 trillion in deficit reduction, a sequestration process will be triggered to cut spending by $1.2 trillion if no deficit reduction is achieved by Congress before January 2, 2013.

Sequestration is not new as there have been five times where a sequestration has been triggered (three under the Gramm-Rudman-Hollings deficit targets and two under the statutory discretionary spending caps). However, it has not been used for spending cuts of this magnitude.

The sequestration process is one where across-the-board spending cuts are applied to government programs in order to meet a budgetary goal. There are a number of programs exempt from sequestration by statute. Those programs not specifically exempted constitute what is considered to be the sequester base. The Office of Management and Budget is required by law to apply the spending cuts uniformly to all programs, projects, and activities within a budget account in the sequester base. Because the joint committee and Congress have failed to produce any deficit reduction, the amount of the sequestration will be calculated by taking $1.2 trillion and discounting it by 18% for the interest savings that would be achieved from the deficit reduction. That leaves approximately $984 billion. The law then divides that amount by nine so there is an equal amount of deficit reduction achieved each year in the budget window, which equates to about $109 billion over each year from FFY 2012-13 to FFY 2020-21. As seen in the table below, the annual reduction is split evenly between defense and all other functions (non-defense), so that each function would be reduced by about $54.67 billion.

Calculation of Total Annual Reduction by Function (In billions of dollars)

Joint Committee savings target	$1,200.00
Deduct debt service savings (18%)	(216.00)
Net programmatic reductions	984.00
Divide by nine to calculate annual reduction	109.33
Split 50/50 between defense and non-defense functions	$54.67

For mandatory spending programs, the cuts will be done automatically. For discretionary spending programs, the cuts will be done automatically in FFY 2012-13 to programs in the sequester base. For FFY 2013-14 through FFY 2020-21, the discretionary sequester is achieved by lowering the discretionary spending caps by the sequester amount. That will allow Congressional Appropriations Committees to make the choices about how to achieve those spending cuts on a program-by-program basis rather than via an across-the-board spending cut.

Anticipated Impacts of Sequestration on DOLA

Colorado could experience a reduction in federal funding of at least $67.9 million in federal FFY 2012-13 (January through September 2013). Of this amount, DOLA expects to lose up to $2.6 million in community development and affordable housing dollars. This amount is based on a survey of the Department conducted in June 2012, and is shown in the following table.

DOLA Sequestration for FFY 2012-13

Program Name	Brief Description	Net Reduction
Community Development Block Grant (CDBG)	DOLA uses CDBG funds in non-entitlement counties to carry out economic development; production and preservation of affordable housing; and community development and revitalization.	($669,336)
HOME Funds	DOLA uses HOME funds for tenant based rental assistance (help to pay part of rent so families could live in sanitary housing conditions); rental housing acquisition, rehabilitation and construction (help elderly and disabled stay within the community); and homeowner programs including down payment assistance and single family owner occupied rehabilitation.	($1,673,262)
Section 8 Housing	DOLA uses Section 8 funds to provide rental assistance to low-income families and individuals. Administrative fees are used to fund the administration of the program.	($235,200)
Total		**($2,577,798)**

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

Federal funds are critical for the Department to achieve excellence in each of its three programmatic divisions—Property Taxation, Housing, and Local Governments. While the passage of MAP-21 has provided some clarity with regard to federal authorization levels, the appropriations outlook remains clouded due to the specter of federal budget sequestration. The Department feels that these reductions could severely impact its ability to deliver on its stated goals and objectives. More specifically, the CDBG reductions would limit DOLA's ability to:

- Create jobs through small business development and expansion;
- Revitalize downtown communities to sustain or improve economic development capability;
- Build or improve water systems and to eliminate water pollutants;
- Build or repair public infrastructure such as wastewater sanitation, health facilities, child care facilities and senior centers−negatively impacting construction and engineering jobs;
- Conduct neighborhood revitalization, economic development, improved community facilities, infrastructure improvements and affordable housing (In affordable housing, CDBG is used to finance both affordable rental housing and homebuyer/homeowner activities through down payment assistance and single family owner occupied rehabilitation); and
- Address urgent need or emergency situations in communities statewide.

The anticipated reductions in HOME and Section 8 funds would result in fewer affordable housing units being developed (approximately 288 units) and/or financed. Additionally, less funding would be available for Public Housing Authorities' operating and program support. This will have a large impact on the housing needs of low income individuals and families through the loss of rental assistance and/or fewer affordable housing units being rehabilitated or constructed. Finally, the decrease in affordable housing stock could also place increased pressure on communities to cover costs for their homeless populations.

Issue: Performance Audit - Board of Assessment Appeals

This issue brief summarizes the December 2011 performance audit of the Department of Local Affair's Board of Assessment Appeals. The full report can be accessed from the Office of the State Auditor's web site.

SUMMARY:

- While the Board of Assessment Appeals has improved timeliness, increased operational efficiencies, and enhanced customer service, it is not always timely in processing county property tax assessment appeals and issuing decisions.

- Regardless of the type or complexity of a petition, the Board of Assessment Appeals allocates the same amount of resources and assigns two Board members to most hearings. As a result, a simple residential petition costs the Board the same to hear as a complex commercial or agricultural case.

- Some taxpayer petitioners do not comply with the Board's exchange of information rule. However, many of these petitioners do not believe that the information and assistance provided by the Board of Assessment Appeals is sufficient to adequately prepare them for requirements of the hearing process.

- Based on these findings, the audit states that the Board should clarify timeliness requirements, take into account case complexity, ensure parties appropriately exchange adequate information prior to hearings, improve information available to petitioners, establish a training program for Board members, and reevaluate its fee structure.

DISCUSSION:

Background

The Board of Assessment Appeals (BAA) was conceived as a cost-effective and less burdensome alternative to Colorado district court and county-administered mediation. It was created in statute as a "type 1" entity within the Department of Local Affairs (Sections 39-2-123 through 39-2-128, C.R.S).[13]

More specifically, the BAA is a quasi-judicial tribunal that must consist of at least three members appointed by the Governor and confirmed by the State Senate. The Governor may appoint up to six additional members to one-year terms based on workload. As employees of the State Board members are entitled to benefits such as health, life and dental, short-term disability, and PERA. Compensation is based on a statutory rate of $150 per day. At the time of this audit, there were nine Board members to allow cases to be heard on a timely basis. Each member was a licensed appraiser experienced in property valuation and taxation.

[13] Pursuant to Section 24-1-105 (1), C.R.S., a type 1 agency exercises its prescribed powers and duties independently of the head of the department.

The BAA hears appeals filed by real and personal property owners regarding the valuation placed on their property through county property tax assessments. The County Assessor is responsible for valuing all property in the county except for exempt property and state assessed properties. Taxpayers may appeal the assigned value to the Assessor and the County Board of Equalization (valuation appeal) or to the Board of County Commissioners (abatement). State assessed properties and exemptions are appealed to the property tax administrator. These cases may then be appealed to the BAA. Appeals also can be filed when a County Board of Commissioners or a County Board of Equalization has failed to make a timely decision on a matter properly presented.

In Fiscal Year 2010-11 (the year that the performance audit focuses on), the BAA was appropriated an operating budget of $543,400 and 13.2 full-time-equivalent (FTE) staff from the State's General Fund and reappropriated funds from indirect cost recoveries. Of the 13.2 FTE, 7.2 FTE were allocated for Board members and 6 FTE were allocated for staff. The Division's operating budget and FTE appropriations decreased significantly in FY 2010-11, from $683,100 and 15 FTE in FY 2009-10. The Department attributed this decrease to the transfer of Division information technology support staff to the Governor's Office of Information Technology.

Appeals Process

The BAA receives three types of appeals. More than 80 percent of the petitions received each year stem from decisions issued by county boards of equalization that are related to the valuation of property for tax purposes. The remaining petitions are appeals of the decisions made by boards of county commissioners or the State Property Tax Administrator. Boards of county commissioners decide cases in which a taxpayer claims a refund or "abatement" of property taxes paid. Decisions of the State Property Tax Administrator involve state-assessed properties such as those held by airlines and utilities as well as determinations of tax exemptions.

The state imposes time requirements for appeals to be filed with the BAA as well as decisions in appeals involving county boards of equalization. However, there are no statutory timeliness requirements for resolving appeals from decisions of boards of county commissioners or the State Property Tax Administrator.

Appeals to the BAA must be made in writing within 30 days of the decision that is being appealed. Pursuant to Section 39-2-125(1)(c), C.R.S., after the appeal is docketed and a receipt of appeal is sent to the Petitioner, the BAA shall "[H]ear appeals from decisions of county boards of equalization filed not later than thirty days after the entry of any such decision. Appeal decisions shall be rendered within thirty days after the date of hearing or by the last day of the same calendar year, whichever is the earlier date."

A notice of hearing is mailed to all parties at least 30 days prior to the scheduled hearing. The Board of Assessment Appeal's decision is transmitted in a written order and mailed to all parties. Board decisions are also posted on the Board's website. Board decisions may be appealed to the Colorado Court of Appeals.

Caseload

The table below summarizes the BAA caseload.

Board of Assessment Appeals Petitions Received and Resolved

Fiscal Year	Petitions Received	Petitions Resolved	Petitions Carried Forward Into Next Year
2006-07	1,357	1,223	1,798
2007-08	2,386	1,748	2,302
2008-09	1,308	1,999	1,611
2009-10	3,959	2,685	2,885
2010-11	2,111	3,340	1,656
Percent Change	**56%**	**173%**	**(0.5%)**

Source: Sjoberg Evashenk generated based on data extracted from the Board of Assessment Appeals' case management system.

Key Findings and Recommendations

As mentioned previously, the purpose of the audit was to review the performance of the BAA in processing petitions, scheduling and presiding over hearings, and deciding cases. The audit evaluated timeliness, case complexity, exchange of information between parties, board training, customer service, and filing fees.

Timeliness

The auditors analyzed timeliness data from the BAA's case management system for all petitions received and resolved between July 1, 2006, and June 30, 2011. They found that while recent process improvements have better positioned the BAA to handle a significantly increasing workload, it often does not process appeals and issue decisions for petitions involving county boards of equalization within 30 days after the date of the hearing or by the last day of the same calendar year.

Time Required to Resolve Appeals Involving County Boards of Equalization

Fiscal Year	Average Days to Receive and "Accept" Petition	Average Days from Accepting Petition to the Hearing	Average Days from the Hearing to Issuing the Decision	Average Days to Resolve Petitions
2006-07	4	363	31	398
2007-08	7	372	39	418
2008-09	6	368	41	415
2009-10	12	358	72	442
2010-11	21	342	32	395
Percent Change	**425%**	**(5.8%)**	**3.2%**	**(0.1%)**

Source: Sjoberg Evashenk generated based on data extracted from the Board of Assessment Appeals' case management system.

Additionally, while statute does not specify time requirements for the BAA appeals process related to boards of county commissioners and the State Property Tax Administrator, the auditors examined how long the BAA is taking to resolve these types of petitions as a point of comparison. On average, the BAA takes longer to resolve these types of petitions than it does to resolve petitions related to county boards of equalization. In FY 2010-11, for example, the BAA took an average of 424 days to resolve petitions involving boards of county commissioners and the State Property Tax Administrator.

To address this issue, the auditors recommend that the BAA do the following.

1-a: "Request a written opinion from the Attorney General on the applicability of the 30-day and end-of-the-same-calendar-year time requirements for issuing decisions, both when the Division has a normal workload and when the Division is experiencing an extraordinary workload. If the Attorney General determines that the 30-day or end-of-the-same-calendar-year time requirements apply during times of extraordinary workload, the Division should ensure that decisions are issued within the appropriate time frame. On the basis of the Attorney General's opinion, the Division should work with the Department of Local Affairs to pursue any necessary statutory changes".

> Partially Implemented -- The Division has requested a written opinion from the Attorney General. The Division has not received the written opinion from the Attorney General; however, it has consulted with the Governor's Office and met with the Legislative Audit Committee concerning potential sponsorship of a bill to alter statute. The Legislative Audit Committee referred the matter to Legislative Legal Services to draft a bill for review by the committee.

1-b: "Evaluate the costs and benefits of using contract hearing officers to help manage increased workloads. If necessary, on the basis of this evaluation, the Division should work with the Department of Local Affairs to pursue legislation to clarify provisions related to the Division's statutory authority to contract with hearing officers to hear cases and issue decisions".

> Implemented -- The Division has evaluated the costs and benefits of using contract hearing officers to help manage increased workloads. Contract hearing officers would be significantly more expensive than using Board members for hearings. In the Denver-metro area, contract hearing officers are typically paid around $75.00 per hour for their services at the County Board of Equalization level. Board members are paid $150 per diem. Without additional funding, the Division does not believe that it would be possible to use contract hearing officers. However, the Division has implemented the use of an on-staff hearing officer to assist Board members during hearings and for mediation and facilitator services. In place of a staff member who left the Division, the BAA has hired a temporary staffer that has the skill set of a hearing officer and will serve as a bridge until the BAA hires a hearing officer/mediator on a permanent basis.

1-c: "Develop internal timeliness goals for all types of appeals (county boards of equalization, boards of county commissioners, and State Property Tax Administrator) and for each phase of the appeals process, including accepting petitions, scheduling and completing hearings, and issuing decisions".

> Implemented -- The BAA has developed and implemented internal timeliness for all types of appeals (county boards of equalization, board of county commissioners, and

State Property Tax Administrator) and for the following phases of the appeals process: accepting petitions, scheduling and completing hearings, and issuing decisions.

1-d: "Continue initial efforts to develop an online petition filing system".

Not Implemented -- Due to resource limitations, the Division has not started implementation of this item. The BAA anticipates beginning implementation of this item during the first quarter of 2013.

Case Complexity
Auditors reviewed the BAA's procedures for processing petitions, assigning Board members to preside over hearings, and issuing decisions. They also reviewed the practices of 35 other state tax appeals bodies, which allowed a comparison of how similarly situated organizations process appeals cases and determine if their practices vary depending upon the complexity of a case.

The auditors found that there are opportunities for the BAA "to use its resources more efficiently when assigning Board members to preside over hearings and issuing decisions. Although the complexity of the case should drive the amount of time and effort the Division devotes to hear petitions and issue decisions, the Division currently handles most petitions the same way. Regardless of the type or complexity of the petition, the Division assigns two Board members to most hearings, with one designated as the chair presiding over the hearing and the other assigned to draft the initial decision. This means that the Division allocates the same amount of resources to most cases, regardless of how simple or complex the cases are." This finding is important because it means that a simple case such as a residential petition costs the BAA just as much to process as a more complex case such as a commercial or agricultural petition.

To address this issue, the auditors recommend that the BAA do the following.

2-a: "Establish a process for taking into account case complexity when determining how many Board members should be assigned to hear a case. This may include assigning only one Board member or using contract hearing officers to hear more routine, less complex cases".

Implemented -- The Division has established a process for taking into account case complexity when determining how many Board members should be assigned to hear a case. The process is as follows: At the time the Board's Administrator assigns Board members to hear specific appeals, the Administrator reviews the approximate amount of tax involved in the appeal, which is one indicator of the complexity of the case.

For less complex cases where the amount of the tax involved in the appeal is small, the Administrator can now assign only one Board member and a staff hearing officer to participate with the parties in a Board-ordered mediation session for the appeal. The mediation sessions are non-binding. The Board has granted the Administrator a delegation to set cases for mediation. Board-ordered mediation sessions have been very successful in reducing the resources necessary for non-complex appeals. In most cases, the mediation sessions result in a stipulated agreement between the parties. For the remaining non-complex appeals that do not result in stipulated agreements as a result of the mediation, the parties are given the option to have one board member hear the appeal in order to save resources, subject to concurrence of another board member. This process is consistent with existing statute.

For complex cases where the amount of tax involved is significant, the Administrator can now assign more than the typical two Board members to hear the appeal. The Administrator may also order a pre-hearing conference in order to simplify the hearings for these appeals.

2-b: "Seek an opinion from the Attorney General as to whether the Division currently has the authority to issue summary orders or whether statutory changes are needed. If statutory changes are needed, the Division should work with the Department of Local Affairs to pursue the statutory authority for the Board to issue summary orders as well as full orders".

Partially Implemented -- The Division has requested a written opinion from the Attorney General. The Division has not received the written opinion from the Attorney General; however, it has consulted with the Governor's Office and met with the Legislative Audit Committee concerning potential sponsorship of a bill to alter statute. The Legislative Audit Committee referred the matter to Legislative Legal Services to draft a bill for review by the committee.

2-c: "Develop and implement a process for holding prehearing conferences, either on a regular basis or as an option available to taxpayer petitioners and county respondents".

Implemented -- The BAA has developed and implemented a process for holding pre-hearing conferences. Taxpayers and counties now have an option to request a pre-hearing conference. This option is listed on the BAA's web page. The Board has also granted a delegation to the Administrator to schedule pre-hearing conferences and mediation sessions for pending appeals in order to ascertain facts about the appeals and to assist the parties in narrowing the issues to be resolved at hearing.

2-d: "Increase the facilitator services offered to parties, especially those less likely to be familiar with hearing processes".

Implemented -- The Division has increased facilitator services. The Division now offers facilitator services that are designed to facilitate communication and clarify issues and help parties analyze the strengths and weaknesses of their cases. Specifically, the Board has granted the Administrator a delegation to set cases for mediation and pre-hearing conferences. The Division has hired staff with the skill set to provide mediation and pre-hearing conferences. The Division offers all parties the ability to request pre-hearing conferences with the Board's staff. The Division also has a process in place to facilitate the resolution of cases through mediation. Mediation sessions are used in non-complex cases where the amount of tax involved is small. For those cases where mediation is unsuccessful, the Division has the opportunity to meet with the taxpayer prior to the hearing in order to facilitate a better understanding of the hearing process.

Exchange of Information
Auditors reviewed data gleaned from 100 petitions with hearings held between January 1, 2010, and June 30, 2011, including the BAA's case management system records reflecting dates hearings were held for these petitions and dates the parties exchanged information. Additionally, they interviewed 16 county assessors and conducted an online survey of 161 parties with appeals resolved during Calendar Year 2010, including taxpayer petitioners, petitioner representatives, and county respondent representatives. Finally, auditors compiled information from 35 other state tax appeals bodies as a comparison.

Some taxpayer petitioners do not comply with the BAA's exchange of information rule. Of the 100 cases reviewed, taxpayer petitioners submitted documentation in 84 cases, and the taxpayer petitioners in these cases submitted documentation to county respondents on or before the 10-day deadline for exchanging information in 62 (74 percent) of the 84 cases. The remaining taxpayer petitioners submitted documentation to county respondents either at the hearing or fewer than 10 days prior to the hearing. In addition, while most taxpayer petitioners do not submit rebuttal documentation, in cases in which they did, they rarely submitted documentation at least 3 days prior to the hearing, as prescribed by BAA rules.

The requirement for exchanging information prior to a hearing is intended to ensure that each party has a fair opportunity to review all pertinent evidence before the hearing. Failure to provide both sides with this opportunity can place one side at an undue disadvantage, resulting in an unfair proceeding.

To address this issue, the auditors recommend that the BAA do the following.

3-a: "Continue to develop and distribute 'helpful hints' and clear informational materials regarding requirements to exchange information prior to a hearing".

> Implemented -- The Division has updated its "helpful hints" and informational materials regarding requirements to exchange information prior to hearing. The updated helpful hints and informational materials include new brochures that are available on the Board's web page, in the Board's office and by mail. The new brochures include two brochures that specifically address the document exchange requirement: (1) "Dos and Dont's for Residential Appeals"; and (2) "Document Exchange Requirement AKA 'How NOT to Lose Your Appeal'".

3-b: "Develop a standard process for handling cases in which one of the parties did not comply with the rule, including establishing criteria under which the Board can decide to accept evidence not exchanged in compliance with its rule and allowing a party to request a continuance in cases in which a party may be placed at a disadvantage due to the opposing party's failure to comply with the rule. This process should also address how the Board will handle information sharing under the requirements of Senate Bill 11-119".

> Partially Implemented -- The Division has begun to develop a standard process for handling cases in which one of the parties did not comply with Rule 11. The Administrator for the Board has reviewed the issue and will be presenting suggested

criteria to Board members for input prior to finalizing the policy. This process will be fully implemented by December 31, 2012.

3-c: "Evaluate the need to extend the time frames so that parties are required to exchange information earlier than 10 days prior to the hearing and to provide rebuttal information earlier than 3 days prior to the hearing, and based on this evaluation, amending the Board rule as necessary. In doing so, this may require communicating with taxpayer petitioners earlier in the process to further facilitate adherence to the exchange of information rule".

Implemented -- The Division gathered input from Board members and discussed the issue with attorneys representing parties in BAA appeals. The Division has suggested amending Board Rule 11(b).

The suggested rule change in Rule 11 (b) relates to the timing of document exchanges by the parties in BAA appeals. The Division has suggested that the period of time of 10 business days be extended to 30 calendar days. The purpose of the change is to allow the parties to have more time to review each other's documentation prior to the hearing and is part of the Department of Local Affairs' Regulatory Agenda for Calendar Year 2013. The Regulatory Agenda was submitted pursuant to HB 12-1008. In preparing for possible rule-making, the Division will establish an appropriate representative group and procedures to solicit input from the representative group. Prior to commencing rule-making, the Division will also comply with Executive Order 5 (E05), which requires state rule making agencies to consult with and engage local governments prior to the promulgation of any rules containing mandates. The Division anticipates completing rulemaking concerning this issue during calendar year 2013.

Board Training

The auditors reviewed BAA requirements, policies, and practices with respect to the training provided to Board members. They conducted an online survey of 161 parties who filed petitions with and/or appeared before the Board during Calendar Year 2010, and the auditors reviewed the training requirements in 35 state tax appeals bodies as a comparison.

The report states that Board training needs to be strengthened to support Board members' ability to issue decisions that are fair, impartial, and timely. More specifically, the auditors found that the BAA lacks formalized training in areas such as presiding over hearings, writing decisions, or otherwise serving as hearing officers. And while Board members are statutorily required to be licensed appraisers, but there is no requirement that they receive broader taxation or legal training. There are also no requirements for continuing professional education or training specifically tailored to their roles as hearing officers.

To address this, auditors recommend that the BAA do the following.

4: "Develop a prescribed professional training program that is designed to expose Board members to professional practices that are outside their own specific backgrounds or expertise, and that are pertinent to their roles as hearing officers in a quasi-judicial body. The program should include monitoring and tracking the training received and professional development needs of Board members on an ongoing basis."

> Implemented -- The Division has implemented a prescribed professional training program that is designed to expose Board members to professional practices that are outside their own specific backgrounds or expertise, and that are specifically pertinent to their roles as hearing officers in a quasi-judicial body. Effective in 2013, Board members will have access to an extensive library of training materials through membership in the National Association of Hearing Officials (NAHO), including video recordings of faculty workshops on topics that include evidence, recent developments in administrative law, credibility and decision writing. The Administrator for the Board will suggest training topics and monitor the training received by Board members on an ongoing basis.

Customer Service
Auditors reviewed the informational materials and customer service provided by the BAA to taxpayer petitioners and county respondents. In addition informational materials and assistance provided to parties by the 35 state tax appeals bodies in the benchmark survey were analyzed. Finally, the auditors conducted an online survey of 161 parties who filed petitions with and/or appeared before the Board during Calendar Year 2010 to obtain their perspectives on the quality of customer service provided by the BAA.

Some taxpayer petitioners did not believe the information and assistance provided by the BAA prior to the hearing are sufficient. Between 15 and 46 percent of the 122 taxpayer petitioners responding to the survey described above felt that the information and assistance provided by the BAA was either "poor" or "fair". Additionally, the respondents felt either "very dissatisfied" or "dissatisfied", depending on the specific question asked. More specifically, taxpayer petitioners reported confusion over rules regarding the exchange of information, the type of evidence that is admissible, questioning and cross-examining witnesses, and objections, as well as confusion over the types of evidence expected (such as fee appraisals) and the different types of evidence that are admissible at hearings. Finally, some respondents expressed surprise at the formality of the hearing process, and particularly by the adversarial nature of the proceeding.

To address this issue, the auditors recommend that the BAA do the following.

5-a: "Continue to improve the informational materials available to parties, including the information provided on the website as well as hard copy brochures and pamphlets. For example, the informational materials should provide "helpful hints" and information regarding what to expect during the hearing process; provide information describing the difference between mass and fee appraisals; provide information on common procedural rules, such as requirements to exchange information; describe the types of evidence expected and the weight and credibility generally given to evidence of different types; and clearly articulate the formality and adversarial nature of the hearing process".

> Implemented -- The Division has improved its informational materials, including "helpful hints" and information regarding what to expect during the hearing process; information describing the difference between mass and fee appraisals; information on common

procedural rules, such as requirements to exchange information; information describing the types of evidence expected and the weight and credibility generally given to evidence of different types; information articulating the formality and adversarial nature of the hearing process.

The helpful hints and materials include the following: a brochure entitled, "Instructions For Taxpayers -- What to Expect at Your Hearing"; a video entitled, "What to Expect at Your Hearing"; a brochure entitled, "Dos and Don'ts for Residential Appeals"; a brochure entitled, "Document Exchange Requirement AKA 'How NOT to Lose Your Appeal'"; a brochure entitled, The County's Evidence 'That's NOT What They Said Before'"; a brochure entitled, "BAA Hearings -- Lawyer Required???? 'This Kind of Feels Like an Episode of Perry Mason'"; a brochure entitled, "Base Period Example 'This Sale, NOT that Sale'"; and a brochure entitled, "Understanding Property Taxes in Colorado (Includes Assessor Phone Numbers)".

5-b: "Provide online information related to case status, as information technology resources permit".

Not Implemented -- Due to resource limitations, the Division has not started implementation of this item. The Division anticipates beginning implementation of this item during the first quarter of 2013.

5-c: "Develop and report performance statistics on its website".

Not Implemented -- Due to resource limitations, the Division has not started implementation of this item. The Division anticipates beginning implementation of this item during the first quarter of 2013.

Filing Fees
Auditors reviewed the BAA's filing fee structure set forth in statute, and also examined the fees charged by 29 state tax appeals bodies in the benchmark survey, as well as the fees charged for filing a case in the Colorado district courts.

The auditors found that modifications to filing fees warrant consideration in order to offset the cost to the State of operating the BAA, allow reasonable access to the BAA, and discourage taxpayer petitioners from filing frivolous appeals. In addition, the BAA's filing fees were found to not be consistent with those in other jurisdictions that charge fees. More specifically audit includes the following statistics.

- "Filing fees covered only about 35 percent of the Division's total budget in Fiscal Year 2011. The most that a taxpayer petitioner pays in filing fees is $101.25, which covers just more than 20 percent of the direct minimum cost of hearings ($450)".

- "The Division's filing fees are less than half of the filing fee required by the Colorado district courts—$101.25 for represented cases filed with the Division and $0 for the first two pro se cases filed, compared with $224 for civil filing fees with the district courts. In itself, this is not a problem. However, it does suggest that room exists for the State to consider modifications to filing fees".

- "The statutory requirement that pro se taxpayer petitioners not pay filing fees for the first two petitions filed each fiscal year and only pay a reduced fee for the third and subsequent petitions filed is not consistent with benchmark jurisdictions, which do not determine filing fee amounts based on the characteristics of the petitioner. Even a first time pro se filing in a small claims court in Colorado carries a fee of $31".

To address this issue, the auditors recommend that the BAA do the following.

6: "reevaluate its fee structure in terms of whether fees should be based on the characteristics of the assessed property or on the characteristics of the petitions, and in terms of the fee amounts charged to petitioners as a cost-recovery mechanism".

> Partially Implemented -- The Division has evaluated its fee structure in terms of whether the fees should be based on the characteristics of the assessed property or on the characteristics of the petitions, and in terms of the fee amounts charged to petitioners as a cost-recovery mechanism. The Division has consulted with the Governor's Office regarding a statutory change and met with the Legislative Audit Committee concerning potential sponsorship of a bill. The Legislative Audit Committee referred the matter to Legislative Legal Services to draft a bill for review.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The BAA mission is to provide "an accessible forum for resolving taxpayer valuation and exemption appeals in a fair, impartial and timely manner". Two of the primary objectives within this overarching mission are to "ensure taxpayer appeals are resolved on a timely basis through the efficient use of available resources" and "improve accessibility to a fair and impartial hearing process for taxpayers". The BAA Performance Measures for these objectives in FY 2012-13 are 3,360 petitions resolved and 11 educational and outreach activities.

Implementation of the audit recommendations should increase the number of cases the Division is able to resolve annually. Additionally, the Division's efforts to implement the audit recommendations should increase the level of education for all parties, allowing for more appeals to be settled without a hearing; and in those cases where a hearing cannot be avoided, resulting in shorter, more efficient hearings.

Issue: Appropriations Tied to Fire Response/Recovery

House Bill 12-1283 consolidates the State's fire prevention and control and homeland security and emergency management functions, personnel, and resources within the Department of Public Safety. This issue brief provides a brief overview of the bill and the impact on DOLA's fire prevention and response duties. Additionally, the issue brief discusses fire response protocols and fund sources prior to the enactment of H.B. 12-1283.

SUMMARY:

- House Bill 12-1283 consolidates the State's fire prevention and control and homeland security and emergency management functions, personnel, and resources within the Department of Public Safety.

- The Governor has primary responsibility for disaster response. Once the Governor declares a disaster emergency, he can take a number of actions, including re-directing available resources and transferring and expending state moneys appropriated for other purposes.

- Fire payment involves all levels of government and has several funding sources. These include the Emergency Fire Fund, Federal Emergency Management Agency grants, and moneys from the State Disaster Emergency Fund that the Governor may make available.

DISCUSSION:

In 1992, the General Assembly adopted the *Colorado Disaster Emergency Act of 1992*[1]. The stated purposes of this Act were to:

- Reduce the vulnerability of individuals and communities to damage, injury, and loss of life and property due to disasters;

- Prepare for prompt and efficient search, rescue, recovery, care, and treatment of individuals in the event of a disaster or emergency;

- Provide a setting conducive to the rapid and orderly start of restoration and rehabilitation following a disaster;

- Clarify and strengthen the roles of the Governor, state agencies, and local governments in preventing, preparing for, responding to, and recovering from disasters; and

- Authorize and provide for cooperation and coordination of disaster-related activities by local, state, and federal agencies.

[1] See Part 21 of Title 24, Article 32, C.R.S. This Part was added through S.B. 92-36, sponsored by the Joint Budget Committee, which eliminated the Division of Disaster Emergency Services in DPS and assigned its powers, duties, and functions to DOLA.

House Bill 12-1283

House Bill 12-1283, repealed Part 21 of Title 24, Article 32, C.R.S. The bill consolidates the State's fire prevention and control and homeland security and emergency management functions, personnel, and resources within the Department of Public Safety (DPS). The legislation:

- Eliminates the Office of Preparedness, Security, and Fire Safety and moves all of its former functions to the Division of Fire Prevention and Control;
- Transfers to the Division of Fire Prevention and Control the powers and obligations relating to fire preparedness, response, suppression, coordination, and management vested previously in the State Forest Service and the board of governors of the Colorado State University;
- Codifies the consolidation of Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030 into a new Division of Homeland Security and Emergency Management, consisting of the Office of Emergency Management, Office of Prevention and Security, and Office of Preparedness;
- Eliminates DOLA's Division of Emergency Management and transfers its functions, personnel, and resources to the newly created Division of Homeland Security and Emergency Management; and
- Moves appropriations from the Governor's Office, Department of Higher Education, Department of Local Affairs, and Department of Public Health and Environment into the new Division of Fire Prevention and Control and the new Division of Homeland Security and Emergency Management.

Appropriations and Adjustments to the 2012 Long Bill (H.B. 12-1335) in H.B. 12-1283

Department/Division	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Governor, Office of Homeland Security	($10,201,205)	(6.0)	$0	$0	$0	($10,201,205)
Higher Education, Fee-for-service Contracts with State Institutions and Board of Governors of the Colorado State University System	(620,090)	(35.4)	(310,045)	0	(310,045)	0
Local Affairs, Division of Emergency Management and EDO	(20,075,990)	(27.9)	(380,575)	(4,510,988)	(349,977)	(14,834,450)
Public Health and Environment, Emergency Preparedness and Response Division	(147,729)	(2.0)	(147,729)	0	0	0
Public Safety, Various	36,608,071	71.3	838,349	10,129,020	349,977	25,290,725
TOTAL	**$5,563,057**	**0.0**	**$0**	**$5,618,032**	**($310,045)**	**$255,070**

Fire Response and Recovery Procedures

Declaration of a Disaster Emergency
The Governor is required to declare a disaster emergency if he finds a disaster has occurred or the threat of a disaster is imminent. The Governor's declaration must indicate the nature of the disaster, the area threatened, and the conditions which have brought it about. The Governor's declaration of a state of disaster emergency activates state, local, and inter-jurisdictional disaster emergency plans. During a state of disaster emergency, the Governor is authorized to:

- Issue executive orders, proclamations, and regulations that have the force and effect of law;
- Suspend statutory regulatory provisions and redirect state agency functions and personnel;
- Utilize all available resources of the State and each political subdivision;
- Commandeer or utilize any private property (which may or may not include compensation, depending on applicable state laws);
- Compel evacuations and control access to disaster areas;
- Prescribe routes, modes of transportation, and destinations in connection with evacuation;
- Suspend or limit the sale, dispensing, or transportation of alcoholic beverages, firearms, explosives, or combustibles; and
- Make provision for the availability and use of temporary emergency housing.

The Governor's Disaster Emergency Council is responsible for advising the Governor and the Director of the Division of Emergency Management concerning the declaration of disasters and disaster response and recovery activities. The Council consists of the Attorney General; the Adjutant General (head of the Department of Military and Veterans Affairs); the Executive Directors of the Departments of Personnel, Transportation, Public Safety, and Natural Resources; and any additional Executive Directors appointed by the Governor[4].

The emergency response to wildfires is treated somewhat differently than for other disasters. When a wildfire exceeds the capacity of a local government to respond, and the fire poses an immediate or imminent threat to life and property, the local government may request that the State assume responsibility for managing the response to the fire. The State analyzes the requests from local governments and manages the response.

[4] See Section 24-33.5-704, C.R.S. Please note that Section 24-33.5-711.5, C.R.S., also creates the *Governor's Expert Emergency Epidemic Response Committee* to advise to the Governor in the event of an emergency epidemic.

Funding for Declared Emergencies Prior to H.B. 12-1283

Fire payment involves all levels of government and has several different funding sources that can be triggered in various situations. The following briefly outlines the processes for making payments and receiving reimbursements prior to the passage of H.B. 12-1283. The ongoing consolidation of fire prevention and response may alter some of these procedures. JBC staff will provide an update on fire preparedness and response procedures during the briefing for DPS.

- A majority of fires begin as a responsibility of the local fire department/fire protection district and then the county sheriff.

- If the fire exceeds local capacity, and if the county is a member of the Emergency Fire Fund (EFF), which is supported by voluntary payments from counties, the local government may request that the responsible state agency (formerly the Colorado State Forest Service-CSFS) assume responsibility for fire suppression efforts through the EFF.

- The state agency would then assess whether criteria for assuming the fire are met, and if so, the State uses EFF funds to assist with paying the costs associated with the fire.

- If the fire is an imminent threat to multiple lives and primary residences, the State may determine that the fire meets the criteria for Federal Emergency Management Agency (FEMA) assistance. The responsible agency (again formerly the CSFS) would submit a request for assistance to FEMA, which could accept the request and authorize a Fire Management Assistance Grant (FMAG).

- The FMAG Program reimburses the state for 75% of the eligible fire-fighting and other immediately related costs that are eligible within the FEMA program.

- The State is responsible for the required 25% non-federal match to the FMAG Program grant. Additionally, the state must first pay all of the assisting agencies that were requested to and participated in the fire response.

- Prior to H.B. 12-1283, the CSFS would work to request an Executive Order for the estimated suppression costs along with any additional response and recovery costs anticipated at this stage of the fire. The Governor's Office would pass all funds from the Disaster Emergency Fund through the Division of Emergency Management within DOLA.

- Critically, the requirement for the state to make the payments and then submit reimbursement requests to FEMA for up to 75% of the expended funds requires that any Executive Order be sufficient to pay for 100% of the costs, as local assisting fire departments cannot absorb the out of pocket costs for the period necessary.

- Finally, DOLA would return the funds received from FEMA to the Governor's Office to be available for the next disaster. (Funds in the Disaster Emergency Fund do not revert at the end of the fiscal year; they remain available until expended on a declared disaster)

Federal Fire Aid

As mentioned above, the federal government does have guidelines for when it will make payments, although the federal executive branch reserves the right to make exceptions. There are two main types of federal disaster aid:

- *Public Assistance* is available for states, local governments, Indian tribes, and private non-profit organizations that perform essential services of a government nature (*e.g.,* medical facilities, utilities, and long-term care facilities). Work eligible for federal funding includes: debris removal, search and rescue, warning of hazards, demolition of unsafe structures, and restoration or replacement of damaged infrastructure. In evaluating a request for public assistance, the federal government considers the estimated cost of assistance per capita. The federal government does not pay for costs actually covered by insurance, for costs it determines should be covered by insurance, or for "normal" functions of emergency personnel such as police officers and firefighters.

- *Individual Assistance* is available to cover costs that are not covered by insurance related to temporary housing, basic repairs to make homes habitable, transportation, medical and dental care, funeral expenses, crisis counseling, legal aid, and assistance with filing income taxes and applying for social security and veterans' benefits. Federal emergency funds also support low-interest loans for repair or replacement of homes, automobiles, clothing or other damaged personal property, and business equipment. Generally, at least 100 homes need to be affected before the federal government provides individual assistance.

Federal funds provided through these programs reimburse up to 75 percent of all eligible costs, and the federal government requires that states and/or local governments provide the remaining 25 percent as a match. The State uses the Disaster Emergency Fund to provide its share.

State Fire Aid

Section 24-33.5-706, C.R.S., asserts the "policy of the state that funds to meet disaster emergencies shall always be available." This provision indicates that first recourse shall be funds regularly appropriated to state and local agencies. The State (formerly the Colorado State Forest Service) has responsibility for requesting federal funds that may be available to suppress fires, and it administers the Wildfire Emergency Response Fund to help defray the costs of response. In addition, the State administers EFF, a program through which counties voluntarily pay a fee (based on the assessed value of property in the county and the forested acreage in the county) that is credited to the fund. Contributing counties are eligible for reimbursement in the event of a fire.

In recent years, the EFF has not been sufficient to cover all fire response-related costs. The Colorado State Forest Service has asked the Governor for and received state funds to supplement the money available from the EFF. Pursuant to 24-33.5-706, C.R.S., the Governor may (with the concurrence of the Disaster Emergency Council) make funds available from the Disaster Emergency Fund. This Fund consists of moneys appropriated thereto by the General Assembly; unexpended moneys remain in the Fund at fiscal year-end. If moneys in the Fund are insufficient, the Governor may (again, with the concurrence of the Council) "transfer and expend moneys appropriated for other purposes".

When the Governor transfers funds in order to reimburse local governments or citizens for costs associated with disasters, or to match federal disaster aid, such transfers generally flow through the Disaster Emergency Fund. All of the transfers have been from funds that were designated by the General Assembly as part of the Taxpayer's Bill of Rights (TABOR) reserve[1]. Please note that the actual amounts transferred may be lower than the amounts authorized. In addition, expenditures from the Fund often occur in two or more fiscal years—meaning that an existing fund balance may not accurately represent what is available for future fires.

Appropriations Related to the Disaster Emergency Fund

The FY 2012-13 Long Bill includes a $4,950,000 appropriation to DOLA's now-defunct Division of Emergency Management for a line item entitled, "Disaster Response and Recovery". This appropriation includes $4,500,000 cash funds exempt from the Disaster Emergency Fund, and $450,000 federal funds. The line item is intended to reflect estimated payments to local responders as well as assistance provided to communities and individuals to help them recover from disasters. As noted above, the Governor (with the concurrence of the Disaster Emergency Council) is statutorily authorized to transfer moneys into the Disaster Emergency Fund and expend moneys from the Fund. Thus, this appropriation has been included as part of DOLA's budget for informational purposes and for purposes of tracking actual expenditures.

JBC staff has found it difficult, however, to quickly gather information related to the Disaster Emergency Fund during the legislative session. While staff at the Department of Local Affairs have been able to provide information related to state funds transferred to the Disaster Emergency Fund, including the amount authorized, the fund source (*i.e.*, which specific fund within the TABOR reserve), the purpose, and the associated Executive Order, it is more difficult to track actual amounts expended and/or encumbered for each emergency at all response levels. This makes it difficult to provide an accurate estimate of resources available within the fund for future disasters in a timely fashion. The consolidation of fire response services within DPS should help to address this issue.

Additionally, the DOLA budget request has not included a "schedule 9" related to the Disaster Emergency Fund [A schedule 9 includes cash flow information for an individual cash fund, including beginning fund balance, revenues, and expenditures for at least four fiscal years.]. Given the magnitude of recent years' transfers, it has been important for the Joint Budget Committee to include a footnote in the Long Bill requesting an annual summary related to the Disaster Emergency Fund, including the amount of state funds actually transferred into the Fund and the expenditure of such moneys. And while the General Assembly has requested information related to the Disaster Emergency Fund from the Department of Local Affairs for FY 2012-13, staff recommends that the Committee ask the Department of Public Safety to provide the information for FY 2013-14 and ongoing.

[1] Moneys in the State's TABOR reserve may only be used for declared emergencies; "emergency" *excludes* economic conditions or revenue shortfalls.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The consolidation of fire prevention and control, homeland security and emergency management functions, personnel, and resources within the Department of Public Safety pursuant to H.B. 12-1283 eliminated the Division of Emergency Management. As a result, corresponding objectives and performance measures have been removed from DOLA's Strategic Plan.

Appendix A: Number Pages

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation

DEPARTMENT OF LOCAL AFFAIRS
Reeves Brown, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

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

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Personal Services	1,104,530	1,247,998	1,269,251	1,269,251	
FTE	11.6	12.7	14.2	14.2	
General Fund	0	0	189,328	0	
Reappropriated Funds	1,104,530	1,247,998	1,079,923	1,269,251	
Health, Life, and Dental	897,953	1,025,108	1,030,191	1,093,002	
General Fund	401,921	398,414	421,810	307,610	
Cash Funds	110,384	133,968	177,444	179,945	
Reappropriated Funds	195,263	311,683	191,685	385,854	
Federal Funds	190,385	181,043	239,252	219,593	
Short-term Disability	16,785	16,198	12,900	18,334	
General Fund	5,052	3,684	3,684	4,783	
Cash Funds	2,757	2,655	2,517	2,923	
Reappropriated Funds	5,310	6,299	4,932	7,062	
Federal Funds	3,666	3,560	1,767	3,566	
S.B. 04-257 Amortization Equalization Disbursement	228,906	249,827	282,459	347,393	
General Fund	78,218	57,604	98,201	90,662	
Cash Funds	24,183	37,042	45,500	55,121	
Reappropriated Funds	64,558	99,646	87,476	133,891	
Federal Funds	61,947	55,535	51,282	67,719	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	167,006	193,147	238,875	313,619	
General Fund	57,034	45,979	83,988	81,848	
Cash Funds	17,622	29,776	39,101	49,762	
Reappropriated Funds	47,100	72,142	74,252	120,874	
Federal Funds	45,250	45,250	41,534	61,135	
Salary Survey	0	0	0	212,596	
General Fund	0	0	0	53,729	
Cash Funds	0	0	0	29,046	
Reappropriated Funds	0	0	0	84,970	
Federal Funds	0	0	0	44,851	
Merit Pay	0	0	0	161,094	
General Fund	0	0	0	45,105	
Cash Funds	0	0	0	22,235	
Reappropriated Funds	0	0	0	61,246	
Federal Funds	0	0	0	32,508	
Workers' Compensation	49,163	45,762	50,847	92,157	
General Fund	45,713	42,551	46,963	85,133	
Cash Funds	1,484	1,441	1,743	3,148	
Reappropriated Funds	1,966	1,770	2,141	3,876	
Operating Expenses	260,445	126,018	144,650	144,650	
Reappropriated Funds	119,105	126,018	132,888	132,888	
Federal Funds	141,340	0	11,762	11,762	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Legal Services	127,068	109,839	138,278	138,278	
General Fund	87,392	109,839	125,719	125,719	
Cash Funds	6,167	0	6,364	6,364	
Reappropriated Funds	1,238	0	1,277	1,277	
Federal Funds	32,271	0	4,918	4,918	
Purchase of Services from Computer Center	641,820	404,003	797,550	914,973 *	
General Fund	200,536	227,743	242,858	67,891	
Reappropriated Funds	153,436	176,260	185,657	478,047	
Federal Funds	287,848	0	369,035	369,035	
Multiuse Network Payments	113,847	26,372	52,978	101,397	
General Fund	15,066	21,737	21,737	39,991	
Cash Funds	1,291	1,874	1,875	5,317	
Reappropriated Funds	1,902	2,761	2,761	29,484	
Federal Funds	95,588	0	26,605	26,605	
Management and Administration of OIT	109,774	63,596	7,357	28,984	
General Fund	5,804	5,869	5,162	20,336	
Reappropriated Funds	56,372	57,727	2,195	8,648	
Federal Funds	47,598	0	0	0	
Payment to Risk Management and Property Funds	5,411	13,519	14,752	37,419 *	
General Fund	5,032	12,613	13,727	34,820	
Cash Funds	258	689	915	2,321	
Reappropriated Funds	121	100	110	278	
Federal Funds	0	117	0	0	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Vehicle Lease Payments	124,720	118,834	95,924	95,924	
General Fund	99,150	95,952	77,667	77,667	
Reappropriated Funds	25,570	22,882	18,257	18,257	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	142,438	80,469	104,793	104,793	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	12,571	8,546	13,049	13,049	
Reappropriated Funds	37,507	37,507	37,507	37,507	
Federal Funds	62,447	4,503	24,324	24,324	
Leased Space	93,063	34,174	109,669	109,669	
General Fund	22,376	22,376	22,376	22,376	
Reappropriated Funds	6,128	11,798	22,734	22,734	
Federal Funds	64,559	0	64,559	64,559	
Capitol Complex Leased Space	462,354	418,529	466,108	584,333 *	
General Fund	160,064	163,800	160,000	204,998	
Cash Funds	24,279	14,699	24,463	31,343	
Reappropriated Funds	211,399	240,030	235,907	302,254	
Federal Funds	66,612	0	45,738	45,738	
Communication Services Payments	48,262	7,032	34,736	36,921	
General Fund	6,290	7,032	8,847	11,032	
Federal Funds	41,972	0	25,889	25,889	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
COFRS Modernization	0	0	157,503	157,503	
General Fund	0	0	104,883	104,883	
Reappropriated Funds	0	0	52,620	52,620	
Federal Funds	0	0	0	0	
Moffat Tunnel Improvement District	0	0	137,444	137,444	
Cash Funds	0	0	137,444	137,444	
TOTAL - (1) Executive Director's Office	4,593,545	4,180,425	5,146,265	6,099,734	18.5%
FTE	11.6	12.7	14.2	14.2	0.0%
General Fund	1,219,561	1,245,106	1,656,863	1,408,496	(15.0%)
Cash Funds	200,996	230,690	450,415	538,018	19.4%
Reappropriated Funds	2,031,505	2,414,621	2,132,322	3,151,018	47.8%
Federal Funds	1,141,483	290,008	906,665	1,002,202	10.5%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
(2) PROPERTY TAXATION					
This section provides funding for the Division of Property Taxation, the State Board of Equalization, and the Board of Assessment Appeals.					
Division of Property Taxation	2,357,162	2,419,257	2,635,455	2,635,455	
FTE	32.4	30.0	36.7	36.7	
General Fund	1,107,330	1,060,205	945,981	945,981	
Cash Funds	628,598	674,172	853,525	853,525	
Reappropriated Funds	621,234	684,880	835,949	835,949	
State Board of Equalization	10,317	12,856	12,856	12,856	
General Fund	10,317	12,856	12,856	12,856	
Board of Assessment Appeals	543,001	522,427	555,831	555,831	
FTE	13.2	11.9	13.2	13.2	
General Fund	188,864	182,039	310,884	500,212	
Reappropriated Funds	354,137	340,388	244,947	55,619	
Indirect Cost Assessment	222,254	255,011	280,725	280,725	
Cash Funds	94,246	128,354	161,157	161,157	
Reappropriated Funds	128,008	126,657	119,568	119,568	
TOTAL - (2) Property Taxation	3,132,734	3,209,551	3,484,867	3,484,867	0.0%
FTE	45.6	41.9	49.9	49.9	0.0%
General Fund	1,306,511	1,255,100	1,269,721	1,459,049	14.9%
Cash Funds	722,844	802,526	1,014,682	1,014,682	0.0%
Reappropriated Funds	1,103,379	1,151,925	1,200,464	1,011,136	(15.8%)

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation

(3) DIVISION OF HOUSING

The Division provides financial and technical assistance to help communities provide affordable housing, it administers state and federal affordable housing programs, and it regulates the manufacture of factory-built residential and commercial buildings.

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Personal Services	1,534,033	2,024,401	2,502,207	2,502,207	
FTE	20.7	40.0	40.4	40.4	
General Fund	367,276	361,674	364,006	364,006	
Cash Funds	64,774	48,828	75,478	75,478	
Reappropriated Funds	149,619	147,859	149,909	149,909	
Federal Funds	952,364	1,466,040	1,912,814	1,912,814	
Operating Expenses	365,717	24,608	324,140	324,140	
General Fund	24,608	24,608	25,903	25,903	
Federal Funds	341,109	0	298,237	298,237	
Manufactured Buildings Program	401,496	419,485	692,830	692,830	
FTE	6.2	6.2	7.3	7.3	
Cash Funds	401,496	419,485	692,830	692,830	
Colorado Affordable Housing Construction Grants and Loans	2,225,000	2,000,000	2,200,000	2,200,000	
General Fund	2,225,000	2,000,000	2,200,000	2,200,000	
Cash Funds	0	0	0	0	
Federal Affordable Housing Construction Grants and Loans	15,817,334	6,648,272	45,000,000	45,000,000	
Federal Funds	15,817,334	6,648,272	45,000,000	45,000,000	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request		Request vs. Appropriation
Emergency Shelter Program	957,687	993,440	965,000	965,000		
Federal Funds	957,687	993,440	965,000	965,000		
Private Activity Bond Allocation Committee	965	1,820	2,500	2,500		
Cash Funds	965	1,820	2,500	2,500		
Low Income Rental Subsidies	19,296,571	43,662,790	36,884,430	38,884,430	*	
General Fund	0	0	0	2,000,000		
Federal Funds	19,296,571	43,662,790	36,884,430	36,884,430		
Indirect Cost Assessment	341,209	95,668	477,793	477,793		
Cash Funds	47,498	56,195	125,194	125,194		
Reappropriated Funds	61,462	39,473	56,993	56,993		
Federal Funds	232,249	0	295,606	295,606		
Ft Lyon Transitional Theraeutic Residential Community	0	0	0	2,740,852	*	
General Fund	0	0	0	2,740,852		
Homeless Prevention and Rapid Re-Housing Program	3,989,754	0	0	0		
Reappropriated Funds	0	0	0	0		
Federal Funds	3,989,754	0	0	0		
TOTAL - (3) Division of Housing	44,929,766	55,870,484	89,048,900	93,789,752		5.3%
FTE	26.9	46.2	47.7	47.7		0.0%
General Fund	2,616,884	2,386,282	2,589,909	7,330,761		183.1%
Cash Funds	514,733	526,328	896,002	896,002		0.0%
Reappropriated Funds	211,081	187,332	206,902	206,902		0.0%
Federal Funds	41,587,068	52,770,542	85,356,087	85,356,087		0.0%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation

(4) DIVISION OF LOCAL GOVERNMENTS

This division provides information and training for local governments in budget development, purchasing, demographics, land use planning, and regulatory issues; and it manages federal and state funding programs to support infrastructure and local services development.

(A) Local Government and Community Services

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
(I) Administration					
Personal Services	1,310,078	1,106,689	1,296,075	1,296,075	
FTE	15.7	16.1	17.7	17.7	
General Fund	597,469	586,296	245,057	245,057	
Reappropriated Funds	528,540	520,393	920,885	920,885	
Federal Funds	184,069	0	130,133	130,133	
Operating Expenses	84,073	65,212	131,351	131,351	
General Fund	40,069	40,069	42,178	42,178	
Reappropriated Funds	22,549	25,143	25,146	25,146	
Federal Funds	21,455	0	64,027	64,027	
SUBTOTAL - (I) Administration	1,394,151	1,171,901	1,427,426	1,427,426	0.0%
FTE	15.7	16.1	17.7	17.7	0.0%
General Fund	637,538	626,365	287,235	287,235	0.0%
Reappropriated Funds	551,089	545,536	946,031	946,031	0.0%
Federal Funds	205,524	0	194,160	194,160	0.0%
(II) Local Government Services					
Local Utility Management Assistance	143,250	154,429	155,434	155,434	
FTE	1.8	2.0	2.0	2.0	
Cash Funds	143,250	154,429	155,434	155,434	

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Conservation Trust Fund Disbursements	45,328,468	49,279,076	49,997,797	49,997,797	
FTE	1.9	2.0	2.0	2.0	
Cash Funds	45,328,468	49,279,076	49,997,797	49,997,797	
Volunteer Firefighter Retirement Plans	4,281,892	4,358,691	4,264,753	4,264,753	
General Fund Exempt	4,281,892	4,358,691	4,264,753	4,264,753	
Volunteer Firefighter Death and Disability Insurance	21,065	21,065	30,000	30,000	
General Fund Exempt	21,065	21,065	30,000	30,000	
Environmental Protection Agency Water/Sewer File Project	49,817	49,425	49,425	49,425	
FTE	0.4	0.3	0.5	0.5	
Federal Funds	49,817	49,425	49,425	49,425	
SUBTOTAL - (II) Local Government Services	49,824,492	53,862,686	54,497,409	54,497,409	0.0%
FTE	4.1	4.3	4.5	4.5	0.0%
General Fund Exempt	4,302,957	4,379,756	4,294,753	4,294,753	0.0%
Cash Funds	45,471,718	49,433,505	50,153,231	50,153,231	0.0%
Federal Funds	49,817	49,425	49,425	49,425	0.0%
(III) Community Services					
Community Services Block Grant	10,131,223	4,760,229	6,000,000	6,000,000	
Federal Funds	10,131,223	4,760,229	6,000,000	6,000,000	
SUBTOTAL - (III) Community Services	10,131,223	4,760,229	6,000,000	6,000,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Federal Funds	10,131,223	4,760,229	6,000,000	6,000,000	0.0%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request		Request vs. Appropriation
SUBTOTAL - (A) Local Government and Community Services	61,349,866	59,794,816	61,924,835	61,924,835		0.0%
FTE	19.8	20.4	22.2	22.2		(0.0%)
General Fund	637,538	626,365	287,235	287,235		0.0%
General Fund Exempt	4,302,957	4,379,756	4,294,753	4,294,753		0.0%
Cash Funds	45,471,718	49,433,505	50,153,231	50,153,231		0.0%
Reappropriated Funds	551,089	545,536	946,031	946,031		0.0%
Federal Funds	10,386,564	4,809,654	6,243,585	6,243,585		0.0%
(B) Field Services						
Program Costs	2,679,209	2,305,001	2,344,543	5,344,543	*	
FTE	27.1	20.0	27.9	28.9		
General Fund	0	0	0	3,000,000		
Cash Funds	105,289	105,778	104,796	104,796		
Reappropriated Funds	1,663,982	1,962,052	1,945,826	1,945,826		
Federal Funds	909,938	237,171	293,921	293,921		
Community Development Block Grant	20,767,074	10,313,968	9,697,000	9,697,000		
Federal Funds	20,767,074	10,313,968	9,697,000	9,697,000		
Local Government Mineral and Energy Impact Grants and Disbursements	205,213,806	86,789,460	150,000,000	150,000,000		
Cash Funds	205,213,806	86,789,460	150,000,000	150,000,000		
Local Government Limited Gaming Impact Grants	4,678,145	4,752,395	3,897,427	3,897,427		
General Fund	0	0	1,000,000	1,000,000		
Cash Funds	4,678,145	4,752,395	2,897,427	2,897,427		

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Search and Rescue Program	409,232	423,681	613,713	613,713	
FTE	1.2	1.1	1.3	1.3	
Cash Funds	409,232	423,681	613,713	613,713	
Colorado Heritage Communities Grants	57,245	0	100,000	100,000	
Cash Funds	57,245	0	100,000	100,000	
SUBTOTAL - (B) Field Services	233,804,711	104,584,505	166,652,683	169,652,683	1.8%
FTE	28.3	21.1	29.2	30.2	3.4%
General Fund	0	0	1,000,000	4,000,000	300.0%
Cash Funds	210,463,717	92,071,314	153,715,936	153,715,936	0.0%
Reappropriated Funds	1,663,982	1,962,052	1,945,826	1,945,826	0.0%
Federal Funds	21,677,012	10,551,139	9,990,921	9,990,921	0.0%
(C) Indirect Cost Assessments					
Indirect Cost Assessments	871,547	855,045	980,563	980,563	
Cash Funds	119,149	74,741	156,097	156,097	
Reappropriated Funds	617,781	721,137	698,052	698,052	
Federal Funds	134,617	59,167	126,414	126,414	
SUBTOTAL - (C) Indirect Cost Assessments	871,547	855,045	980,563	980,563	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	119,149	74,741	156,097	156,097	0.0%
Reappropriated Funds	617,781	721,137	698,052	698,052	0.0%
Federal Funds	134,617	59,167	126,414	126,414	0.0%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
TOTAL - (4) Division of Local Governments	296,026,124	165,234,366	229,558,081	232,558,081	1.3%
FTE	48.1	41.5	51.4	52.4	1.9%
General Fund	637,538	626,365	1,287,235	4,287,235	233.1%
General Fund Exempt	4,302,957	4,379,756	4,294,753	4,294,753	0.0%
Cash Funds	256,054,584	141,579,560	204,025,264	204,025,264	0.0%
Reappropriated Funds	2,832,852	3,228,725	3,589,909	3,589,909	0.0%
Federal Funds	32,198,193	15,419,960	16,360,920	16,360,920	0.0%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
(5) DIVISION OF EMERGENCY MANAGEMENT					
This division assists local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation.					
Administration	3,345,238	2,176,214	0	0	
FTE	28.2	30.1	0.0	0.0	
General Fund	571,685	559,347	0	0	
Reappropriated Funds	65,393	65,133	0	0	
Federal Funds	2,708,160	1,551,734	0	0	
Disaster Response and Recovery	2,785,001	6,640,295	0	0	
Cash Funds	2,785,001	6,267,233	0	0	
Federal Funds	0	373,062	0	0	
Preparedness Grants and Training	9,291,539	11,823,158	0	0	
Cash Funds	0	0	0	0	
Federal Funds	9,291,539	11,823,158	0	0	
Indirect Cost Assessment	328,287	8,076	0	0	
Reappropriated Funds	15,399	8,076	0	0	
Federal Funds	312,888	0	0	0	
TOTAL - (5) Division of Emergency Management	15,750,065	20,647,743	0	0	0.0%
FTE	28.2	30.1	0.0	0.0	0.0%
General Fund	571,685	559,347	0	0	0.0%
Cash Funds	2,785,001	6,267,233	0	0	0.0%
Reappropriated Funds	80,792	73,209	0	0	0.0%
Federal Funds	12,312,587	13,747,954	0	0	0.0%

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
TOTAL - Department of Local Affairs	364,432,234	249,142,569	327,238,113	335,932,434	2.7%
FTE	160.4	172.4	163.2	164.2	0.6%
General Fund	6,352,179	6,072,200	6,803,728	14,485,541	112.9%
General Fund Exempt	4,302,957	4,379,756	4,294,753	4,294,753	0.0%
Cash Funds	260,278,158	149,406,337	206,386,363	206,473,966	0.0%
Reappropriated Funds	6,259,609	7,055,812	7,129,597	7,958,965	11.6%
Federal Funds	87,239,331	82,228,464	102,623,672	102,719,209	0.1%

Appendix B: Recent Legislation Affecting Department Budget

2011 Session Bills

S.B. 11-076: For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by $275,045 total funds, of which $66,014 is General Fund, $35,500 is cash funds, $109,656 is reappropriated funds, and $63,875 is federal funds.

S.B. 11-159: Repeals and reenacts statute related to the distribution of 50.0 percent of the balance remaining in the Limited Gaming Fund that is allocated to the General Fund or other funds (known as the "State share") at the end of FY 2010-11 and each fiscal year thereafter. Specifically, the bill places the following provisions in statute:

- The first $19.2 million of the "State share" shall be transferred to the General Fund;

- Any amount of the "State share" that is greater than $19.2 million, but less than $48.5 million will be transferred as follows:

  - 50.0 percent to the Colorado Travel and Tourism Promotion Fund;
  - 18.0 percent to the Bioscience Discovery Evaluation Cash Fund;
  - 15.0 percent to the Local Government Limited Gaming Impact Fund;
  - 7.0 percent to the Innovative Higher Education Research Fund;
  - 5.0 percent to the New Jobs Incentives Cash Fund;
  - 4.0 percent to the Creative Industries Cash Fund for the purposes of the Council on Creative Industries; and
  - 1.0 percent to the Creative Industries Cash Fund for performance-based film incentives.

- Any amount of the "State share" that is greater than $48.5 million will be transferred to the General Fund;

- Any moneys slated for transfer to programs that have been repealed or discontinued statutorily shall instead be transferred to the General Fund; and

- Reduces the FY 2011-12 appropriation to the Department of Local Affairs by $1.9 million cash funds.

S.B. 11-164: Transfers $15.0 million from the Local Government Mineral Impact Fund and $4.8 million from the Local Government Permanent Fund to the General Fund on June 30, 2011. For additional information on this bill, see the "Recent Legislation" section for the Department of Labor and Employment.

S.B. 11-209: General appropriations act for FY 2011-12.

S.B. 11-226: Transfers $30.0 million from the Local Government Mineral Impact Fund and $41.0 million from the Local Government Severance Tax Fund to the General Fund on June 30, 2012. For additional information on this bill, see the "Recent Legislation" section for the Department of Education.

H.B. 11-1230: Consolidates the housing assistance programs in the Department of Human Services into the Department of Local Affairs. The bill specifies that the consolidation is to occur no later than July 1, 2011. The bill transfers $20.1 million federal funds, $29,315 reappropriated funds, and 19.5 FTE from the Department of Human Services to the Department of Local Affairs.

2012 Session Bills

S.B. 12-158: Clarifies that the Division of Housing in the Department of Local Affairs is the sole public housing agency for the purpose of providing financial housing assistance to both households with low income and to persons with disabilities. Shifts administration of the Homeless Prevention Activities Program (HPAP) to the Division of Housing in the Department of Local Affairs and alters the composition of the advisory committee governing HPAP. Allows the Department of Local Affairs to use up to five percent of revenue received by the Homeless Prevention Activities Program Fund, or $15,000, whichever is greater, to be used for program administration costs. The Homeless Prevention Activities Program Fund is funded through a voluntary tax check-off and is expected to receive about $140,000 in FY 2012-13.

H.B. 12-1190: Supplemental appropriation to the Department of Local Affairs to modify FY 2011-12 appropriations.

H.B. 12-1246: Eliminates the annual paydate date shift enacted in 2003 for certain General Fund employees. Increases appropriations to the Department of Local Affairs by $793 General Fund for FY 2012-13. For additional information, see the "Recent Legislation" section at the end of the Department of Personnel.

H.B. 12-1283: Consolidates Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030, into a new Division of Homeland Security and Emergency Management (DHSEM) within the Department of Public Safety (DPS). For DOLA, eliminates the Division of Emergency Management and transfers the functions, personnel, and resources of the Division into DHSEM, effective July 1, 2012. Reduces the appropriation to the Department of Local Affairs by $20.1 million total funds, including $380,575 General Fund, and 27.9 FTE in FY 2012-13. For additional information on H.B. 12-1283, see the "Recent Legislation" section at the end of the Department of Public Safety.

H.B. 12-1335: General appropriations act for FY 2012-13.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

The Department did not have any Long Bill footnotes in FY 2012-13.

Requests for Information

1 **All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2012 information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2011-12 The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2012-13.

Comment: Prior to FY 2008-09, this request for information was submitted in the annual appropriations bill as a footnote and was repeatedly lined through by the Governor. The May 11, 2011 letter from the Governor to the JBC stated that, "Within the schedules customarily submitted to the Joint Budget Committee on November 1 (specifically the Schedule 3 and Schedule 14), departments report the actual number of FTE positions used during the most recently competed two fiscal years, and supply an estimate of anticipated FTE in the current and future years. In spite of my objection to the Joint Budget Committee's inclusion of FTE in the Long Bill, departments are directed to continue providing appropriate FTE data within the November 1 budget request for the purposes of assisting the General Assembly in analyzing departments' expenditures."

DOLA has submitted FTE information as part of its November 1, 2012 budget request in its Schedule 2, Schedule 3, and Schedule 14. There was 1.0 additional FTE in FY 2013-14. This additional FTE is tied to the Department's request for $3.0 million General Fund to pay for additional economic development assistance to rural communities (R-2). The JBC has not received any additional report pursuant to this request.

2 **Governor - Lieutenant Governor - State Planning and Budgeting, Office of State Planning and Budgeting; and Department of Local Affairs, Division of Emergency Management, Disaster Response and Recovery --** The Division of Emergency Management is requested to work with the Office of State Planning and Budgeting to provide a report to the Joint Budget Committee by November 1, 2012 concerning revenues credited to and expenditures made from the Disaster Emergency Fund in fiscal years 2011-12 and 2012-13 year-to-date. The report is requested to include the following: (a) amounts authorized to be transferred to the Disaster Emergency Fund, by Executive Order and fund source; (b) amounts actually transferred to the Fund, by date and fund source; and (c) actual expenditures from the Fund, by date and declared disaster emergency.

Comment: Section 24-32-2106, C.R.S., asserts that it is the "policy of the state that funds to meet disaster emergencies shall always be available". While the preference is for funds regularly appropriated to state and local agencies, the Governor is given authority to make funds available from the Disaster Emergency Fund. If moneys in the fund are insufficient, the Governor may "transfer and expend moneys appropriated for other purposes." Please see the tables below for transfers associated with declared disasters and actual expenditures for FY 2011-12 and FY 2012-13.

FY 2011-12 Disaster Emergency Fund Transfers and Expenditures

Executive Orders	Transfer Authorized	FY 2010-11 Actual Expenditures	FY 2011-12 Actual Expenditures	FY 2011-12 Uncommitted Funds	Encumbered Funds
Executive Orders for Disasters Declared in FY 2010-11					
ORDWAY FIRE	$54,145.00	($0.00)	($54,144.20)	$0.80	$54,145.00
FOURMILE FIRE	5,000,000.00	(2,109,362)	53,584.74	2,944,222.74	5,000,000.00
RESERVOIR RD FIRE	3,000,000.00	(655,629)	(173,947.58)	2,170,423.42	3,000,000.00
INDIAN GULCH FIRE	1,500,000.00	0.00	(102,648.10)	1,397,351.90	1,500,000.00
CRYSTAL FIRE	1,700,000.00	(241,122)	(442,661.16)	1,016,216.84	1,700,000.00
BEAR/PERGATOIRE	2,500,000.00	0.00	(814,182.40)	1,685,817.60	2,500,000.00
FLOOD-NE	0.00	0.00	(115,693.73)	(115,693.73)	115,693.73
BLIZZARD	0.00	0.00	(1,020.39)	(1,020.39)	1,020.39
Totals for FY 2010-11	**$13,754,145.00**	**($3,006,113.00)**	**--**	**--**	**$13,870,859.12**
Executive Orders for Disasters Declared in FY 2011-12					
NAVAJO FIRE	200,000.00	0.00	(24,623.83)	175,376.17	200,000.00
SHELL FIRE	1,100,000.00	0.00	(256,070.56)	843,929.44	1,100,000.00
DUCKETT FIRE	1,900,000.00	0.00	(1,053,861.47)	846,138.53	1,900,000.00
TRACK FIRE	1,450,000.00	0.00	(211,100.54)	1,238,899.46	1,450,000.00
LOWER NF FIRE*	0.00	0.00	(11,292.97)	(11,292.97)	3,865,000.00
HEWLETT FIRE	3,000,000.00	0.00	(28,111.69)	971,888.31	3,000,000.00
HIGH PARK FIRE	21,000,000.00	0.00	(2,741,648.80)	18,258,351.20	25,000,000.00
WALDO CYN FIRE	6,175,000.00	0.00	(289,810.53)	5,885,189.47	6,175,000.00
STUART HOLE FIRE	200,000.00	0.00	0.00	200,000.00	200,000.00
SPRINGER FIRE	1,000,000.00	0.00	0.00	1,000,000.00	1,000,000.00
WEBER FIRE	2,135,000.00	0.00	0.00	2,135,000.00	2,135,000.00
FLAGSTAFF FIRE	2,500,000.00	0.00	0.00	2,500,000.00	2,500,000.00
Totals for FY 2011-12	**$40,660,000.00**	**$0.00**	**($6,267,233.21)**	**$43,140,798.79**	**$44,525,000.00**

* The FY 2011-12 executive orders associated with the Lower North Fork Fire authorized the encumbrance of up to $3,865,000 for costs associated with the fire.

FY 2012-13 Disaster Emergency Fund Transfers and Expenditures

Executive Orders	Transfer Authorized	FY 2011-12 Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2012-13 Uncommitted Funds	Encumbered Funds
Executive Orders for Disasters Declared in FY 2010-11					
CRYSTAL FIRE	$1,700,000.00	($442,661.16)	($952,371.36)	$63,845.48	$1,700,000.00
BEAR FIRE	2,500,000.00	(814,182.40)	(920.32)	1,684,897.28	2,500,000.00
RESERVOIR RD FIRE	3,000,000.00	(173,947.58)	(1,572,093.89)	598,330.42	3,000,000.00
Totals for FY 2010-11	**$7,200,000.00**	**--**	**--**	**--**	**$7,200,000.00**
Executive Orders for Disasters Declared in FY 2011-12					
NAVAJO FIRE	200,000.00	(24,623.83)	0.00	175,376.17	200,000.00
SHELL FIRE	1,100,000.00	(256,070.56)	$0.00	843,929.44	1,100,000.00
DUCKETT FIRE	1,900,000.00	(1,053,861.47)	(3,201.58)	842,936.95	1,900,000.00
TRACK FIRE	1,450,000.00	(211,100.54)	0.00	1,238,899.46	1,450,000.00
LOWER NF FIRE*	0.00	(11,292.97)	(32,714.97)	(44,007.94)	3,865,000.00
HEWLETT FIRE	3,000,000.00	(28,111.69)	(383,167.41)	2,588,720.90	3,000,000.00
HIGH PARK FIRE	21,000,000.00	(2,741,648.80)	(5,968,989.47)	12,289,361.73	25,000,000.00
WALDO CYN FIRE	6,175,000.00	(289,810.53)	(352,064.03)	5,533,125.44	6,175,000.00
STUART HOLE FIRE	200,000.00	0.00	(19,650.36)	180,349.64	200,000.00
SPRINGER FIRE	1,000,000.00	0.00	(204,400.59)	795,599.41	1,000,000.00
WEBER FIRE	2,135,000.00	0.00	(69,498.10)	2,065,501.90	2,135,000.00
FLAGSTAFF FIRE	2,500,000.00	0.00	(84,647.68)	2,415,352.32	2,500,000.00
Totals for FY 2011-12	**$40,660,000.00**	**($6,047,311.53)**	**--**	**--**	**$48,525,000.00**
Executive Orders for Disasters Declared in FY 2012-13					
PINE RIDGE FIRE	$500,000.00	$0.00	($84,437.21)	$415,562.79	$500,000.00
BULL BASIN FIRE	200,000.00	0.00	0.00	200,000.00	200,000.00
POWELL CX FIRE	210,000.00	0.00	0.00	210,000.00	210,000.00
HWY 13 FIRE	150,000.00	0.00	0.00	150,000.00	150,000.00
WETMORE FIRE	3,515,000.00	0.00	0.00	3,515,000.00	3,515,000.00
Totals for FY 2012-13	**$4,575,000.00**	**$0.00**	**($9,728,156.97)**	**$35,762,781.39**	**$4,575,000.00**

* The FY 2011-12 executive orders associated with the Lower North Fork Fire authorized the encumbrance of up to $3,865,000 for costs associated with the fire.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The Department of Local Affairs' indirect cost assessment methodology is calculated based on three components: an "*Indirect Cost Pool*", an "*Indirect Cost Base*", and an "*Indirect Cost Rate*".

The *Indirect Cost Pool* is comprised of approved division level costs, including statewide indirect costs, which are used to provide support either to the entire department through the Executive Director's Office (EDO) or to individual divisions through program and personal services lines. The pool costs are based on the most recent fiscal year actual costs, a two year lag time. The FY 2013-14 pool costs, for example, are based on FY 2011-12 actuals. DOLA is also allocated statewide indirect costs for inclusion into its indirect cost rate proposal. Finally, fixed asset depreciation, leave costs, and indirect cost carry-forward adjustments are also included.

The indirect cost rate proposal data for FY 2011-12 was not ready prior to this briefing. The actuals data is part of the Department's indirect cost rate proposal (ICRP) for FY 2013-14, which will not be completed until December 2012. As a result the data included in this appendix is made up of actuals from FY 2010-11 and the indirect cost rates and assessment amounts are those of FY 2012-13. Staff has included these numbers to better illustrate the Department's methodology. For the FY 2012-13 budget request, the Department's *Indirect Cost Pool* as requested was $2,557,801. Table 1 outlines which lines were included.

Table 1: Department of Local Affairs Indirect Cost Pool for FY 2012-13

	Executive Director's Office	Board of Assessment Appeals	Division of Emergency Management	Division of Housing	Division of Local Government	Division of Property Taxation	Total
Statewide Indirect Costs	$310,627	$0	$0	$0	$0	$0	$310,627
Fixed Asset Depreciation, Leave Payoff, and Indirect Costs Carry-forward Adjustments	27,322	16,726	1,364	90,337	151,319	68,443	355,511
Division Indirect Costs:							
Personal Services	1,278,686	0	0	133,366	274,174	0	1,686,226
Operating	37,479	768	0	12,905	13,111	2,303	66,566
Worker's Compensation	4,665	0	0	487	1,006	0	6,158
Payment to Risk Management & Property Funds	514	0	0	53	111	0	678
Purchase Services from Computer Center	38,323	0	0	0	0	0	38,323
Multiuse Network Payments	1,732	0	0	0	0	0	1,732
Management & Administration of OIT	5,792	0	0	0	0	0	5,792
IT Asset Maintenance	4,463	0	0	527	132	0	5,122
Capitol Complex Leased Space	49,976	0	0	6,027	10,849	0	66,852

	Executive Director's Office	Board of Assessment Appeals	Division of Emergency Management	Division of Housing	Division of Local Government	Division of Property Taxation	Total
Legal Services	11,136	0	0	0	36	0	11,172
Vehicle Lease Payment	3,042	0	0	0	0	0	3,042
Total Division Indirect Costs	1,435,808	768	0	153,365	299,419	2,303	1,891,663
Total Indirect Cost Pool	**$1,773,757**	**$17,494**	**$1,364**	**$243,702**	**$450,738**	**$70,746**	**$2,557,801**

The Department uses eligible personal services costs to calculate the *Indirect Cost Base*, which is used in determining the proportional allocation of the Total Recoverable Indirect Cost Pool to divisions. Table 2 summarizes the department's *Indirect Cost Base*.

Table 2: Department of Local Affairs Indirect Cost Base for FY 2012-13

Division	Indirect Cost Base (Direct Salaries & Fringe Benefits)
Board of Assessment Appeals	$575,898
Division of Emergency Management	2,398,558
Division of Housing	2,194,623
Division of Local Government	3,296,408
Division of Property Taxation	2,380,117
Total Indirect Cost Base	**$10,845,604**

The *Indirect Cost Rate* is then calculated for each division by dividing the *Indirect Cost Pool* by the *Indirect Cost Base*. Table 3 illustrates how the *Indirect Cost Rate* is calculated.

Table 3: Department of Local Affairs Indirect Cost Rate for FY 2012-13

Division	Indirect Cost Base (Direct Salaries & Fringe Benefits)	Indirect Cost Pool	Indirect cost Rate
Board of Assessment Appeals	575,898	108,269	18.8%
Division of Emergency Management	2,398,558	379,432	15.8%
Division of Housing	2,194,623	610,647	27.8%
Division of Local Government	3,296,408	1,013,546	30.7%
Division of Property Taxation	2,380,117	445,907	18.7%
Total	**10,845,604**	**2,557,801**	**n/a**

Indirect Cost Assessment Request

The *Indirect Cost Rate* is then then multiplied by the projected salary & fringe benefits by funding source to determine the estimated indirect cost assessment for each of the divisions. Table 4 shows the FY 2012-13 Department indirect cost assessment for each division.

Table 4: Department of Local Affairs Indirect Cost Assessment Request for FY 2012-13

Division	CF	RF	FF	Total
Division of Housing	146,360	66,629	345,583	558,572
Division of Local Government	181,423	809,469	148,590	1,139,482
Division of Property Taxation	199,939	148,341	0	348,280
Total	**527,722**	**1,024,439**	**494,173**	**2,046,334**

Appendix E: Change Requests' Relationship to Performance Measures

This appendix will show how the Department of Local Affairs indicates each change request ranks in relation to the Department's top priorities and what performance measures the Department is using to measure success of the request.

Change Requests' Relationship to Performance Measures			
	Change Request Description	**Goals / Objectives**	**Performance Measures**
Prioritized Items			
R-1	Additional Affordable Housing Units	The major goals are to reduce recidivism rates, improve grades and attendance for homeless children, and reduce state mental hospital admissions and emergency care usage.	The DOH performance measure for FY 2013-14 is to produce or rehabilitate 1,600 new affordable housing units. This request will increase annual production to 2,400 units.
R-2	Assistance to Rural Communities	The major goals are to provide additional job training resources, diversify the economic base of rural communities dependent upon a single large employer, and reduce the negative economic impact caused by the loss of said single large employer.	The DLG performance measure for FY 2013-14 includes 14 Main Street communities detailed, 50 webinars/trainings on community development, competitive grants funding to 96 communities (communities may receive assistance more than once), and funding to 290 communities for intensive technical assistance. This request will increase these measures.
R-3	Fort Lyon Transitional Community	The major goal is to create a "gateway" for homeless individuals in the State, reducing recidivism rates, improving grades and attendance for homeless children, and reducing state mental hospital admissions and emergency care usage.	The DOH objective that relates to this request is to "meet community needs for the homeless statewide by providing supportive services and increasing the number of shelter beds available". The Division already utilizes ESG and CDBG funds to support homeless shelter operations and services, and CDBG funds to increase shelter capacity in non-entitlement areas of the State. This request will increase these services through the new facility.
Non-prioritized Items			
NPI-1	OIT Enterprise Asset Management	N/A	N/A
NPI-2	Employee Engagement Survey Adjustment	N/A	N/A
NPI-3	Capital Complex Building Upgrades	N/A	N/A

Appendix F: Federal Mineral Leasing Revenues

This appendix shows revenues received for federal mineral leasing rights. When an individual or company leases federal land for mineral development, the federal government collects fees pursuant to the *Mineral Lands Leasing Act*, as amended. Lease holders have to pay a bonus to use the land, pay rent for the right to extract minerals, and pay a royalty (percentage) on minerals extracted and sold. Under current law, half of these federal mineral lease revenues are returned to the state of origin. The table below details the September 2012 Legislative Council Staff Economic and Revenue Forecast of FML revenues for Colorado. Dollars are in millions.

	FY 08-09 actual	FY 09-10 actual	FY 10-11 actual	FY 11-12 actual	FY 12-13 estimate	FY 13-14 estimate	Notes
Total FML Revenue	**$227.3**	**$122.5**	**$149.5**	**$165.0**	**$138.6**	**$154.5**	FML moneys received quarterly
Annual Variance	**48.0%**	**(46.1%)**	**22.0%**	**10.4%**	**(16.0%)**	**11.5%**	Annual percentage change
Bonus	61.9	5.6	2.3	2.5	2.1	2.3	Fixed/Up-front Payments
Non-Bonus	165.4	116.9	147.2	162.5	136.6	152.2	Rents, Royalties, Earnings
Bonus Payments	**$61.9**	**$5.6**	**$2.3**	**$2.5**	**$2.1**	**$2.3**	Fixed/Up-front Payments
Local Gov. Permanent Fund	30.9[1]	2.8	1.1	1.2	1.0	1.2	50% of Bonus Payments
Higher Ed Maint. & Reserve Fund	30.9[2]	2.8	1.1	1.2	1.0	1.2	50% of Bonus Payments
Non-Bonus Payments	**$148.0**	**$116.9**	**$141.1**	**$151.1**	**$136.6**	**$147.3**	Rents, Royalties, Earnings
State Public School Fund	65.0	56.5	65.0	67.6	66.0	68.6	48.3% of Non-Bonus Payments[3]
CO Water Conservation Board	14.0	11.7	14.7	15.7	13.7	15.2	10% of Non-Bonus Payments[4]
DOLA Grants	33.1	23.4	29.4	32.5	27.3	30.4	20% of Non-Bonus Payments
DOLA Dir. Dist. to Counties/Muni.	33.1	23.4	29.4	32.5	27.3	30.4	20% of Non-Bonus Payments
DOLA Dir. Dist. to School Districts	2.8	2.0	2.5	2.8	2.3	2.6	1.7% of Non-Bonus Payments[5]
Spillover Payments	**$17.4**	**$0.0**	**$6.1**	**$11.4**	**$.0**	**$4.9**	Moneys received above statutory caps
Higher Ed FML Revenue Fund	14.9	0.0	6.1	10.9	0.0	4.9	From Non-Bonus spill (cap: $50M)
Higher Ed Maint. & Reserve Fund	2.5	0.0	0.0	0.5	0.0	0.0	From the FML Revenue Fund after the cap of $50M is exceeded.

[1] Senate Bill 09-232 transferred $31.2 million from the fund for FY 08-09.
[2] Senate Bill 09-208 transferred $31.2 million from the fund for FY 08-09.
[3] Cap by fiscal year: $65M for FY 08-09-FY 10-11, $67.6M for FY 11-12, $70.3M for FY 12 13.
[4] Cap by fiscal year: $14M for FY 08-09, $14.6M for FY 09-10, $15.1M for FY 10-11, $15.7M for FY 11-12, and $16.4M for FY 12-13.
[5] Cap by fiscal year: $3.3M for FY 08-09, $3.4M for FY 09-10, $3.6M for FY 10-11, $3.7M for FY 11-12, and $3.9M for FY 12-13.

Appendix G: Severance Tax Revenues

This appendix shows Severance Tax revenues. The tax recaptures a portion of the value of nonrenewable natural resources that is lost when they are extracted. This is accomplished through the use of an excise tax imposed on all nonrenewable resources removed from the earth in Colorado. The tax applies for resources that are removed from both privately and publicly owned lands; however, the severance tax is not paid when resources are removed from Tribal lands. DOLA receives approximately 50 percent of total gross receipts. Seventy percent of the moneys allocated to the Department are combined with federal mineral leasing revenues and distributed as grants or low-interest loans to local governments through the Mineral and Energy Impact Grant Program. Thirty percent is directly distributed by formula to impacted localities. The table below details the September 2012 Legislative Council Staff Economic and Revenue Forecast of Severance Tax revenues for Colorado. Dollars are in millions.

Source	Actual FY 09-10	Actual FY 10-11	Forecast FY 11-12	Forecast FY 12-13	Forecast FY 13-14
Oil and Gas	**$28,410.48**	**$130,954.37**	**$187,136.78**	**$77,332.69**	**$161,644.87**
Annual variance	*(90.7%)*	*360.9%*	*42.9%*	*(58.7%)*	*109.0%*
Coal	**$6,262.11**	**$6,940.36**	**$9,487.01**	**$10,942.70**	**$11,271.87**
Annual variance	*(41.5%)*	*10.8%*	*36.7%*	*15.3%*	*3.0%*
Molybdenum and Metallics	**$1,381.23**	**$2,151.94**	**$2,832.12**	**$2,981.94**	**$3,139.68**
Annual variance	*3.0%*	*55.8%*	*31.6%*	*5.3%*	*5.3%*
Total Severance Tax Revenue	**$36,081.31**	**$140,046.68**	**$199,455.91**	**$91,257.33**	**$176,056.42**
Annual variance	*(88.7%)*	*288.1%*	*42.4%*	*(54.2%)*	*92.9%*
Interest Earnings	**$12,166.50**	**$9,341.94**	**$8,233.95**	**$7,316.07**	**$11,525.15**
Annual variance	*(31.4%)*	*(23.2%)*	*(11.9%)*	*(11.1%)*	*57.5%*
Total Severance Tax Fund Revenue	**$48,247.82**	**$149,388.62**	**$207,689.85**	**$98,573.39**	**$187,581.57**
Annual variance	*(85.7%)*	*209.6%*	*39.0%*	*(52.5%)*	*90.3%*
50 percent to the Local Government Severance Tax Fund	**$24,123.91**	**$74,694.31**	**$103,844.93**	**$49,286.70**	**$93,790.78**
Annual Variance $	*($144,302.00)*	*$50,570.40*	*$29,150.62*	*($54,558.23)*	*$44,504.09*
Annual Variance %	*(85.7%)*	*209.6%*	*39.0%*	*(52.5%)*	*90.3%*
Direct Distribution (30%)	**$7,237.17**	**$22,408.29**	**$31,153.48**	**$14,786.01**	**$28,137.24**
Grants and Loans (70%)	**$16,886.74**	**$52,286.02**	**$72,691.45**	**$34,500.69**	**$65,653.55**