COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FISCAL YEAR 2008-09 STAFF BUDGET BRIEFING:

DEPARTMENT OF LOCAL AFFAIRS

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs

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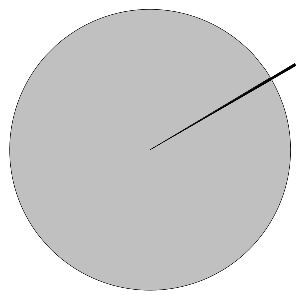
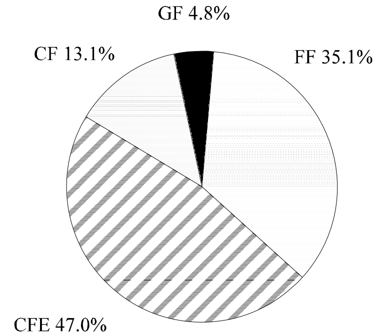
GRAPHIC OVERVIEW

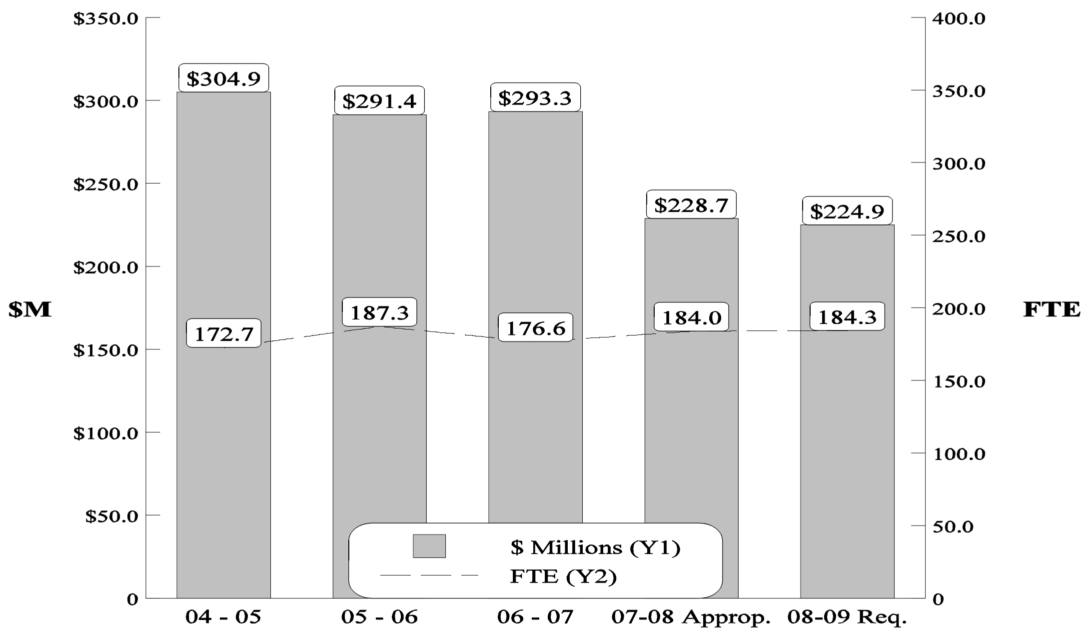
Share of State General Fund
FY 2007-08



Funding Source Split
FY 2007-08



Budget History



OVERVIEW

Key Responsibilities

The Department 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 and offices within the Department of Local Affairs[1], the Department currently consists of the following divisions and boards:

- The Property Tax Administrator and the *Division of Property Taxation*, 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* 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 Government* provides technical assistance to local government officials in budget development, purchasing, demographics, land use planning, and the statutory responsibilities of local 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; making grants related to waste tire recycling, reuse, and removal; and allocating the state contribution for volunteer firefighter pension plans.

- The *Division of Emergency Management* assists local governments in emergency preparedness and response.

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[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 Disaster Emergency Services; the Division of Emergency Management; the Office of Smart Growth; the Division of Property Taxation; the State Board of Equalization; and the Board of Assessment Appeals.

General Factors Driving the Budget

Funding for this department consists of 47 percent cash funds exempt, 35 percent federal funds, 13 percent cash funds, and less than five percent General Fund.

Dedicated Funding Sources

The Department of Local Affairs is responsible for a number of programs with dedicated cash and cash exempt revenue sources. The largest of these include: disbursements from the Conservation Trust Fund (a portion of state lottery proceeds distributed to local entities on a formula basis for parks, recreation, and open space purposes); local government mineral and energy impact assistance (a portion of state severance tax revenues as well as federal mineral lease revenues distributed to local governments affected by mineral extraction activities); limited gaming impact grants (a portion of limited gaming tax revenues distributed on a competitive basis to communities impacted by gaming activities); and grants for the recycling, reuse and removal of waste tires (a portion of waste tire fees distributed on a competitive basis to assist with conservation efforts). Program expenditures fluctuate with changes in the revenue available from these various dedicated funding sources. The table below summarizes recent actual and estimated revenues.

Constitutionally or Statutorily Dedicated Cash Revenues
Administered by the Department of Local Affairs

	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Approp.	FY 08-09 Estimate
Conservation Trust Fund	$41,494,373	$49,918,126	$47,381,119	$52,000,000	$49,000,000
State severance tax revenues	44,116,236	71,479,114	81,082,785	40,200,000	40,200,000
Federal mineral lease revenues	17,615,575	27,861,289	38,681,690	23,100,000	23,100,000
Limited Gaming Fund	6,040,463	5,809,651	6,381,333	6,822,829	7,800,000
Waste tire fees	3,017,203	3,652,722	3,776,622	4,002,565	4,018,089

Federal Funds

Federal funds comprise over one-third of the Department of Local Affairs' FY 2007-08 appropriation. These federally-funded programs generally do not require state matching funds, and funding is provided at the discretion of federal authorities. Major on-going federal grant expenditures are summarized in the table on the following page.

Major On-going Federal Grant Expenditures					
	FY 04-05 Actual	**FY 05-06 Actual**	**FY 06-07 Actual**	**FY 07-08 Approp.**	**FY 08-09 Request**
Preparedness grants and training	$117,363,953	$59,102,401	$37,712,659	$35,500,000	$30,000,000
Housing and Urban Development (HUD) Section 8 rental assistance	18,125,244	17,619,857	17,139,350	17,040,000	17,193,000
HUD Affordable housing development	12,612,485	16,421,982	16,207,457	10,098,778	10,046,283
HUD Community Development Block Grants (CDBG)	10,430,640	8,491,239	9,488,215	6,701,843	7,049,019
Health and Human Services Community Services Block Grants (CSBG)	5,882,690	5,859,119	5,037,611	5,448,843	5,190,947
HUD Emergency Shelter Program	934,955	1,029,626	1,023,691	971,220	1,029,552

Summary of Major Legislation

✔ **S.B. 07-253 (Schwartz/Sonnenberg): Revenue Forecasts.** To assist in the preparation of state budgets, directed the Legislative Council staff to prepare, in consultation with the Office of State Planning and Budgeting, quarterly forecasts of revenues derived from state severance taxes and federal mineral lease royalties.

✓ **H.B. 07-1139 (Curry and Buescher/Penry): Allocation of Severance Tax Revenues.** Increased the percentage of state severance tax revenues credited to the Local Government Severance Tax Fund that are allocated to local governments on the basis of the residency of persons who work in mineral extraction industry operations from 15 percent to 30 percent (beginning in FY 2007-08).

✓ **H.B. 07-1288 (Solano/Shaffer): Waste Tire Fees.** Increased existing solid waste disposal and waste tire fees to fund recycling incentives and waste management programs in the Department of Public Health and Environment (DPHE) and the Department of Local Affairs (DOLA). Increased the current $1 waste tire recycling fee by 50¢ and distributed 50 percent of the revenue to the Recycling Resources Economic Opportunity Fund (administered by the DPHE) and 50 percent to the Waste Tire Clean-Up Fund. For FY 2007-08, appropriated $732,565 cash funds from the Waste Tire Clean-up Fund and 0.2 FTE to DOLA to administer the Waste Tire Clean-up Grant Program.

✔ **H.B. 06-1085 (Garcia/Entz): Building Regulation Cash Fund.** Expanded the purposes for which moneys in the Building Regulation Cash Fund may be expended to include:

- training to the factory-built structures industry regarding the building codes applicable to factory-built structures within the state;
- training to help consumers make informed decisions when purchasing or considering the purchase of a manufactured home; and
- grants to help manufacturers, installers, owners and other members of the factory-built structures industry address safety issues affecting existing factory-built residential structures.

Appropriated $311,302 cash funds and 1.1 FTE to the Department of Local Affairs for FY 2006-07 from the Building Regulation Cash Fund.

✔ **H.B. 06-1304 (Sullivan/Taylor): Volunteer Firefighter Pensions.** Modified the state contribution for local volunteer firefighter pensions. Allowed certain local governments to use tax collections other than property taxes to pay for volunteer firefighter pensions. Appropriated $21,600 General Fund for FY 2005-06 and $206,684 General Fund for FY 2006-07 to the Department of Local Affairs for volunteer firefighter pensions.

✔ **S.B. 05-7 (Sandoval/Paccione): Private Activity Bond Allocations.** Reauthorized the authority of the Department of Local Affairs to impose fees on local governments and other entities wishing to issue tax exempt bonds under the federal cap for Colorado. Money from these fees is credited to the Private Activity Bond Allocations Fund. Appropriated $70,000 from the Private Activity Bond Allocations Fund to offset $70,000 General Fund for the operations of the Division of Housing.

✔ **S.B. 04-176 (Tupa/Vigil): Conservation Trust Fund Oversight.** Required local government financial officers to certify to the Department of Local Affairs (DOLA) that expenditures from the Conservation Trust Fund comply with the law. Authorized the Division of Local Government to utilize the state Conservation Trust Fund to recover its direct and indirect costs to administer moneys in the Fund. Appropriates $112,860 and 2.0 FTE from the Conservation Trust Fund to DOLA. Reduced General Fund appropriations to DOLA by $39,162 and reduced appropriations from the mineral and energy impact program by $23,697.

✔ **S.B. 04-198 (Taylor/Coleman): Firefighter Pension and Insurance Programs.** Transferred, from the State Treasurer's Office to the Department of Local Affairs (DOLA), the responsibility for allocating the state contribution moneys to assist in funding volunteer firefighter pension plans from the Fire and Police Pension Association (FPPA). Also transferred to DOLA the responsibility for procuring a volunteer firefighter death and disability insurance policy. Authorized DOLA to assess an application fee for administrative costs. Requires the allocation of state funds to each plan to be based on the prior year contributions to the plan by the municipality or fire protection district for which the plan was established.

- ✔ **H.B. 04-1417 (Witwer/Reeves): Colorado Heritage Communities Fund.** Transferred the balance in the Colorado Heritage Communities Fund to the General Fund on July 1, 2004.

- ✔ **S.B. 03-182 (Teck/Witwer): Manufactured Buildings.** Consolidated manufactured building regulation programs. Created the Manufactured Building Regulation Fund, to which all fees are deposited, and increased fees.

- ✔ **S.B. 03-191 (Owen/Young): Cash Fund Transfers.** Augmented General Fund revenues for FY 2002-03 with $213.6 million in transfers from various cash funds, including $1,468,152 from the Waste Tire Clean-up Fund.

- ✔ **S.B. 03-261 (Teck/Witwer): Local Affairs' Fees.** Increased various fees collected by the Department of Local Affairs. Added an administrative fee for receiving tax exempt bonding authority from the private activity bond allocation committee, and used the increase in revenue, plus existing revenue, to refinance $71,000 General Fund. Increased fees for the Board of Assessment Appeals to raise a projected $198,395 additional revenue. Increased fees for processing property tax exemptions and used the increase in revenue, plus existing revenue, to refinance $635,300 General Fund.

- ✔ **S.B. 03-274 (Owen/Young): Local Government Limited Gaming Impact Fund.** Transferred the FY 2002-03 unencumbered balance in the Local Government Limited Gaming Impact Fund to the General Fund. For FY 2003-04, diverted limited gaming revenues from the Local Government Limited Gaming Impact Fund and the Colorado Travel and Tourism Promotion Fund to the General Fund. If the total amount of revenues collected by the Department of Revenue for state taxes paid pursuant to the tax amnesty program established by S.B. 03-185 exceeded $5.0 million, transferred any excess (up to the amount transferred to the General Fund from the Local Government Limited Gaming Impact Fund) from the General Fund to the Local Government Limited Gaming Impact Fund on or before September 1, 2003. Reduced cash funds exempt spending authority for the Department of Local Affairs from the Limited Gaming Impact Fund by $5,790,000 for FY 2003-04.

- ✔ **H.B. 03-1329 (Rippy/Johnson S.): Waste Tire Fees.** Imposed an additional 25¢ surcharge on the disposal of motor vehicle tires to reimburse processors and end users of raw waste tires. Provides $355,978 cash funds spending authority to the Department of Local Affairs from the Processors and End Users of Waste Tires Cash Fund.

Major Funding Changes FY 2006-07 to FY 2007-08

Action *(Source)*	General Fund	Other Funds *(Sources)*	Total Funds	Total FTE
Salary and benefit increases *(Department request/JBC action)*	$212,940	$174,826 *(Various CFE and FF)*	**$387,766**	**0.0**
Affordable housing construction grants and loans *(JBC action)*	123,324	0	**123,324**	**0.0**
Conservation Trust Fund disbursements *(Constitutional allocation)*	0	5,500,000 *[CFE - Net lottery proceeds]*	**5,500,000**	**0.0**
Federal housing programs *(Anticipated funding)*	0	483,299 *[Various FF]*	**483,299**	**0.0**
Local government limited gaming impact grants *(Statutory distribution)*	0	242,810 *[CFE - Transfers from Limited Gaming Fund]*	**242,810**	**0.0**
Community Development Block Grant *(Anticipated funding)*	0	(1,133,794) *[FF - CDBG]*	**(1,133,794)**	**0.0**
Disaster preparedness grants *(Anticipated funding)*	0	(16,500,000) *[FF - Primarily homeland security grants]*	**(16,500,000)**	**0.0**

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
	Requests Included in the Governor's Official Budget Request						
1	**Division of Local Government, Field Services, Livability Counts Pilot Program** Develop a new "sustainable solutions framework" to address community-based problems using two to three specific community pilot projects. *[Division of Local Government: Section 24-32-101, C.R.S. (legislative declaration) Section 24-32-104, C.R.S. (division functions)]*	$100,000				**$100,000**	0.0
	Non-Prioritized, Statewide Requests						
	Executive Director's Office, Vehicle Lease Payments Provide funding to annualize the cost of replacing vehicles in May 2008.	11,134		2,444 *[Various]*		**13,578**	0.0
	Executive Director's Office, Multi-use Network Payments Provide funding to cover the Department's share of statewide multi-use network costs	5,836	422 *[Various]*	815 *[Various]*	3,325	**10,398**	0.0
	Executive Director's Office, Workers' Compensation Provide funding for the Department's share of the costs of staffing the Colorado State Employees Assistance Program (C-SEAP).	340	11 *[Various]*	15 *[Various]*		**366**	0.0
	Total Decision Items	**$117,310**	**$433**	**$3,274**	**$3,325**	**$124,342**	**0.0**

OVERVIEW OF MAJOR CHANGES

Requested Changes FY 2007-08 to FY 2008-09:

Description	FTE	General Fund	Cash	Cash Exempt	Federal	Total
Funding for salary increases	0.0	$262,547	$87,545	$107,521	$198,433	$656,046
Increase in funding for other employee benefits	0.0	139,541	46,653	69,083	49,796	305,073
Livability Counts Pilot Program *(D.I. #1)*	0.0	100,000	0	0	0	100,000
Disaster response and recovery	0.0	0	0	1,715,983	0	1,715,983
Local government limited gaming impact grants	0.0	0	0	977,171	0	977,171
Change in fund source for Manufactured Buildings Program	0.0	0	(280,000)	280,000	0	0
Conservation Trust Fund disbursements	0.0	0	0	(3,000,000)	0	(3,000,000)
Anticipated changes in federal funding for various programs	0.3	0	0	0	(4,776,021)	(4,776,021)
Other	0.0	30,004	6,876	187,430	0	224,310
Net Change	0.3	$532,092	($138,926)	$337,188	($4,527,792)	($3,797,438)

The increase in ***General Fund*** is due to the requested decision items and changes in salaries, benefits, and centrally appropriated pots.

The changes in ***Cash Funds, Cash Funds Exempt,*** and ***Federal Funds*** are the result of new estimates of the available revenue from various dedicated fund sources. The largest of these changes are identified in the table above.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests

DEPARTMENT OF LOCAL AFFAIRS
Executive Director: Susan Kirkpatrick

(1) EXECUTIVE DIRECTOR'S OFFICE

This section provides funding for management and administration of the Department, including human resources, accounting, and budgeting. This section also includes funding for the Moffat Tunnel Improvement District and the Workforce Development Council. Significant cash funds exempt sources include: the Local Government Severance Tax Fund, the Local Government Mineral Impact Fund, indirect cost recoveries, and transfers from other agencies.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Personal Services	1,037,515	980,341	1,100,142	1,155,424	
FTE	13.2	12.3	14.0	14.0	
General Fund	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt	1,037,515	980,341	1,100,142	1,155,424	
FTE	13.2	12.3	14.0	14.0	
Group Health and Life a/	534,957	712,596	812,957	980,242	
General Fund	259,567	336,564	409,854	515,875	
Cash Funds	68,656	94,164	74,727	103,256	
Cash Funds Exempt	75,392	95,208	121,956	149,189	
Federal Funds	131,342	186,660	206,420	211,922	
**CFE: Mineral & Energy Impact*	*70,024*	*87,806*	*116,037*	*141,948*	
Short-term Disability a/	14,475	11,787	14,996	15,952	
General Fund	7,665	4,813	5,823	5,233	
Cash Funds	1,967	1,489	1,892	2,022	
Cash Funds Exempt	1,669	2,409	3,688	4,320	
Federal Funds	3,174	3,076	3,593	4,377	
**CFE: Mineral & Energy Impact*	*1,567*	*2,278*	*2,782*	*4,110*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
S.B. 04-257 Amoritization Equalization	22,857	76,458	84,649	196,324	
General Fund	11,081	30,171	31,727	64,401	
Cash Funds	3,345	9,886	10,916	24,888	
Cash Funds Exempt	3,033	15,987	21,279	53,167	
Federal Funds	5,398	20,414	20,727	53,868	
**CFE: Mineral & Energy Impact*	*2,863*	*15,175*	*16,050*	*50,587*	
S.B. 06-235 Supplemental Amortization Equalization Disbursements	n/a	n/a	26,972	62,820	
General Fund			9,331	20,713	
Cash Funds			3,639	7,974	
Cash Funds Exempt			7,093	16,855	
Federal Funds			6,909	17,278	
**CFE: Mineral & Energy Impact*			*5,350*	*16,155*	
Salary Survey and Senior Executive Service a/	339,384	337,986	394,702	468,465	
General Fund	133,175	134,347	162,699	168,921	
Cash Funds	43,628	28,771	41,173	69,770	
Cash Funds Exempt	77,681	69,202	68,139	81,164	
Federal Funds	84,900	105,666	122,691	148,610	
**CFE: Mineral & Energy Impact*	*74,213*	*65,841*	*67,052*	*77,793*	
Performance-based Pay	0	0	181,676	187,581	
General Fund	0	0	89,507	93,626	
Cash Funds	0	0	12,348	17,775	
Cash Funds Exempt	0	0	30,195	26,357	
Federal Funds	0	0	49,626	49,823	
**CFE: Mineral & Energy Impact*	*0*	*0*	*29,146*	*25,441*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Workers' Compensation	28,847	35,025	45,666	34,975	Statewide DI
General Fund	26,836	32,578	42,472	32,526	
Cash Funds	839	1,033	1,362	1,049	
Cash Funds Exempt	1,172	1,414	1,832	1,400	
**CFE: Mineral & Energy Impact*	*1,132*	*1,374*	*1,787*	*1,366*	
Operating Expenses	118,411	137,560	144,175	144,175	
General Fund	8,051	0	0	0	
Cash Funds Exempt	104,106	129,962	132,413	132,413	
Federal Funds	6,254	7,598	11,762	11,762	
Legal Services	113,354	114,740	128,934	128,934	
General Fund	104,597	109,987	116,901	116,901	
Cash Funds	4,337	2,032	6,054	6,054	
Cash Funds Exempt	306	1,134	1,381	1,381	
Federal Funds	4,114	1,587	4,598	4,598	
Hours	*1,790.0*	*1,694.8*	*1,790.0*	*1,790.0*	
**CFE: Mineral & Energy Impact*	*1,015*	*1,134*	*1,216*	*1,216*	
Purchase of Services from Computer Center	3,383	397	2,994	2,229	
General Fund	3,383	397	2,994	2,229	
Cash Funds Exempt	0	0	0	0	
Multi-use Network Payments	83,054	72,905	82,503	92,901	Statewide DI
General Fund	46,143	40,920	46,307	52,143	
Cash Funds	3,406	2,955	3,345	3,767	
Cash Funds Exempt	6,473	5,718	6,470	7,285	
Federal Funds	27,032	23,312	26,381	29,706	
**CFE: Mineral & Energy Impact*	*6,027*	*5,272*	*5,965*	*6,716*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Payment to Risk Management and Property Funds	12,615	36,287	26,240	18,707	
General Fund	11,736	33,766	24,398	17,398	
Cash Funds	363	2,322	1,528	1,122	
Cash Funds Exempt	516	199	314	187	
**CFE: Mineral & Energy Impact*	*482*	*176*	*268*	*160*	
Vehicle Lease Payments	64,243	60,105	79,635	93,213	Statewide DI
General Fund	56,014	51,481	65,897	77,031	
Cash Funds Exempt	8,229	8,624	13,738	16,182	
**CFE: Mineral & Energy Impact*	*8,229*	*8,624*	*13,738*	*16,182*	
Information Technology Asset Maintenance	103,973	107,731	104,793	104,793	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	10,364	10,364	10,364	10,364	
Cash Funds Exempt	39,652	40,192	40,192	40,192	
Federal Funds	24,044	27,262	24,324	24,324	
**CFE: Mineral & Energy Impact*	*37,507*	*39,507*	*37,507*	*37,507*	
Capitol Complex Leased Space	408,207	421,347	468,194	473,194	
General Fund	283,224	294,864	339,460	340,893	
Cash Funds	15,042	14,881	17,028	18,535	
Cash Funds Exempt	50,666	55,789	60,796	61,219	
Federal Funds	59,275	55,813	50,910	52,547	
Square Feet	*53,770.0*	*53,770.0*	*53,770.0*	*53,770.0*	
**CFE: Mineral & Energy Impact*	*49,234*	*54,315*	*54,950*	*55,373*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Leased Space	67,332	56,320	80,849	80,988	
General Fund	17,898	16,065	16,800	16,692	
Cash Funds Exempt	13,457	12,095	12,830	12,430	
Federal Funds	35,977	28,160	51,219	51,866	
**CFE: Mineral & Energy Impact*	*13,457*	*12,095*	*12,830*	*12,430*	
Communication Services Payments	5,850	21,871	21,824	22,785	
General Fund	2,925	10,935	10,912	11,392	
Federal Funds	2,925	10,936	10,912	11,393	
Moffat Tunnel Improvement District	26,481	27,172	92,958	92,958	
Cash Funds	26,481	27,172	32,958	32,958	
Cash Funds Exempt	0	0	60,000	60,000	
Workforce Development Council	352,520	347,178	466,016	466,016	
FTE	4.0	3.9	4.0	4.0	
Cash Funds Exempt	352,520	347,178	466,016	466,016	
FTE	4.0	3.9	4.0	4.0	
Federal Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Workforce Improvement Grants	1,028,224	1,864,826	470,000	470,000	
FTE	1.3	0.6	1.0	1.0	
Cash Funds Exempt	0	0	20,000	20,000	
Federal Funds	1,028,224	1,864,826	450,000	450,000	
FTE	1.3	0.6	1.0	1.0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
					Request v. Approp.
(1) SUBTOTAL - EXECUTIVE DIRECTOR'S OFFICE	4,365,682	5,422,632	4,830,875	5,292,676	*9.6%*
FTE	18.5	16.8	19.0	19.0	*0.0%*
General Fund	1,002,208	1,126,801	1,404,995	1,565,887	*11.5%*
FTE	0.0	0.0	0.0	0.0	*0.0%*
Cash Funds	178,428	195,069	217,334	299,534	*37.8%*
Cash Funds Exempt	1,772,387	1,765,452	2,168,474	2,305,181	*6.3%*
FTE	17.2	16.2	18.0	18.0	*0.0%*
Federal Funds	1,412,659	2,335,310	1,040,072	1,122,074	*7.9%*
FTE	1.3	0.6	1.0	1.0	*0.0%*
**Mineral & Energy Impact - CFE*	*265,750*	*293,597*	*364,678*	*446,984*	*22.6%*

a/ Actual expenditures for these line items reflect amounts appropriated. It is staff's understanding that the Department allocates the full amount appropriated for these line items to various line items throughout the Department. The Department does not track the nature of amounts reverted from individual line items, and thus cannot attribute reversions to these centrally appropriated line items.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests

(2) PROPERTY TAXATION

This section provides funding for the Division of Property Taxation, which: issues appraisal standards and provides training and technical assistance to county assessors; values multi-county companies; and grants taxation exemptions. This section also provides funding for the State Board of Equalization, which supervises the administration of property tax laws by local county assessors, as well as the Board of Assessment Appeals, which hears petitions for appeal on valuation, abatements, exemptions, and valuation of state-assessed properties. Cash funds are from the Property Tax Exemption Fund. Significant cash funds exempt sources include: the Local Government Severance Tax Fund, the Local Government Mineral Impact Fund, and indirect cost recoveries.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Property Taxation	2,546,810	2,585,756	2,657,841	2,749,548	
FTE	36.6	35.8	38.5	38.5	
General Fund	1,205,127	1,254,573	1,268,635	1,319,441	
FTE	15.7	15.7	15.7	15.7	
Cash Funds	632,735	640,272	654,756	671,231	
FTE	10.1	10.0	11.1	11.1	
Cash Funds Exempt	708,948	690,911	734,450	758,876	
FTE	10.8	10.1	11.7	11.7	
**CFE: Mineral & Energy Impact*	*708,948*	*690,911*	*734,450*	*758,876*	
State Board of Equalization	12,856	12,856	12,856	12,856	
General Fund	12,856	12,856	12,856	12,856	
Cash Funds Exempt	0	0	0	0	
Board of Assessment Appeals	616,690	618,894	638,279	659,199	
FTE	15.0	14.5	15.0	15.0	
General Fund	312,536	369,858	610,660	631,580	
FTE	7.6	8.7	15.0	15.0	
Cash Funds Exempt	304,154	249,036	27,619	27,619	
FTE	7.4	5.8	0.0	0.0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Indirect Cost Assessment - CFE	89,371	100,872	81,480	81,480	
**CFE: Mineral & Energy Impact*	*89,371*	*100,872*	*81,480*	*81,480*	
					Request v. Approp.
(2) SUBTOTAL - PROPERTY TAXATION	3,265,727	3,318,378	3,390,456	3,503,083	*3.3%*
FTE	51.6	50.3	53.5	53.5	*0.0%*
General Fund	1,530,519	1,637,287	1,892,151	1,963,877	*3.8%*
FTE	23.3	24.4	30.7	30.7	*0.0%*
Cash Funds	632,735	640,272	654,756	671,231	*2.5%*
FTE	10.1	10.0	11.1	11.1	*0.0%*
Cash Funds Exempt	1,102,473	1,040,819	843,549	867,975	*2.9%*
FTE	18.2	15.9	11.7	11.7	*0.0%*
**Mineral & Energy Impact - CFE*	*798,319*	*791,783*	*815,930*	*840,356*	*3.0%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(3) DIVISION OF HOUSING					
This division assists local communities in meeting their housing goals, administers various state and federal affordable housing programs, and regulates the manufacture of factory-built residential and commercial buildings. Cash funds are from certification and registration fees paid by the producers and installers of manufactured homes. Significant cash funds exempt sources include: the Local Government Severance Tax Fund, and the Local Government Mineral Impact Fund.					
(A) Administration					
Personal Services	1,505,793	1,683,452	1,451,087	1,413,691	
FTE	23.8	25.0	22.1	22.1	
General Fund	293,132	299,150	313,786	347,053	
FTE	4.6	4.6	5.5	4.6	
Cash Funds	66,799	74,269	77,694	77,694	
FTE	0.9	0.9	0.0	0.9	
Cash Funds Exempt	109,300	120,728	139,654	146,925	
FTE	1.7	1.7	1.7	1.7	
Federal Funds	1,036,562	1,189,305	919,953	842,019	
FTE	16.6	17.8	14.9	14.9	
**CFE: Mineral & Energy Impact*	*109,300*	*120,728*	*139,654*	*146,925*	
Operating Expenses	149,493	273,700	323,903	323,903	
General Fund	25,902	25,903	25,903	25,903	
Cash Funds Exempt	0	0	0	0	
Federal Funds	123,591	247,797	298,000	298,000	
Indirect Cost Assessment	325,528	381,964	393,578	393,578	
Cash Funds	126,613	149,320	160,786	160,786	
Cash Funds Exempt	36,151	41,662	31,996	31,996	
Federal Funds	162,764	190,982	200,796	200,796	
**CFE: Mineral & Energy Impact*	*36,151*	*41,662*	*31,996*	*31,996*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(B) Manufactured Buildings Program					
Program Costs	676,552	753,772	1,033,437	1,055,012	
FTE	8.7	9.7	10.0	10.0	
General Fund	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	676,552	753,772	1,033,437	775,012	
FTE	8.7	9.7	10.0	10.0	
Cash Funds Exempt	0	0	0	280,000	
FTE	0.0	0.0	0.0	0.0	
(C) Affordable Housing Development					
Colorado Affordable Housing Construction Grants & Loans	100,000	1,100,000	1,238,324	1,223,324	
General Fund	100,000	1,100,000	1,223,324	1,223,324	
Cash Funds Exempt	0	0	15,000	0	
Federal Affordable Housing Construction Grants & Loans - FF	15,158,765	14,665,888	8,880,825	9,173,282	
Emergency Shelter Program - FF	968,623	968,312	971,220	1,029,552	
Private Activity Bond Allocation Committee - CF	2,500	2,500	2,500	2,500	
(D) Rental Assistance					
Low Income Rental Subsidies - FF	17,058,301	16,587,106	17,040,000	17,193,000	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
					Request v. Approp.
(3) SUBTOTAL - DIVISION OF HOUSING	35,945,555	36,416,694	31,334,874	31,807,842	*1.5%*
FTE	32.5	34.7	32.1	32.1	*0.0%*
General Fund	419,034	1,425,053	1,563,013	1,596,280	*2.1%*
FTE	4.6	4.6	5.5	4.6	*-16.4%*
Cash Funds	872,464	979,861	1,274,417	1,015,992	*-20.3%*
FTE	9.6	10.6	10.0	10.9	*9.0%*
Cash Funds Exempt	145,451	162,390	186,650	458,921	*145.9%*
FTE	1.7	1.7	1.7	1.7	*0.0%*
Federal Funds	34,508,606	33,849,390	28,310,794	28,736,649	*1.5%*
FTE	16.6	17.8	14.9	14.9	*0.0%*
**Mineral & Energy Impact - CFE*	*145,451*	*162,390*	*171,650*	*178,921*	*4.2%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(4) DIVISION OF LOCAL GOVERNMENT					
The Division of Local Government provides information and training for local governments in budget development, purchasing, demographics, land use planning, and regulatory issues; manages federal and state funding programs to support infrastructure and local services development; and assists local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation. Cash funds are predominantly from waste tire recycling fees and the Local Government Severance Tax Fund. Cash funds exempt are from reserves in the Local Government Severance Tax Fund, the Limited Gaming Fund, and the State Lottery Fund.)					
(A) Local Government and Community Services					
(1) Administration					
Personal Services	1,546,694	1,440,760	1,504,085	1,580,621	
FTE	18.6	19.0	20.4	20.4	
General Fund	793,661	821,162	846,604	886,059	
FTE	10.3	10.3	10.3	10.3	
Cash Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt	453,465	469,512	481,668	497,576	
FTE	6.7	6.8	7.0	7.0	
Federal Funds	299,568	150,086	175,813	196,986	
FTE	1.6	1.9	3.1	3.1	
**CFE: Mineral & Energy Impact*	*453,465*	*469,512*	*481,668*	*497,576*	
Operating Expenses	98,275	88,500	131,351	131,351	
General Fund	43,186	42,178	42,178	42,178	
Cash Funds Exempt	25,094	25,145	25,146	25,146	
Federal Funds	29,995	21,177	64,027	64,027	
**CFE: Mineral & Energy Impact*	*25,094*	*25,145*	*25,146*	*25,146*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(2) Local Government Services					
Local Utility Management Assistance - CF	140,369	144,799	146,517	151,817	
FTE	2.0	2.0	2.0	2.0	
Conservation Trust Fund Disbursements - CFE	49,918,126	47,381,119	52,000,000	49,000,000	
FTE	2.0	1.9	2.0	2.0	
Volunteer Firefighter Retirement Plans - GF	3,712,497	3,946,667	4,082,138	4,163,651	
†*GF: General Fund Exempt Account*	*3,669,309*	*3,665,842*	*3,792,828*	*0*	
Volunteer Firefighter Death and Disability Insurance - GF	30,000	30,000	30,000	30,000	
†*GF: General Fund Exempt Account*	*30,000*	*30,000*	*30,000*	*0*	
Environmental Protection Agency Water/Sewer File Project - FF	33,073	49,549	50,000	50,000	
FTE	0.4	0.5	0.5	0.5	
Federal Disability Program Navigator - FF	1,293,959	1,028,922	0	0	
FTE	8.5	2.8	0.0	0.0	
United Health Rural Health Care Grants - CFE	0	524,566	0	150,000	
(3) Community Services					
Community Services Block Grant - FF	5,669,684	4,742,824	5,176,401	5,190,947	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(4) Waste Tire Fund					
Waste Tire Recycling, Reuse and Removal Grants	2,927,248	2,990,928	3,187,565	3,013,567	
FTE	0.5	0.5	0.7	0.7	
Cash Funds	2,154,011	2,535,170	3,187,565	3,013,567	
FTE	0.5	0.5	0.7	0.7	
Cash Funds Exempt	773,237	455,758	0	0	
Allocations to the Commission on Higher Education, Advanced Technology Fund - CF	725,474	785,694	815,000	1,004,522	
					Request v. Approp.
Subtotal: (A) Local Government and Community Services	66,095,399	63,154,328	67,123,057	64,466,476	*-4.0%*
FTE	32.0	26.7	25.6	25.6	*0.0%*
General Fund	4,579,344	4,840,007	5,000,920	5,121,888	*2.4%*
FTE	10.3	10.3	10.3	10.3	*0.0%*
Cash Funds	3,019,854	3,465,663	4,149,082	4,169,906	*0.5%*
FTE	2.5	2.5	2.7	2.7	*0.0%*
Cash Funds Exempt	51,169,922	48,856,100	52,506,814	49,672,722	*-5.4%*
FTE	8.7	8.7	9.0	9.0	*0.0%*
Federal Funds	7,326,279	5,992,558	5,466,241	5,501,960	*0.7%*
FTE	10.5	5.2	3.6	3.6	*0.0%*
†*General Fund Exempt Account*	*3,699,309*	*3,695,842*	*3,822,828*	*0*	
**CFE: Mineral & Energy Impact*	*478,559*	*494,657*	*506,814*	*522,722*	*3.1%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(B) Field Services					
Program Costs	2,080,978	2,053,880	2,037,936	2,137,261	
FTE	23.4	21.2	24.3	24.3	
General Fund	465,085	465,704	475,404	502,530	
FTE	5.2	5.2	5.2	5.2	
Cash Funds Exempt	1,204,883	1,185,864	1,266,181	1,310,903	
FTE	14.0	12.4	14.2	14.2	
Federal Funds	411,010	402,312	296,351	323,828	
FTE	4.2	3.6	4.9	4.9	
**CFE: Mineral & Energy Impact*	*1,097,505*	*1,185,864*	*1,126,836*	*1,165,225*	
Community Development Block Grant (Business and Infrastructure Development) - FF	8,107,258	9,059,705	6,701,843	7,049,019	
Local Government Mineral and Energy Impact Grants and Disbursements	99,340,403	119,764,475	63,300,000	63,300,000	
Cash Funds	23,100,000	23,100,000	23,100,000	23,100,000	
Cash Funds Exempt	76,240,403	96,664,475	40,200,000	40,200,000	
For Information Only, Non-add					
State Severance Tax	*71,479,114*	*81,082,785*	*40,200,000*	*40,200,000*	
Federal Mineral Lease	*27,861,289*	*38,681,690*	*23,100,000*	*23,100,000*	
Local Government Limited Gaming Impact Grants - CFE	5,809,651	6,381,333	6,822,829	7,800,000	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
Search and Rescue Program	471,910	460,290	615,000	615,000	
FTE	1.3	1.3	1.3	1.3	
Cash Funds	425,716	437,589	505,000	505,000	
FTE	1.3	1.3	1.3	1.3	
Cash Funds Exempt	46,194	22,701	110,000	110,000	
Colorado Heritage Communities Grant Fund - GF	0	200,000	200,000	200,000	
Colorado Heritage Communities Grants - CFE	79,373	200,000	200,000	200,000	
Livability Counts Pilot Program - GF	n/a	n/a	n/a	100,000	DI #1
					Request v. Approp.
Subtotal: (B) Field Services	115,889,573	138,119,683	79,877,608	81,401,280	*1.9%*
FTE	24.7	22.5	25.6	25.6	*0.0%*
General Fund	465,085	665,704	675,404	802,530	*18.8%*
FTE	5.2	5.2	5.2	5.2	*0.0%*
Cash Funds	23,525,716	23,537,589	23,605,000	23,605,000	*0.0%*
FTE	1.3	1.3	1.3	1.3	*0.0%*
Cash Funds Exempt	83,380,504	104,454,373	48,599,010	49,620,903	*2.1%*
FTE	14.0	12.4	14.2	14.2	*0.0%*
Federal Funds	8,518,268	9,462,017	6,998,194	7,372,847	*5.4%*
FTE	4.2	3.6	4.9	4.9	*0.0%*
**CFE: Mineral & Energy Impact*	*1,097,505*	*1,185,864*	*1,126,836*	*1,165,225*	*3.4%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(C) Division of Emergency Management					
Administration	2,824,360	3,081,094	2,655,465	2,727,557	
FTE	28.0	25.6	28.2	28.5	
General Fund	547,167	478,230	489,472	507,585	
FTE	7.2	7.2	7.2	7.2	
Cash Funds Exempt	65,434	62,497	64,890	64,890	
FTE	0.3	0.6	1.0	1.0	
Federal Funds	2,211,759	2,540,367	2,101,103	2,155,082	
FTE	20.5	17.8	20.0	20.3	
**CFE: Mineral & Energy Impact*	*65,434*	*62,497*	*64,890*	*64,890*	
Disaster Response and Recovery	2,741,559	4,856,477	3,179,407	4,895,390	
Cash Funds Exempt	2,741,559	4,856,477	2,729,407	4,445,390	
Federal Funds	0	0	450,000	450,000	
Preparedness Grants and Training	59,102,401	37,712,659	35,510,988	30,010,988	
Cash Funds	0	0	10,988	10,988	
Federal Funds	59,102,401	37,712,659	35,500,000	30,000,000	
					Request v. Approp.
Subtotal: (C) Emergency Management	64,668,320	45,650,230	41,345,860	37,633,935	*-9.0%*
FTE	28.0	25.6	28.2	28.5	*1.1%*
General Fund	547,167	478,230	489,472	507,585	*3.7%*
FTE	7.2	7.2	7.2	7.2	*0.0%*
Cash Funds	0	0	10,988	10,988	*0.0%*
Cash Funds Exempt	2,806,993	4,918,974	2,794,297	4,510,280	*61.4%*
FTE	0.3	0.6	1.0	1.0	*0.0%*
Federal Funds	61,314,160	40,253,026	38,051,103	32,605,082	*-14.3%*
FTE	20.5	17.8	20.0	20.3	*1.5%*
**CFE: Mineral & Energy Impact*	*65,434*	*62,497*	*64,890*	*64,890*	*0.0%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
(D) Division of Local Government Indirect Cost Assessments	1,124,966	1,239,262	785,116	785,116	
Cash Funds	41,005	67,201	50,134	50,134	
Cash Funds Exempt	481,898	620,561	337,349	337,349	
Federal Funds	602,063	551,500	397,633	397,633	
**CFE: Mineral & Energy Impact*	*124,684*	*442,024*	*291,218*	*291,218*	
					Request v. Approp.
SUBTOTAL: DIVISION OF LOCAL GOVERNMENT	247,778,258	248,163,503	189,131,641	184,286,807	*-2.6%*
FTE	84.7	74.8	79.4	79.7	*0.4%*
General Fund	5,591,596	5,983,941	6,165,796	6,432,003	*4.3%*
FTE	22.7	22.7	22.7	22.7	*0.0%*
Cash Funds	26,586,575	27,070,453	27,815,204	27,836,028	*0.1%*
FTE	3.8	3.8	4.0	4.0	*0.0%*
Cash Funds Exempt	137,839,317	158,850,008	104,237,470	104,141,254	*-0.1%*
FTE	23.0	21.7	24.2	24.2	*0.0%*
Federal Funds	77,760,770	56,259,101	50,913,171	45,877,522	*-9.9%*
FTE	35.2	26.6	28.5	28.8	*1.1%*
†General Fund Exempt Account	*3,699,309*	*3,695,842*	*3,822,828*	*0*	*-100.0%*
**CFE: Mineral & Energy Impact*	*1,766,182*	*2,185,042*	*1,989,758*	*2,044,055*	*2.7%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2007-08 Request	Change Requests
					Request v. Approp.
TOTAL: DEPARTMENT OF LOCAL AFFAIRS	291,355,222	293,321,207	228,687,846	224,890,408	*-1.7%*
FTE	187.3	176.6	184.0	184.3	*0.2%*
General Fund	8,543,357	10,173,082	11,025,955	11,558,047	*4.8%*
FTE	50.6	51.7	58.9	58.0	*-1.5%*
Cash Funds	28,270,202	28,885,655	29,961,711	29,822,785	*-0.5%*
FTE	23.5	24.4	25.1	26.0	*3.6%*
Cash Funds Exempt	140,859,628	161,818,669	107,436,143	107,773,331	*0.3%*
FTE	60.1	55.5	55.6	55.6	*0.0%*
Federal Funds	113,682,035	92,443,801	80,264,037	75,736,245	*-5.6%*
FTE	53.1	45.0	44.4	44.7	*0.7%*
†*GF: General Fund Exempt Account*	*3,699,309*	*3,695,842*	*3,822,828*	*0*	*-100.0%*
**CFE: Mineral & Energy Impact*	*2,975,702*	*3,432,812*	*3,342,016*	*3,510,316*	*5.0%*

General Fund (GF) subject to six percent appropriations limit :					
Total GF/GFE appropriations	8,543,357	10,173,082	11,025,955	11,558,047	*4.8%*
Less: GF/GFE not subject to six percent limit	3,742,497	3,976,667	4,112,138	4,193,651	*2.0%*
GF subject to six percent limit	4,800,860	6,196,415	6,913,817	7,364,396	*6.5%*

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs

FY 2007-08 LONG BILL FOOTNOTE UPDATE

4 **All Departments, Totals** --The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly.

Comment: The only footnote included in the FY 2007-08 Long Bill that requests a "report" is #100, concerning efforts to eliminate regulatory barriers to the construction of affordable housing. The Department did not submit the requested report, either to the Joint Budget Committee or to legislative leadership.

5 **All Departments, Totals** – Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2007-08. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers in that it is attached to federal funds and private donations, which are not subject to legislative appropriation; (2) placing information requirements on such funds could constitute substantive legislation in the Long Bill; and (3) it requires a substantial dedication of resources and constitutes an unfunded mandate. After the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

The Department did not provide the information requested in a specific report. However, for a number of years, the Department has attempted to comply with the intent of this footnote by providing detailed information and estimates of all federal funds and exempt cash funds it receives as part of its annual budget request. Where this information is available, staff has reflected these fund sources in the "numbers pages" section of this document.

100 **Department of Local Affairs, Division of Housing --** The Division of Housing is requested to provide a report to the Joint Budget Committee by November 1, 2007, on its efforts to eliminate regulatory barriers to the construction of affordable housing in order to assist the Committee with evaluating future appropriations. The report should include a review of the types and prevalence of local regulatory barriers to affordable housing, a review of the steps the Division of Housing is taking to reduce these barriers, and a report on the effectiveness of the Division's efforts.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. After the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed the Department to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

This footnote was first included in the FY 1998-99 Long Bill. The Governor has vetoed this footnote in each of the last five years. Similar to last year, the Department did not submit the report as requested. In response to a staff inquiry, however, the Division provided the following information:

> "Decisions about zoning, fees, inclusionary housing, etc., are all done at the local level, and [the Division of Housing] is not in a position to tell local communities what they should do around this. [The Division] provides information on this topic to local communities. Our power does not extend beyond that. We provide information on how local policies impact the cost of housing and information on local ordinances that may affect the supply of housing such as the inclusionary zoning report and the attached report on fees and another attached report on local policies that encourage development of affordable housing.
>
> The inclusionary zoning report is on our website at the link below:
>
> http://www.dola.state.co.us/cdh/researchers/documents/izo_summary.htm"

In addition, the Committee requested that the Department provide information responding to this footnote request during its hearing last year. Staff has included this response as Appendix A.

INFORMATIONAL ISSUE:

Overview of the Mineral and Energy Impact Assistance Program

SUMMARY:

- ❑ The Department of Local Affairs administers the Mineral and Energy Impact Assistance Program to distribute funds to communities that are socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels.

- ❑ Funds can be used by political subdivisions for planning, constructing, and maintaining public facilities, or for the provision of public services.

- ❑ Both state severance tax revenues and federal mineral leasing revenues are distributed through the program, and both sources have grown rapidly in recent years. Total program revenues increased from $25.7 million in FY 2002-03 to $112.2 million in FY 2006-07.

- ❑ While a portion of funds are distributed through a formula, the majority of funds are distributed through a grant program. The number of grant awards has grown commensurate with program revenues, increasing from 143 in FY 2002-03 to 362 in FY 2006-07.

DISCUSSION:

The Department of Local Affairs (DOLA) administers the Mineral and Energy Impact Assistance Program, which is designed to support communities socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels. Funds made available through this program can be used by political subdivisions for planning, constructing, and maintaining public facilities, or for the provision of public services. While the Program is not the largest grant program administered by DOLA, it is arguably the program over which the General Assembly has the most discretionary control. The other major grant programs administered by DOLA are primarily guided by either federal law and regulation or provisions in the Colorado Constitution.

Sources of Revenue

The Mineral and Energy Impact Assistance Program actually has two distinct revenue sources, and the legislative authorization related to these fund sources are provided in different statutory sections. However, for the convenience of local governments and to minimize administrative expenses, DOLA administers these funds through a single program. The sources of revenue for the Mineral and Energy Impact Program include: state severance tax revenues (which are subject to the Taxpayer's Bill of Rights or "TABOR"); and federal mineral lease revenues (which are exempt from TABOR). Pursuant to S.B. 07-253, the Legislative Council Staff now prepare quarterly forecasts of both these revenue sources.

Severance Tax Revenues

Prior to 1977, the State collected an income tax on oil and gas production and a per-ton tax on coal production. These taxes were repealed in 1977, and replaced with severance taxes. Severance taxes are a special excise tax imposed when certain natural resources are extracted, or "severed", from the earth. The legislative declaration concerning state severance taxes states that the tax is intended to recapture a portion of the wealth that is lost when nonrenewable natural resources are removed from Colorado soil and sold for private profit.[2] Further, this provision states that severance tax revenues shall be used for three purposes: a portion shall be used by the State for public purposes; a portion shall be held by the State in a perpetual trust fund; and a portion shall be made available to local governments to offset the impact created by nonrenewable resource development.

Currently, five resources are subject to state severance taxes:

- oil and natural gas
- coal
- metallic minerals (*e.g.*, gold, silver, copper, nacholite, uranium, vanadium, and zinc)
- molybdenum ore
- oil shale

The severance tax applies regardless of whether the resources are removed from privately or publicly owned lands. The severance tax rate is either based on the gross *income* derived from the sale of the resources (for oil and natural gas, metallic minerals, and oil shale), or the *weight* of the mineral that is extracted (coal and molybdenum). However, three statutory provisions reduce the amount of severance taxes paid:

1. Producers are allowed to deduct from gross income any costs related to transporting, processing, or manufacturing oil and natural gas that are incurred prior to the sale of the product.

2. Small "stripper" wells (those that produce less than 15 barrels of oil per day or 90,000 cubic feet of gas per day) are exempt from state severance tax. About 95 percent of all oil wells and about 73 percent of all gas wells are stripper wells. However, stripper wells account for less than 60 percent of the state's oil production, and only 20 percent of the state's natural gas production.[3]

3. Operators are allowed to deduct 87.5 percent of local property taxes paid or assessed on oil or natural gas production from their severance tax liability in the current tax year, excluding production of stripper wells. Local property taxes can lag current production value by two years because the property tax assessment is based on a valuation conducted in the prior year, and the valuation is based on actual data from the year prior to that.

Over the past five years, severance tax collections have risen rapidly, growing from $51 million in FY 2001-02 to $221 million in FY 2005-06. The majority of state severance tax revenues -- over

[2] See Section 39-29-101, C.R.S.

[3] Memorandum from Legislative Council Staff to members of the Interim Committee to Study the Allocation of Severance Tax and Federal Mineral Leasing Revenues concerning the Existing Structure of Mineral Revenues in Colorado dated June 21, 2007, page 7.

95 percent in FY 2005-06 -- are collected was from severance taxes levied on oil and gas. Thus, the amount of severance taxes collected is primarily driven by oil and gas prices and the amount of oil and gas that is produced each year. The majority of oil and gas severance taxes (over 90 percent) are generated in four counties: La Plata, Garfield, Las Animas, and Rio Blanco.[4]

Under current law, 50 percent of all severance tax revenues are credited to the Local Government Severance Tax Fund[5] (administered by the DOLA), and 50 percent is credited to the Severance Tax Trust Fund and divided equally between the Perpetual Base Account and the Operational Account (administered by the Department of Natural Resources). Of the portion allocated to DOLA, 30 percent is distributed according to a formula to communities where individuals involved in mineral and energy production live; the remaining 70 percent is combined with federal mineral leasing revenues (discussed below) and used to make discretionary grants and loans to local governments through the Mineral and Energy Impact Grant Program.

At Appendix B, staff has included a document that was prepared by Legislative Council Staff for the Interim Committee to Study the Allocation of Severance Tax and Federal Mineral Leasing Revenues. This document details the allocation of both federal mineral leasing and state severance tax revenues from FY 2001-02 through FY 2005-06.

Federal Mineral Lease Revenues

When individuals or companies lease federal lands for mineral development, the federal government collects revenue related to those leases. Three forms of revenue are collected: (1) lease holders competitively bid and initially pay a *bonus* to use the land; (2) lease holders pay *rent* for the right to develop mineral production; and (3) lease holders pay a *royalty* (percentage) on minerals extracted and sold. Under the Federal Mineral Leasing Act, 50 percent of these rentals, royalties, and bonuses (after federal administrative costs) is returned to the state of origin, 40 percent is distributed to the federal Reclamation Fund for water projects in western states, and the remaining 10 percent is credited to the U.S. Treasury's General Fund.

Over the past five years, distributions of federal mineral leasing (FML) revenues have grown substantially, rising from $42 million in FY 2001-02 to $144 million in FY 2005-06. In FY 2005-06, more than 85 percent of FML revenues were from royalties paid on natural gas (about 61 percent), coal (about 16 percent), and oil (about nine percent). The majority of FML revenues (72 percent) are currently generated in four counties: Garfield (natural gas), Rio Blanco (both oil and gas), Moffat (coal), and Montezuma (carbon dioxide).[6]

State statutes distribute FML revenues to various entities using a "cascade" formula. The largest portion (about half) is credited to the State Public School Fund (which is administered by the Department of Education) for "the support of the public schools". For FY 2007-08, the General Assembly appropriated these moneys for school finance and to subsidize supplemental on-line

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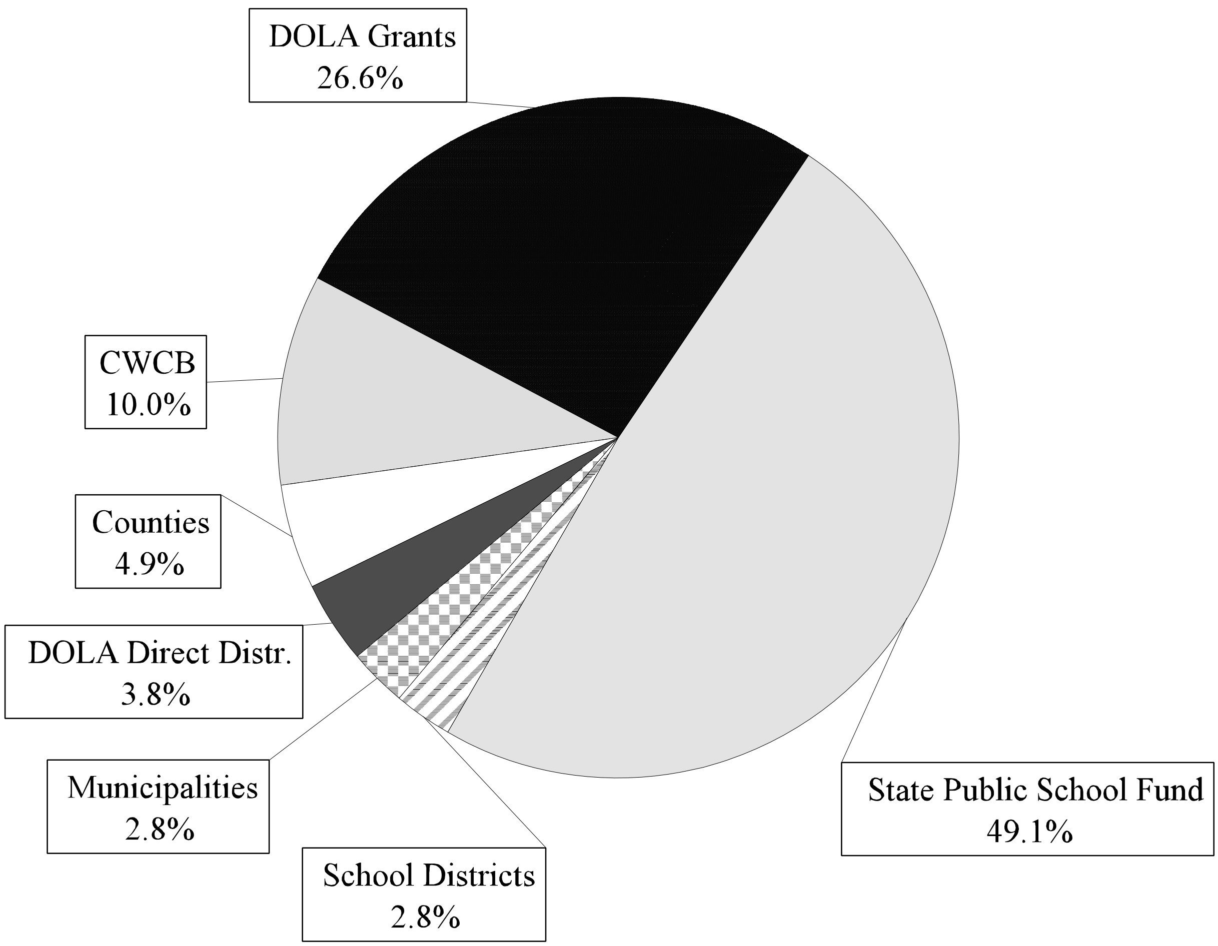
[4] Ibid, page 8.

[5] Created in Section 39-29-110, C.R.S.

[6] Memorandum from Legislative Council Staff to members of the Interim Committee to Study the Allocation of Severance Tax and Federal Mineral Leasing Revenues concerning the Existing Structure of Mineral Revenues in Colorado dated June 21, 2007, pages 7 and 8.

courses for certain school districts. Ten percent of FML revenues are credited to the Colorado Water Conservation Board Construction Fund (which is administered by the Department of Natural Resources) for small loans and grants for water projects. Another portion is distributed directly to those counties, municipalities, and school districts from which the revenues are derived. Finally, a portion is credited to the Local Government Mineral Impact Fund[7] (which is administered by DOLA). Moneys in this fund are used to assist local governments impacted by mineral and energy development -- both through grants and a direct distribution formula.[8] The pie chart below illustrates the allocation of FML revenues in FY 2006-07.

Federal Mineral Lease Revenue Distribution: FY 2006-07



[7] Created in Section 34-63-102 (5), C.R.S.

[8] Please note that pursuant to Section 34-63-102 (5) (a) (I), C.R.S., a portion of moneys credited to the Local Government Mineral Impact Fund are earmarked for the Uranium Mill Tailings Remedial Action Program, and from FY 2006-07 through FY 2010-11, $3.25 million is annually transferred to the Wildfire Preparedness Fund.

Total Program Revenues and Expenditures

As mentioned earlier, DOLA administers both severance tax revenues and FML revenues through an integrated program called the Energy and Mineral Impact Assistance Program. As directed by statute, this program involves the distribution of two revenue sources through both a direct distribution formula and a grant/loan program. The following three tables summarize the total revenues available to this program, total program expenditures, and grants awarded for the last five fiscal years. In all cases, the data indicates that this program has grown rapidly in recent years.

TABLE 1
Energy and Mineral Impact Assistance Program *Revenues* ($ Millions): FY 2002-03 through FY 2006-07

Description	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Local Government Severance Tax Fund	$16.0	$61.6	$75.2	$116.2	$71.5
Local Government Mineral Impact Fund	9.7	18.0	29.4	46.3	40.7
TOTAL	**25.7**	**79.6**	**104.6**	**162.5**	**112.2**
Annual Percent Change		*209.7%*	*31.4%*	*55.4%*	*-31.0%*

Source: Report of the State Auditor: Energy and Mineral Impact Grants Program (October 2007), page 13.

TABLE 2
Energy and Mineral Impact Assistance Program *Expenditures* ($ Millions): FY 2002-03 through FY 2006-07

Description	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Grants and Loans	$32.5	$30.3	$45.2	$72.5	$97.0
Direct Distribution Payments	2.7	9.9	13.5	23.8	16.2
Operating Transfers	1.8	2.9	6.9	3.0	6.6
TOTAL	**37.0**	**43.1**	**65.6**	**99.3**	**119.8**
Annual Percent Change		*16.5%*	*52.2%*	*51.4%*	*20.6%*

Source: Report of the State Auditor: Energy and Mineral Impact Grants Program (October 2007), page 14.

TABLE 3
Energy and Mineral Impact *Grant Awards* ($ Millions): FY 2002-03 through FY 2006-07

Description	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Total Grant Awards	143	253	315	391	362
Total Funds Awarded	$27.8	$49.0	$81.1	$126.5	$119.8
Annual Percent Change		*76.3%*	*65.5%*	*56.0%*	*-5.3%*

Source: Report of the State Auditor: Energy and Mineral Impact Grants Program (October 2007), page 15.

Grant Making Process

Pursuant to Sections 34-63-102 (1) (a) and 39-29-110 (1) (b) (I), C.R.S., DOLA is to distribute a portion of severance tax revenues and FML revenues to those political subdivisions that are "socially or economically impacted by the development, processing, or energy conversion of minerals and [mineral fuels]" subject to the state severance tax or the Federal Mineral Leasing Act.[9] Political subdivisions include municipalities, counties, school districts, and most special districts. Grants are to be used for the "planning, construction, and maintenance of public facilities" and for the provision of public services. The Executive Director of DOLA is also authorized to make grants or loans from severance tax revenues for the planning, construction, improvement, or expansion of domestic wastewater treatment or potable water treatment facilities.

Grant applications are accepted continuously by DOLA. The DOLA provides technical assistance related to project development, application, and project administration through eight field offices located in Fort Morgan, Pueblo, Monte Vista, Durango, Grand Junction, Frisco, Loveland, and Golden. It is rare for the Department to receive a grant application where the local community has not first consulted with one of the field services representatives or other professionals at DOLA. In these meetings with local governments, DOLA staff clarify what moneys may be available for a particular project, and provide feedback that gives the local governments a sense of whether they can reasonably expect that their grant applications will be successful.

The grant application form is five pages. It requires applicants to justify the project, provide a budget, explain the relationship of the project to mineral and energy activities in the area, describe the local contribution and commitment to the project, and describe the availability or lack of alternative funding sources. The real work involved in making a successful application is putting together a sound plan for the project, which typically takes a local government about a year to do. Roughly 95 percent of proposals to use mineral and energy impact funds that reach the point of an official application are funded.

Submitted applications are reviewed by DOLA staff, who make recommendations to the Energy Impact Assistance Advisory Committee. This Committee is comprised of representatives from DOLA, the Departments of Natural Resources, Education, and Transportation, and residents of impacted areas. The Advisory Committee in turn makes recommendations to DOLA's Executive Director, who is ultimately responsible for making the grants. The Executive Director sends letters to the applicants notifying them of the award decisions and the Department initiates a contract process to disburse the money.

Grant Awards

Current program guidelines have a recommended maximum grant award of $500,000, and they strongly encourage local matching funds. The grant process is largely driven by the priorities of the

[9] See Section 39-29-110 (1) (b), C.R.S.

local communities and the requests that they submit. These priorities change from year to year. Over the last five fiscal years, funds have been awarded for the following types of projects:[10]

- $103.7 million (26 percent) for public facilities (public buildings, school improvement projects, and parks and recreation projects)
- $101.5 million (25 percent) for water and sewer projects
- $96.7 million (24 percent) for road improvement projects
- $35.4 million (nine percent) for telecommunication projects, including equipment for local governments to connect to the State's Digital Trunked Radio System
- $25.7 million (six percent) for health and human services projects, including hospital improvements and medical equipment purchases
- $25.4 million (six percent) for public safety projects, including equipment for fire, law enforcement, and other emergency response agencies
- $14.0 million (three percent) for economic and community development, planning, and other administrative projects
- $1.8 million (one percent) for other projects, including emergency disaster assistance and uranium mill tailing cleanup

In addition to simply responding to requests from local governments, the Department from time to time sets aside money for special grant cycles to address state priorities (*e.g.,* a wireless interoperability network to connect local governments to the State's digital trunk radio system, a rural healthcare initiative to expand access to primary, dental, and mental healthcare in rural areas, etc.).

[10] Source: Report of the State Auditor: Energy and Mineral Impact Grants Program (October 2007), pages 15 and 16.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs

ISSUE:

Highlights of performance audits concerning the Mineral and Energy Impact Assistance Program

SUMMARY:

- ❑ The State Auditor's Office recently released two performance audits related to the Mineral and Energy Impact Assistance Program: one concerning the direct distribution of severance tax revenues, and one concerning grant and loans.

- ❑ The first report indicates that current law concerning the direct distribution of severance tax revenues directs the Department of Local Affairs (DOLA) to distribute these revenues to accomplish two purposes: (1) to offset the impact created by nonrenewable resource development; and (2) to account for differences in the amount of revenue production among producers. Although DOLA's current method of direct distribution is reasonable given the complexity and ambiguity of current law, it is not possible to fully achieve both statutory intents simultaneously. The Department is thus seeking clarification from the General Assembly.

- ❑ The second report identifies a number of weaknesses in DOLA's current processes for making and monitoring grants and loans. In order to address two of the recommendations included in this report, DOLA will likely seek additional resources through its FY 2008-09 budget request.

RECOMMENDATION:

Staff recommends that the Committee ask the Department to discuss how it is responding to the recommendations included the these two audit reports. Specifically, request that the Department identify those areas where it anticipates needing to either request additional resources or re-direct existing resources in order to fully implement the recommendations.

DISCUSSION:

The State Auditor's Office recently released two performance audits related to DOLA's Mineral and Energy Impact Assistance Program: one concerning the direct distribution of severance tax revenues (August 2007), and one concerning grant and loans (October 2007). Staff has summarized below significant findings and recommendations included in these reports.

Direct Distribution of Severance Tax Revenues

Background Information
As described in the first issue brief, the DOLA is required to distribute 30 percent of its allocation of severance tax revenues according to a formula. Specifically, Section 39-29-110 (1) (c), C.R.S., requires DOLA's Executive Director to make direct distribution payments "to counties or municipalities on the basis of the proportion of employees of the mine or related facility or crude oil, natural gas, or oil and gas operation who reside in any such county's unincorporated area or in any such municipality to the total number of employees of the mine or related facility or crude oil, natural

gas, or oil and gas operation." Only counties and municipalities with production employees residing within their boundaries are eligible to receive direct distribution payments. Payments associated with production employees who reside within an incorporated area are made to the municipality, and those associated with production employees who reside within an unincorporated area are made to the county.

In addition, Section 39-29-110 (1) (d), C.R.S., outlines the requirements for counting and reporting production employees. By the end of March, the Department of Revenue sends every producer of resources subject to severance taxes an employee residence reporting form. All producers, regardless of whether they actually pay severance taxes, are required to provide information by April 30, including the name of the mine, related facility, or oil and gas operation, and where each production employee maintains his or her actual residence as given by the employee. These reports are transmitted to DOLA, who then uses the information to calculate the total number of production employees residing in each municipality or unincorporated county area. Thus, counties and municipalities receive distributions for all production employees who live in their jurisdictions, regardless of whether the employees' producers paid any severance taxes. DOLA is then required to make direct distribution payments to local governments by August 31.

Key Findings in State Auditor's Report

- Current law concerning the direct distribution of severance tax revenues appears to direct DOLA to distribute these revenues to accomplish two purposes: (1) to offset the impact created by nonrenewable resource development; and (2) to account for differences in the amount of revenue production among producers. According to a legal opinion prepared by the Office of Legislative Legal Services (OLLS), DOLA's current methodology for calculating the direct distribution payments is reasonable given the complexity and ambiguity of the direct distribution statute [Section 39-29-110 (1) (c), C.R.S.] and other provisions outlined in Title 39, Article 29.

- With respect to the first purpose, by making payments to jurisdictions where production employees live, the direct distribution acknowledges that these communities are impacted by the additional burdens placed on roads, housing, water and sewer systems, public safety, and other infrastructure and government services resulting from active energy and mineral resource development.

- With regard to the second purpose, OLLS indicates that a plain reading of the statutory language suggests DOLA should calculate payments to local governments using revenues generated and number of production employees on a *facility-by-facility or operation-by-operation basis*. However, implementing this plain reading is problematic because the necessary data concerning revenues paid by facility or operation are not currently available, and a method requiring a per-employee payment rate specific to each facility or operation could be cumbersome to administer. Instead, DOLA currently calculates the direct distribution payments to local governments on an *industry-by-industry basis* (i.e., calculating a peremployee payment rate for coal employees, for metals employees, and for oil and gas employees). DOLA then multiplies the statewide industry-specific per-employee payment rate by the number of employees working in that industry who reside in each county and municipality. OLLS determined that this approach is a reasonable proxy and one that is "more feasible of execution."

- The current payment methodology results in local governments receiving significantly more money for the oil and gas employees who reside in their jurisdictions than for coal or metals employees. Consequently, although the number of production employees residing in different counties or municipalities may be similar, local governments may receive widely disparate direct distribution payments depending on the industry mix of production employees residing in their jurisdictions.

- Further, due to varying levels of production throughout the state, the current payment methodology results in wide disparities between each region's share of the direct distribution payments and its estimated contributions to total severance tax revenues.

- In practice, it is not possible to fully achieve both intents of the direct distribution statutes simultaneously. Resolving these issues will require a determination of which statutory intent takes precedence and what the desired outcomes are. If addressing impact is important, perhaps each production employee should be treated equally when calculating the severance tax direct distribution payments. If accounting for differences in revenue generation is important, perhaps the methodology should account for the proportion of revenues generated by production employees residing in each jurisdiction. However, these data are not currently available and could be difficult to collect since a single severance taxpayer may have active production across multiple counties.

State Auditor's Recommendation

1. The Department should work with the General Assembly and relevant stakeholder groups to reevaluate and clarify the statutes governing direct distribution payments to counties and municipalities by clearly specifying the intent and goals of direct distribution, and aligning the payment calculation methodology accordingly.

   DOLA agreed to work with the General Assembly and relevant stakeholder groups to implement this recommendation. The Department also agreed that related statutes are complex and somewhat ambiguous, and committed to working with the General Assembly and stakeholders to arrive at understandable and commonly agreed-upon interpretations of the intent and goals of the direct distribution program.

Energy and Mineral Impact Grants

Key Findings in State Auditor's Report

- DOLA lacks sufficient controls over "supplemental" grant awards to promote transparency, accountability, and cost containment. Contrary to its written guidelines, DOLA has used supplemental awards to substantially expand the scope of grant projects.

- Despite statutory requirements that funds from the Local Government Severance Tax Fund be awarded to political subdivisions, DOLA has awarded grants to a municipality that appear to have been made only to provide a conduit for funding statewide projects coordinated between DOLA and the Colorado Rural Development Council, a private nonprofit 501(c)(3) corporation. None of these grants went through the standard grant application and review processes used for other grant applications.

- DOLA's grant evaluation criteria are not understood or applied consistently and uniformly by members of the Energy Impact Assistance Advisory Committee. Social and economic impacts were not the primary consideration when discussing the merits of grant applications, and members do not agree on how social and economic impacts should be defined or assessed.

- DOLA treats revenue sources inconsistently when evaluating matching funds.

- The Advisory Committee lacks formal rules of conduct intended to mitigate actual or perceived conflicts of interest during the review and evaluation of grant applications.

- DOLA lacks sufficient and standardized monitoring to ensure that grant expenditures are for allowable uses and supported by adequate documentation.

- DOLA needs to improve controls over access to the electronic grant information system, and grant data needs to be reconciled with the State's accounting system.

- DOLA lacks an overall strategic approach to its grantmaking activities, including: (1) methods for identifying and assessing the common impacts and needs created by nonrenewable resource development; (2) clearly defined program goals, objectives, and desired outcomes; (3) defined funding initiatives that proactively solicit grant applications and target resources in support of program goals and objectives; and (4) processes for tracking program data to routinely assess outcomes and evaluate program performance.

State Auditor's Recommendations
DOLA agreed with all of the State Auditor's recommendations (listed below). However, to address two recommendations noted with an asterisk (*) below, DOLA indicated that it will require additional resources. Staff anticipates that DOLA will amend its FY 2008-09 budget request, adding one or more decision items to implement these recommendations.

1. Create written policies and procedures concerning supplemental grant awards.

2. Comply with statutory requirements and ensure that moneys are awarded to political subdivisions both in form and substance. Seek legislative spending authority to fund statewide projects benefitting local governments.

3. Provide more specific guidance on how to define and evaluate social and economic impact, prioritize and weight established selection criteria, develop a numeric scoring system to rate grant applications, and communicate and provide training on the prioritization and weighting of selection criteria and the numeric scoring process.

   DOLA indicates that it has developed metrics to rank counties related to mineral and energy impacts, and it is developing a scoring system for making awards. In addition, it is working on developing a three-tiered grant program to include small grants (under $200,000), medium-sized grants, and larger, multi-year grants ($1.0 million and up).

4. Assess the goals for requiring matching funds on projects, and develop a consistent method for calculating matching percentages.

5. Establish written procedures to ensure the Energy Impact Assistance Advisory Committee's practices comply with statutory rules of conduct.

6. Ensure timely contracting by awarding grant funds only for projects that are ready to move forward in a timely manner, tracking time frames from grant award to grant contract, and withdrawing award offers outstanding for more than 12 months.

7. Establish a target year-end reserve amount for the uncommitted cash balance for the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund. Define and announce the amount of funds available for each grant cycle.

8. Ensure that regional councils of government are eligible to receive grant funds. Seek statutory changes if necessary.

*9. Take a stronger and more standardized approach to monitoring grant expenditures by: (a) including sufficient detail in grant contracts on allowable costs; (b) establishing clear and consistent documentation requirements that are applicable program-wide; (c) ensuring a thorough review of reimbursement requests and supporting documentation before approving payments; (d) developing procedures for conducting a secondary review of expenditure documentation; (e) formalizing policies and procedures for on-site monitoring; and (f) communicating and providing training on new program requirements.

10. Ensure the security and integrity of grants data addressing concerns related to user access. Continue efforts to implement a routine reconciliation between the grants database and the State's accounting system.

11. Improve management of severance tax loans by formally documenting the assessment of each loan applicant's ability to repay the loan, clarifying when payments are considered late or loans are considered in default, considering use of financial disincentives to encourage timely loan payments, and enhancing routine correspondence with loan recipients.

12. Obtain approval from the State Controller's Office and develop internal policies if advances of funds on energy and mineral impact grant contracts are offered in the future.

*13. Develop a more strategic approach to grantmaking activities, including: (a) designing a methodology to identify and assess the common impacts and needs; (b) setting clear program goals, objectives, and desired outcomes to guide grantmaking activities; (c) using defined funding initiatives to proactively solicit grant applications and target resources in support of established program goals and objectives; and (d) tracking program data to assess outcomes and evaluate and routinely report on performance.

INFORMATIONAL ISSUE:

Interim Committee on Severance Tax and Federal Mineral Leasing Revenues

SUMMARY:

- ❑ A legislative committee has been meeting over the interim to study and propose legislation concerning the allocation of severance tax and federal mineral leasing (FML) revenues.

- ❑ The Interim Committee has been assisted by a working group, which made a number of recommendations to the Interim Committee concerning the collection of severance taxes, the distribution of severance tax and FML revenues to local governments, and tools to allow local communities to address impacts associated with mineral development.

- ❑ To date, the Interim Committee has approved three bills concerning the distribution of severance tax and FML revenues, and the prepayment of severance tax liability to address local impacts of mineral development. The Interim Committee is still discussing a fourth bill draft concerning the securitization of a portion of federal mineral leasing revenues.

DISCUSSION:

Senate Joint Resolution 07-042 and S.B. 07-253 established an 11-member legislative Interim Committee to study and propose legislation or other policy changes concerning the allocation of severance tax and FML revenues. The Committee has met seven times to date, and is scheduled to meet tomorrow (November 14).

Working Group

The Interim Committee was assisted in its work by staff from the Departments of Local Affairs and Natural Resources, as well as a working group, consisting of the following members:

- Terry Carwile, Craig City Council
- Rebecca Frank, Wildlife and Sportsmen Interests
- Phil James, Colorado Wildlife Commission and The Nature Conservancy
- Bill Jerke, Weld County Commissioner
- Shane Henry, Williams Companies, Inc.
- Doug Kemper, Colorado Water Congress
- Susan Kirkpatrick, Director, Department of Local Affairs
- Craig Meis, Mesa County Commissioner
- Ben Pearlman, Boulder County Commissioner
- Harris Sherman, Director, Department of Natural Resources
- Sherri Wright, Board Member, Montezuma-Cortez School District and San Juan Technical College

The Working Group was required to study and develop issues relating to the allocation of severance tax or federal mineral leasing revenues, including evaluating the current system of quantifying and addressing local impacts from the energy and mineral industries. The Working Group was then required to make policy recommendations to the Interim Committee.

On October 10, 2007, the Working Group submitted several findings and recommendations to the Interim Committee. These findings and recommendations are summarized below.

<u>Measuring Impacts</u>

1. State, regional, and local impacts associated with oil and gas and mineral activities are numerous, diffuse, and unique to each specific area. Because the impacts are so many, so varied, and run across the entire life cycle of development, it would be difficult to develop a comprehensive list of impacts and the direct and indirect costs and benefits of each. In lieu of establishing objective criteria to assess the local and regional impacts of mineral development, **the direct distribution and grant programs should take into consideration the stages of mineral development and life cycle of impacts**.

2. The impacts of oil and gas and mineral development that require mitigation are generally in excess of state severance tax, FML, and property tax revenues. Due to the enormous nature of impacts that require mitigation over the short- and long-term, **there should be no reduction in the local government share of severance tax and FML allocations**.

3. No replicable model currently exists to quantify the impacts resulting from oil and gas and mineral development statewide. The evaluation of impacts must take place on a community-by-community basis, and should look at the spectrum of impacts throughout the life cycle of mineral and oil and gas activities. While no single metric or set of metrics will adequately capture every level of impact, the use of numerical proxies offers the best vehicle to move in the direction of accuracy and accountability. **The direct distribution methodology should take into account numerical proxies for impacts. In addition, guidelines for the grant program should be revised to include the weighting of impacts to each specific community.**

<u>Severance Tax Collection</u>

1. The Department of Revenue's system for the collection severance tax does not adequately ensure that tax revenue due to the State from mineral industry operations is being collected. The obstacles encountered by the Department are magnified by a complex tax formula and reporting system with numerous deductions, credits, and exemptions. **The administration of severance taxes should be streamlined. Ensure the Department of Revenue has adequate resources to administer this program.**

2. Simplification of the severance tax would be beneficial to all parties paying and collecting the tax. The Working Group discussed a number of options, but more investigation and modeling is required.

3. Currently any producer, working interest owner, royalty interest owner, or any other interest owner in oil and gas properties must file a severance tax return, resulting in a large number of

returns with minimal revenue due and in many cases refunds. Make changes to simplify the administration of severance taxes, reduce the number of returns, and allow for consistent points of data collection by both agencies.

4. Ensure that any adjustment to the collection methodology does not result in a net loss in severance taxes collected.

5. Variation in mill levies, the lag in assessed value and in production prices, and the aggregation of multiple well heads in varying counties add up to a complicated tax credit that is not uniform, is difficult to track, and is inconsistent throughout the state. The ad valorem credit results in reduced severance tax liability and increased taxpayer refunds.

6. The severance tax rate is substantially lower in Colorado than in neighboring states.

7. Other states' severance tax collections are enabling them to invest in their state beyond simply mitigating impacts (*e.g.*, investments in education, research facilities, and economic development; addressing capital and infrastructure needs; etc.). **Given the ultimately finite nature of the mineral extraction industry, a permanent fund should be considered.**

8. Mill levies assessed by counties and other districts provide resources and services to local residents at a base level. Due to the scale and speed of development currently being generated by mineral development, property tax revenues often do not address the demands placed on local services and infrastructure. **Authorize local communities to implement impact fees that address the direct, measurable impacts associated with mineral development** (in addition to distributions and grants from DOLA). **Provide financial, legal, and administrative support to local communities to implement, monitor, and enforce impact fees.**

9. Current law provides a mechanism for industry and local governments to partner through the use of advance impact assistance tax credits. **Address procedural and policy challenges associated with the existing statutory authorization for local governments to partner with industry and use tax credits to address impacts in their local communities**.

10. Further, the advance impact assistance credit statute provides for an effective interest rate of nine percent on the taxpayers credit balance, well above any current market rate. **Eliminate the statutory reference to a specific interest rate and instead include a reference to some generally agreed upon current market rate**.

11. **Convene a task force**, including members of the Working Group, industry, royalty owners, county assessors, and representatives of the Departments of Local Affairs, Natural Resources, and Revenue, **to simplify severance tax collection**. Items for consideration should include: point of taxation/reporting, net back deductions, ad valorem deduction, and a flat tax concept. Solutions should be revenue neutral, should not negatively impact production, and should provide an easily auditable outcome.

<u>Allocation of Severance Tax</u>

1. The current structure for severance tax allocations returns a fair portion of the revenue to the state, region, and local governments who experience the direct impacts of mineral activities. **Maintain the current structure for allocating severance tax revenues.**

2. The direct distribution portion of severance tax and FML revenued is not sufficient to address local mineral development impacts. **Create a new metric for direct distribution of severance tax revenues, using three proxies** that represent the on-the ground impacts of development at its inception, the human services impacts associated with increases in mineral extraction employment, and overall quantity of resources and mineral production activities: (1) the current severance taxpayer employee residence report; (2) a mining and well permit index at the county level; and (3) an "overall mineral production" index at the county level. Further, **pool both the FML and severance tax direct distribution dollars**.

3. **Make numerous administrative and statutory revisions to DOLA's grant program to ensure greater accountability and transparency while preserving the Program's responsiveness and adaptability**. Changes should include: (a) adding two citizen representatives from local impacted areas to the Advisory Committee and a representative from the Department of Health and Environment, and requiring Senate confirmation; (b) using an impact metric to inform grant awards; (c) breaking the grant program into three tiers to provide small, medium, and large, multi-year grants; (d) including a post-project evaluation component and a mechanism for local governments to report the status of their project; and (e) requiring DOLA to present an annual report to the legislature on the activities and outcomes of the Program.

4. A long-term savings or trust fund would secure revenue to address emerging, unanticipated impacts and to protect against the volatility of revenue associated with oil and gas and mineral taxes. A trust fund should be considered that provides security and long-term benefit to the state, and provides funding and loans for local communities. **Direct a portion of the annual growth in FML revenues into a permanent trust fund.**

5. Energy development has impacts to the State's wildlife resources. Providing outdoor recreational opportunities in energy impacted communities is an appropriate use of severance tax revenues. **Allow the Divisions of Wildlife and Parks and Outdoor Recreation to be eligible for up to five percent each of the Operational Account after baseline funding** for each of the four divisions currently receiving Operational Account funding have been met.

Interim Committee Actions to Date

The Committee is required to submit written findings and recommendations and any recommended legislation to the Legislative Council by November 15, 2007. To date, the Committee has approved three bills. Significant provisions of two of the three bills are described below. [Bill B concerns the appropriation of moneys from the Operational Account of the Severance Tax Trust Fund to the Department of Natural Resources, so staff has not included it below for purposes of this briefing.]

Bill A: Concerning the Distribution to Local Governments of State Revenues Derived from Mineral Extraction Within the State.

- Requires DOLA's Executive Director to consider the economic needs of a political subdivision for purposes of making a grant from the Local Government Severance Tax Fund.

- With respect to the employee-based direct distribution of severance tax revenues, requires DOLA to allocate moneys on a county-by-county basis based on: (1) the proportion of severance-related employees; (2) mining and well permits issued; and (3) overall mineral production in each county. Requires the Executive Director to establish guidelines that set forth the weight that each of the factors shall be given (except that no factor shall be weighted less than 25 percent). Requires the Executive Director to prepare biennial reports for specified legislative committees about the effectiveness of the factors in allocating moneys to impacted counties and any proposed changes to the allocation. Requires the current employee-based distribution from FML revenues to counties and municipalities to be made in the same manner as the new direct distribution method for severance tax revenues.

- Makes several changes to the employee residence reporting process used to calculate direct distribution payments.

- Modifies the composition of the Energy Impact Assistance Advisory Committee by adding the Executive Director of the Department of Public Health and Environment and two residents of areas impacted by energy conversion or mineral resource development. Requires Senate consent for the Governor's appointments to the Committee. Requires the Committee to make certain recommendations to DOLA's Executive Director.

- Requires DOLA's Executive Director to deliver to the State Auditor a detailed accounting of the distributions from the Mineral Leasing Fund and the Local Government Severance Tax Fund.

Bill C: Concerning an Option for Prepayment of Severance Tax Liability Available to a Taxpayer for Mitigation of the Impact of Mineral or Mineral Fuel Severance.

- For a specified time, allows for an optional prepayment of severance tax liability in an amount equal to the value of approved contributions (up to a specified amount) made by the taxpayer to a unit of local or state government in an area directly and substantially impacted by the severance of minerals or mineral fuels.

- Specifies that the aggregate of all approved contributions shall not exceed a specified amount in one tax year.

The Interim Committee has also discussed a fourth bill draft concerning, "authorization for the securitization of a portion of the right of the state to receive federal mineral lease revenues, and, in connection therewith, creating an infrastructure financing authority to make securitization feasible and requiring the net proceeds of securitization to be used to fund capital construction projects for state institutions of higher education and for school districts and other political subdivisions impacted by mineral production activities. This bill is still being considered by the Committee.

ISSUE:

Appropriations and Reporting Related to Disaster Response and Recovery

SUMMARY:

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

❑ Since June 2000, the Governor has authorized transfers totaling $25 million from various cash funds (which have been designated by the General Assembly as part of the State's TABOR Reserve) to the Disaster Emergency Fund for use in addressing disaster emergencies.

❑ The Department of Local Affairs' (DOLA's) Division of Emergency Management also plays a central role in preparing for and responding to disaster emergencies, including reimbursing local governments and state agencies for disaster response and recovery efforts.

❑ The annual Long Bill currently includes, for informational purposes, a line item appropriation to DOLA to reflect an estimate of the amount that will be spent from the Disaster Emergency Fund.

RECOMMENDATION:

Staff recommends that the Committee consider either eliminating the line item appropriation for "Disaster Response and Recovery", or reflecting a rounded dollar amount. In addition, staff recommends that the Committee request that the executive branch provide information annually concerning transfers to and expenditures from the Disaster Emergency Fund.

DISCUSSION:

Background Information: Preparing for, Declaring, and Responding to Disaster Emergencies

Declaration of a Disaster Emergency

In 1992, the General Assembly adopted the "Colorado Disaster Emergency Act of 1992"[11]. The stated purposes of this Act are to:

[11] See Part 21 of Title 24, Article 32, C.R.S. This Part was added through S.B. 92-36, a bill sponsored by the Joint Budget Committee which eliminated the Division of Disaster Emergency Services in the Department of Public Safety and assigned its powers, duties, and functions to the Department of Local Affairs.

- 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.

The *Governor* is responsible for "meeting the dangers to the state and people presented by disasters"[12]. 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. No state of disaster emergency may continue for longer than 30 days unless renewed by the Governor. The General Assembly may terminate a state of disaster emergency by joint resolution. The Governor's declaration of a state of disaster emergency activates state, local, and interjurisdictional disaster emergency plans.

During a state of disaster emergency, the Governor is Commander-in-Chief of the "organized and unorganized militia" and other forces available for emergency duty.[13] Similar duties are assumed by executives at the local level during local disaster declarations with regard to local ordinances, regulations, personnel, and equipment. If necessary, 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

[12] See Section 24-32-2104 (1), C.R.S.

[13] See Section 24-32-2104 (6), C.R.S.

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[14].

Wildfire Emergencies

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 Colorado State Forest Service (an agency of Colorado State University), rather than the Division of Emergency Management, analyzes the requests from local governments and manages the State's response to wildfires.

Preparing for Disasters

The *Division of Emergency Management*, within DOLA, is responsible for preparing and maintaining a state disaster plan, as well as taking part in the development and revision of local and interjurisdictional disaster plans[15]. The *Colorado Emergency Planning Commission*, established within DOLA, is charged with designating local emergency planning districts (as required by federal law) as well as assisting in the appropriate training of personnel to react to emergency response situations[16]. The Commission includes representatives from DOLA (both the Director of the Division of Emergency Management and the Director of the Division of Local Government), the Department of Public Safety (both a representative from the Colorado State Patrol and the Director of the Division of Fire Safety in the Office of Preparedness, Security, and Fire Safety), and the Department of Public Health and Environment (the Director of the division responsible for hazardous materials and waste management). The Commission also includes individuals appointed by the Governor to represent local governments, public interest groups or community groups, local emergency planning committees, and affected industries. The DOLA is responsible for administering federal moneys and other contributions received for purposes of making emergency planning and emergency response grants to local emergency planning committees and first responder organizations.

Funding for Declared Disaster Emergencies

Whether to make a disaster declaration or not is a judgement call by the executive branch at the federal, state, and local levels. It is possible for an event to be declared a disaster at one level of government, but not another.

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[14] Please note that Section 24-32-2104 (8), 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.

[15] See Section 24-32-2105, C.R.S.

[16] See Section 24-32-2601 *et seq.,* C.R.S.

Federal Disaster Aid

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 75 percent of eligible costs, and the federal government requires states and/or local governments to provide the remaining 25 percent as a match. For public assistance grants, the Division of Emergency Management's practice the last several years has been to split the total cost of the 25 percent non-federal share in half with affected local governments. For individual assistance grants, the state typically bears the entire 25 percent non-federal share. While the Division uses the Disaster Emergency Fund (discussed below) to provide the state share, it also works with state grant programs, such as the Mineral and Energy Impact Grant Program, to complete and/or enhance the state share.

State Disaster Aid

Section 24-32-2106, 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. In addition, 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. The following table details authorized transfers of state moneys to the Fund since June 2000. 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[17]. Please note that the actual amounts transferred may be lower than the amounts authorized. In addition, transfers to the Fund and expenditures from the Fund often occur in two or more fiscal years.

Authorized Transfers to Disaster Emergency Fund			
Executive Order	**Nature of Disaster**	**Amount of Authorized Transfer**	**Source of Funds**
D 009 00 (June 28, 2000)	Wildfires in Park, Jefferson and Larimer Counties	$4,121,000	Controlled Maintenance Trust Fund
D 014 02 (June 10, 2002)	Wildfires, specifically from April 23 to June 10, and the imminent threat of more fires	6,000,000	Subsequent Injury Fund
		4,000,000	Operational Account of Severance Tax Trust Fund
D 019 02 (June 28, 2002)	Wildfires, especially the "Hayman" fire	5,000,000	Subsequent Injury Fund
D 001 06 (October 6, 2006)	Mauricio Canyon Fire in Las Animas and Huerfano Counties	240,000	Major Medical Fund
D 014 06 (June 21, 2006)	Mato Vega Fire in Costilla and Huerfano Counties	3,000,000	Major Medical Fund
D 017 06 (July 13, 2006)	Tyndall Fire in Custer County; Wright Fire in Teller County; and Jolly Mesa Fire in Garfield County	1,500,000	Major Medical Fund
D 009 07 (April 3, 2007)	Tornado in Holly (Prowers County)	1,000,000	Subsequent Injury Fund
TOTAL		**24,861,000**	

The Division of Emergency Management is authorized to make rules and regulations governing the reimbursement of local governments or state agencies for disaster response and recovery expenses. To date, the Division has not exercised this authority, preferring to make decisions on a case by case basis.

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

Funding for Wildfires

The Colorado State Forest Service takes responsibility for requesting federal funds that may be available to suppress fires, and it administers the Wildfire Emergency Response Fund[18] to help defray the costs of response. In addition, the Forest Service administers 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). These contributions are credited to the Emergency Fire Fund, and contributing counties are eligible for reimbursement from the Fund in the event of a fire.

The federal government pays all costs associated with responding to fires on federal lands. Most fires involve both federal and non-federal lands, and large fires usually involve both federal and non-federal emergency response resources. After a major wildfire, the federal and non-federal response costs are totaled, an allocation is made based on the percentage of federal versus non-federal lands affected, and moneys are exchanged between the affected parties to match this allocation. Usually local governments owe the federal government, since the federal government operates the heavy and expensive equipment and maintains the largest fire crews. If the Colorado State Forest Service has assumed responsibility for a fire, then it pays the non-federal share from the Emergency Fire Fund. When the State assumes responsibility for managing a wildfire, there is some flexibility for accepting only a portion of the non-federal expenses and billing local governments for the remainder.

If the non-federal share of expenses exceeds certain thresholds, then federal emergency funds will pay for 75 percent of eligible costs incurred during a specific time frame. The time frame is usually the point when the Colorado State Forest Service assumes responsibility for the fire until the fire is contained. The cost thresholds are established by the federal government and are adjusted each year based on prior year experience. Costs eligible for federal reimbursement are those directly related to suppression of the fire, such as work crew salaries, equipment operating expenses, transportation, food and sanitation services at fire camps, communications costs, and tools. The Colorado State Forest Service distributes the 75 percent federal funds based on the bills submitted and pays the 25 percent local share from the Emergency Fire Fund.

The last few years the Emergency Fire Fund 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 from the Disaster Emergency Fund to supplement the money available from the Emergency Fire Fund.

Appropriations Related to the Disaster Emergency Fund

The FY 2007-08 Long Bill includes a $3,179,407 appropriation to the Division of Emergency Management for a line item entitled, "Disaster Response and Recovery". This appropriation includes $2,729,407 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 for their work in reacting to disasters, 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 is included for informational purposes and for purposes of tracking actual expenditures.

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[18] See Section 23-31-309, C.R.S.

Consistent with past practice, the Department has requested an appropriation of $4,895,390 for FY 2008-09, including $4,445,390 cash funds exempt from the Disaster Emergency Fund and $450,000 federal funds. The Department's budget request also reflects actual expenditures from the Disaster Emergency Fund, including a breakdown of expenditures based on the nature of the expenditures (*e.g.,* of the $4,856,477 expended in FY 2006-07, $203,347 related to the tornado that hit the town of Holly). Staff is concerned that the current practice of reflecting an appropriation from the Disaster Emergency Fund in the annual Long Bill -- particularly an appropriation for such a specific dollar amount -- appears to convey specificity where none exists. Staff recommends that the Committee consider either including an appropriation of a rounded dollar amount in the FY 2008-09 Long Bill (*e.g.,* $4,900,000 cash funds exempt), or eliminating such an appropriation altogether.

In addition, staff has found it difficult to quickly gather information related to the Disaster Emergency Fund. Specifically, staff has not been able to identify one individual or agency who can quickly 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 even more difficult to obtain information concerning actual amounts transferred and expended for each declared emergency. In addition, neither the budget request from Department of Local Affairs or the Governor's Office includes 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 the transfers that have been authorized in recent years, staff believes it is important for the Joint Budget Committee to be apprised of transfers authorized by the Governor, as well as actual transfers and expenditures. Staff recommends that the Committee consider including a footnote in the FY 2008-09 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. It is unclear to staff which Department the General Assembly should request such information from -- the Department of Local Affairs, the Governor's Office, or both.

Staff recommends that the Committee ask the Department of Local Affairs to discuss this topic at its hearing, and provide specific responses concerning potential changes to the appropriation and the most effective way for the Committee to formally request information related to the Disaster Emergency Fund.

Appendix A

The following excerpt is from the Department of Local Affairs' December 2006 hearing responses.

24. Please provide the specific report requested in footnote 95 on the Department's efforts to reduce regulatory barriers to the development of affordable housing.

The Colorado Department of Local Affairs, Division of Housing (DOH) employs a number of strategies to reduce regulatory barriers, including the following:

- Application Review Process;
- 2005-2010 Consolidated Plan;
- Colorado Blue Ribbon Panel on Housing;
- Housing Colorado: A Guide for Local Officials;
- Training;
- Survey on Local Government Development Costs;
- *Reducing Housing Costs through Regulatory Reform: A Handbook for Colorado Communities.*

<u>Application Review Process</u>
Each loan/grant application submitted to the DOH is reviewed to determine the extent of the regulatory barriers for each specific application and how these barriers are being addressed. Most projects achieve cost savings in one or more of the following areas:

- Waiver or deferral of impact fees;
- Streamlined permit review processes;
- Reduced offsite infrastructure costs;
- Waiver or reduction of building permit fees;
- Relief from development standards;
- Relief from zoning or subdivision controls;
- Land dedication.

In addition to the cost-savings strategies listed above, DOH funded projects also receive a significant amount of local funds and in-kind contributions. These local financial contributions assist in off-setting the cost of regulatory barriers in many DOH funded projects.

<u>2005-2010 Consolidated Plan</u>
The Consolidated Plan addresses five categories of land use regulations often cited as barriers to affordable housing. These include: (1) infrastructure financing, (2) zoning and subdivision controls, (3) building codes, (4) permitting and procedural rules, and (5) environmental regulations. The Division works with communities to show how local governments in Colorado could modify regulations to reduce their impact on affordable housing. This assistance is provided through technical workshops on land use planning and on financing affordable housing.

Examples:

Regulatory Requirement	Regulatory Remedies
Water/Sewer Tap Fees	The Town of Crested Butte has a reduced fee basis for water and sewer taps for deed-restricted units.
Water Tap Fees	The City of Aspen provides waivers of water tap fees for deed-restricted affordable housing properties.
Development Impact Fees	The Town of Breckenridge waives all city-generated fees except sewer fees for housing affordable to households up to 120% of Area Median Income.
Water Tap Fees	The Town of Snowmass provides waivers for water tap fees for deed-restricted rental and ownership units.
Development Impact Fees	The Town of Rangely waived development fees for a twenty bed assisted living facility.
Exactions	Colorado Springs shared the on-site drainage improvements for an affordable housing project.
Land Dedications	The City of Durango contributed land to an affordable senior rental housing project.
Building Permit Caps	Boulder is exempting affordable housing from its growth management permit limitation.

Colorado Blue Ribbon Panel

The Colorado Blue Ribbon Panel on Housing (co-chaired by the Division of Housing and the University of Denver) has examined a variety of ways to reduce housing production costs through lessening regulatory barriers throughout the state. As a first step, the panel met with Nestor Davidson of the University of Colorado College of Law during its July meeting to examine recent research on a variety of regulatory issues. In addition, builders and local government officials provided insights on regulations and costs of housing in Colorado's local communities throughout the panels varied discussions. Policies examined have ranged from water tap fees to inclusionary zoning measures.

Drawing upon these discussions, The Blue Ribbon Panel's final report (to be released in early February 2006) will include recommendations intended to facilitate cooperation between state, federal, and local agencies to lessen the costs of housing production. Regulatory issues have been some of the more challenging issues faced by the panel since the regulation of housing production is decided primarily at the local level, and does not lend itself toward statewide solutions. Because of this local focus, cooperation between state and local officials is key in addressing the regulatory effects on housing costs. The Blue Ribbon Panel, comprised of state and local officials (as well as numerous members of the private sector), has been designed to facilitate this cooperation.

Housing Colorado: A Guide for Local Officials

In response to requests from local governments, DOH publishes *Housing Colorado: A Guide for Local Officials* that outlines steps jurisdictions may take to assist affordable housing in their communities. It includes a chapter on regulatory barriers.

Training

DOH provides a number of trainings designed to promote cost effective housing development. For example, the Developer's Toolkit, an interactive training, outlines the steps required to complete an affordable housing project and includes a section on regulatory barriers eliminating the "Not in My Backyard" (NIMBY) syndrome. The DOH application workshop also covers the topic of regulatory barriers.

<u>Survey of Local Government Development Costs</u>
DOH periodically surveys local governments regarding policies and fees that may impact affordable housing. The Division publishes this information and makes it available to local jurisdictions.

<u>Reducing Housing Costs through Regulatory Reform: A Handbook for Colorado Communities</u>
This handbook enables local governments to better understand how excessive regulations drive up housing costs and impede construction of affordable housing in their communities.

<u>Housing Colorado: the challenge of a growing state</u>
Although last published in 2002, this document examines the leveraging of local government resources; provides an analysis of project costs, and presents examples of existing affordable housing programs, tools and techniques.

Appendix: Allocation Amounts of Severance Tax and FML Revenue

Table 1
Severance Tax Revenue Allocated to Each Entity, FY 2001-02 to FY 2005-06

	FY 2001-02	FY 2002-03	FY2003-04	FY2004-05	FY 2005-06	Total	% of Total
DOLA	$25,275,064	$13,109,286	$59,562,238	$71,691,535	$110,667,020	$280,305,143	**46.6%**
DNR-Operating Account	12,637,532	6,554,643	29,781,120	35,845,768	55,333,510	140,152,573	**23.3%**
DNR-Perpetual Base Account	12,637,532	6,554,643	29,781,117	35,845,768	55,333,510	140,152,570	**23.3%**
Interest	6,930,855	6,376,948	5,932,281	8,581,267	12,923,472	40,744,823	**6.8%**
Total	**$57,480,983**	**$32,595,520**	**$125,056,756**	**$151,964,337**	**$234,257,512**	**$601,355,108**	**100.0%**

Table 2
Federal Mineral Lease Revenue Allocated to Each Entity, CY 2002 to CY 2006
(thousands of dollars)

	CY 2002	CY 2003	CY2004	CY2005	CY 2006	Total	% of Total
Colorado Water Conservation Board	$4,157	$6,307	$8,986	$11,479	$14,406	$45,335	**10.0%**
DOLA Grants	7,077	12,985	21,670	29,593	39,372	110,697	**24.4%**
DOLA Direct Distributions	281	1,175	2,730	4,125	5,921	14,232	**3.1%**
State Public School Fund	22,215	31,168	44,086	55,897	70,399	223,765	**49.4%**
Municipalities	1,959	2,915	3,402	3,815	3,952	16,043	**3.5%**
Counties	4,005	5,247	5,595	6,158	6,219	27,224	**6.0%**
School Districts	2,104	3,044	3,391	3,725	3,790	16,054	**3.5%**
Total	**$41,798**	**$62,841**	**$89,860**	**$114,792**	**$144,059**	**$453,350**	**100.0%**