

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



**FY 2007-08 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 2007-08 BUDGET BRIEFING**

**STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:**

**DEPARTMENT OF LOCAL AFFAIRS**

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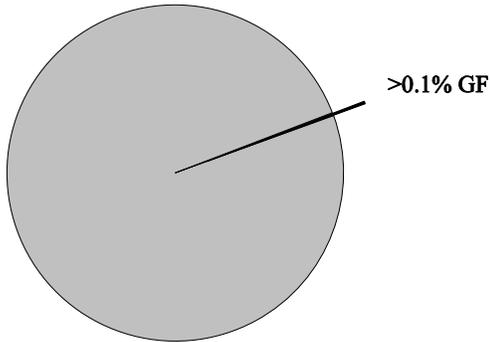
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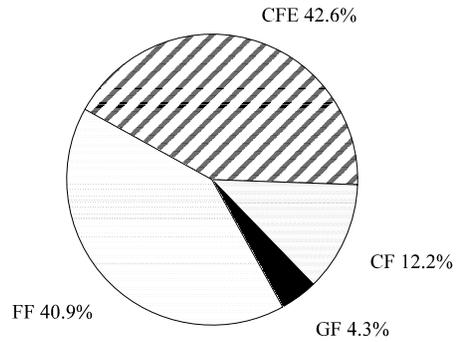
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# DEPARTMENT OF LOCAL AFFAIRS GRAPHIC OVERVIEW

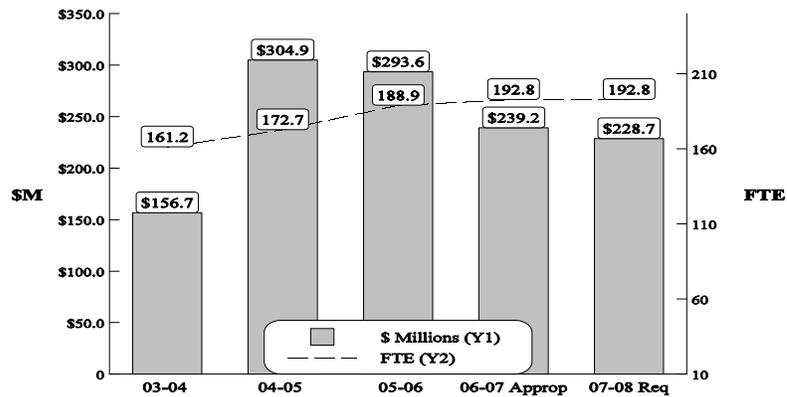
**Share of State General Fund  
FY 2006-07**



**Funding Source Split  
FY 2006-07**



**Budget History**



## DEPARTMENT OF LOCAL AFFAIRS

### **Key Responsibilities**

The Department is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. Major divisions include the Executive Director's Office, Property Taxation, the Division of Housing, the Division of Local Government, and the Division of Emergency Management.

- Supervises property tax collection and ensures that property assessment and valuation procedures are consistent throughout the state.
- Administers state and federal low-income housing programs.
- Administers state and federal programs to assist local governments in capital construction and community services. Includes grant programs for communities negatively impacted by mineral extraction and limited gaming activities.
- Provides technical assistance for local government officials in budget development, purchasing, demographics, land use planning and the statutory responsibilities of local officials.
- Assists local governments in emergency preparedness and response.
- Distributes Conservation Trust Fund moneys (derived from lottery proceeds) to local entities on a formula basis. These funds are used for local parks and recreation projects.

### **General Factors Driving the Budget**

Funding for this department consists of 4.3 percent General Fund, 12.2 percent cash funds, 42.6 percent cash funds exempt, and 40.9 percent federal funds.

### **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: the Conservation Trust Fund (a portion of state lottery proceeds distributed to local entities on a formula basis for parks and open space purposes); Local Government Mineral and Energy Impact grants (a portion of the state severance tax as well as federal mineral royalties distributed to local governments affected by mineral extraction activities); Limited Gaming grants (a portion of limited gaming tax revenues distributed on a competitive basis to communities impacted by gaming activities); and Waste Tire Recycling, Reuse and Removal grants (a portion of waste tire fees distributed on a competitive basis to assist with conservation efforts). Program expenditures fluctuate with changes in the revenue earned from these various dedicated funding sources. The table below summarizes recent actual revenues and estimates supplied by the Department.

<b>Constitutionally or Statutorily Dedicated Cash Revenues as Estimated by the Department of Local Affairs</b>					
	<b>FY 03-04 Actual</b>	<b>FY 04-05 Actual</b>	<b>FY 05-06 Actual</b>	<b>FY 06-07 Estimate</b>	<b>FY 07-08 Estimate</b>
Conservation Trust Fund	\$41,628,583	\$41,494,373	\$50,220,437	\$46,500,000	\$52,000,000
Severance Tax & Federal Mineral Lease Revenues	77,809,505	106,026,324	157,599,655	115,638,000	137,251,000
Limited Gaming	12,193,815	6,040,463	6,526,085	6,580,019	6,800,000
Waste Tire Fund	2,552,254	3,017,203	2,952,320	2,998,455	2,998,455

### **Federal Funds**

Federally-funded programs make up 40.9 percent of the Department of Local Affairs' FY 2006-07 appropriation. These programs generally have no state match, and funding is provided at the discretion of federal authorities. Major on-going federal grant expenditures are summarized in the table below.

<b>Major On-going Federal Grant Expenditures</b>					
	<b>FY 03-04 Actual</b>	<b>FY 04-05 Actual</b>	<b>FY 05-06 Actual</b>	<b>FY 06-07 Estimate</b>	<b>FY 06-07 Estimate</b>
Housing and Urban Development (HUD) affordable housing development	\$6,807,396	\$11,386,947	\$15,158,765	\$8,559,000	\$8,880,825
HUD Section 8 rental assistance	17,725,830	17,610,525	17,058,301	17,040,000	17,040,000
HUD Emergency Shelter Program	916,602	882,672	968,623	890,000	971,220
HUD Community Development Block Grants (CDBG) economic development and infrastructure	4,662,307	10,064,728	8,107,528	7,835,637	6,701,843
Health and Human Services (HHS) Community Services Block Grants	4,969,801	5,655,461	5,669,684	5,237,289	5,176,401

In FY 2004-05, pursuant to an executive order, the Department took over administration of the federal Homeland Security Grant Funds from the Department of Public Safety. The state has received the following amounts from the federal government for homeland security grants:

<b>Homeland Security Grant Funds by Federal Grant Cycle</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Homeland Security Grant Funds	\$5,220,000	\$50,159,464	\$45,539,347	\$36,798,900	\$21,079,809

## Summary of Major Legislation

– **H.B. 06-1085 (Garcia/Entz):** Expands 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.

Appropriates \$311,302 cash funds and 1.1 FTE to the Department of Local Affairs in FY 2006-07 from the Building Regulation Cash Fund. Out of this amount, appropriates \$2,578 to the Department of Law for the provision of legal services related to the implementation of the bill.

– **H.B. 06-1304 (Sullivan/Taylor):** Modifies the state contribution for local volunteer firefighter pensions. The bill also allows certain local governments to use tax collections other than property taxes to pay for volunteer firefighter pensions. In total, the bill will affect state contributions for 23 local governments. Appropriates \$21,600 General Fund in FY 2005-06 and \$206,684 General Fund in FY 2006-07 to the Department of Local Affairs for volunteer firefighter pensions. These appropriations are exempt from the six percent statutory limit on the annual growth of General Fund appropriations.

– **S.B. 05-7 (Sandoval/Paccione):** Reauthorizes 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. Appropriates \$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.** Requires local government financial officers to certify to the Department of Local Affairs that expenditures from the Conservation Trust Fund comply with the law. Authorizes the Division 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 the Department of Local Affairs and from this amount \$3,040 to the Department of Law. Reduces General Fund appropriations to the Department of Local Affairs by \$39,162 and reduces appropriations from the mineral and energy impact program by \$23,697.

— **S.B. 04-198 (Taylor/Coleman): Firefighter Pension and Insurance Programs.** Transfers administration of the volunteer firefighter pension and the death and disability insurance programs from the Fire and Police Pension Association to the Department of Local Affairs. Authorizes the Department of Local Affairs to assess an application fee for administrative costs.

— **H.B. 04-1417 (Witwer/Reeves): Colorado Heritage Communities Fund.** Transfers the balance in the Colorado Heritage Communities Fund to the General Fund on July 1, 2004, projected to be \$73,968.

— **S.B. 03-182 (Teck/Witwer): Manufactured Buildings.** Consolidates manufactured building regulation programs, creates the Manufactured Building Regulation Fund to which all fees are deposited, and increases fees.

— **S.B. 03-191 (Owen/Young): Cash Fund Transfers.** Augments 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 cleanup fund.

— **S.B. 03-261 (Teck/Witwer): Local Affairs Fees.** Increases various fees collected by the Department of Local Affairs. Adds an administrative fee for receiving tax exempt bonding authority from the private activity bond allocation committee, and uses the increase in revenue, plus existing revenue, to refinance \$71,000 General Fund. Increases fees for the Board of Assessment Appeals to raise a projected \$198,395 additional revenue for the General Fund. Increases fees for processing property tax exemptions and uses 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.** Transfers the FY 2002-03 unencumbered balance in the Local Government Limited Gaming Impact Fund (estimated to be \$270,000) to the General Fund. For FY 2003-04, diverts limited gaming revenues from the Local Government Limited Gaming Impact Fund and the Colorado Travel and Tourism Promotion Fund to the General Fund (estimated at \$6,592,000). If the total amount of revenues collected by the Department of Revenue for state taxes paid pursuant to the tax amnesty program established by SB03-185 exceeds \$5.0 million, any excess (up to the amount transferred to the General Fund from the Local Government Limited Gaming Impact Fund) would be transferred from the General Fund to the Local Government Limited Gaming Impact Fund on or before September 1, 2003. Reduces cash funds exempt spending authority for the Department of Local Affairs from the Limited Gaming Impact Fund by \$5,790,000 in FY 2003-04.

- **H.B. 03-1329 (Rippy/Johnson S.):** Imposes an additional 25 cent 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 2004-05 to FY 2005-06**

Significant changes in appropriations for FY 2006-07 compared to FY 2005-06 are highlighted below. Appropriations for FY 2006-07:

- Provided a \$1.0 million General Fund increase for affordable housing construction grants and loans.
- Included an \$11.5 million federal funds increase for projected disaster preparedness and training grants.
- Adjusted projected funding for various programs with statutorily, constitutionally, or federally dedicated fund sources, including a net increase of 11.6 FTE.

**FY 2007-08 Budget Briefing, Local Affairs  
Overview of Numbers Pages**

The following table highlights changes contained in the Department's FY 2007-08 request. No Decision Item table is provided, because the Department did not submit any prioritized decision items for FY 2007-08.

<b>Requested Changes FY 2006-07 to FY 2007-08</b>						
<b>Category</b>	<b>FTE</b>	<b>GF</b>	<b>CF</b>	<b>CFE</b>	<b>FF</b>	<b>Total</b>
Prioritized Decision Items	0.0	\$0	\$0	\$0	\$0	\$0
Statewide Decision Items	0.0	8,990	57	1,910	452	11,409
Conservation Trust Fund Disbursements	0.0	0	0	5,500,000	0	5,500,000
Federal Housing Programs	0.0	0	0	0	520,035	520,035
Federal Disability Program Navigator Project	0.0	0	0	0	487,845	487,845
Salary Survey	0.0	165,289	40,267	61,208	135,831	402,595
Limited Gaming Impact Grants	0.0	0	0	225,461	0	225,461
Performance Based Pay	0.0	53,859	7,430	17,714	36,686	115,689
Health, Life, Dental	0.0	73,290	(19,437)	26,748	19,760	100,361
Amortization Equalization Disbursements	0.0	22,013	4,257	22,635	21,282	70,187
Capitol Complex Leased Space	0.0	16,754	1,082	(247)	(2,385)	15,204
Risk Management	0.0	9,760	514	237	0	10,511
Communication Services	0.0	4,327	0	0	4,328	8,655
Volunteer Firefighter Retirement Plans	0.0	5,454	0	0	0	5,454
Community Services Block Grant	0.0	0	0	0	(60,888)	(60,888)
Waste Tire Fund Grants	0.0	0	(277,666)	0	0	(277,666)
Community Development Block Grant	0.0	0	0	0	(1,133,794)	(1,133,794)
Disaster Preparedness and Training Grants	0.0	0	0	0	(16,500,000)	(16,500,000)
Miscellaneous	0.0	40,710	(3,888)	(33,638)	(41,405)	(38,221)
<b>Total Change</b>	<b>0.0</b>	<b>\$400,446</b>	<b>(\$247,384)</b>	<b>\$5,822,028</b>	<b>(\$16,512,253)</b>	<b>(\$10,537,163)</b>

The increase in *General Fund* is due to 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 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
<b>DEPARTMENT OF LOCAL AFFAIRS</b>					
<b>Executive Director: Michael Beasley</b>					
<b>(1) EXECUTIVE DIRECTOR'S OFFICE</b>					
(Purpose: management and administration of the Department, including human resources, accounting, and budgeting.)					
Personal Services	1,003,809	1,037,515	1,077,700	1,103,459	
FTE	<u>13.5</u>	<u>13.2</u>	<u>14.0</u>	<u>14.0</u>	
General Fund	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt	1,003,809	1,037,515	1,077,700	1,103,459	
FTE	13.5	13.2	14.0	14.0	
Group Health and Life	<u>388,658</u>	<u>534,957</u>	<u>712,596</u>	<u>812,957</u>	
General Fund	192,795	259,567	336,564	409,854	
Cash Funds	26,465	68,656	94,164	74,727	
Cash Funds Exempt	94,385	75,392	95,208	121,956	
Federal Funds	75,013	131,342	186,660	206,420	
*Mineral & Energy Impact - CFE	86,669	70,024	89,840		
Short-term Disability	<u>14,676</u>	<u>14,475</u>	<u>11,787</u>	<u>15,886</u>	
General Fund	5,748	7,665	4,813	5,653	
Cash Funds	1,946	1,967	1,489	1,532	
Cash Funds Exempt	3,946	1,669	2,409	4,184	
Federal Funds	3,036	3,174	3,076	4,517	
*Mineral & Energy Impact - CFE	3,695	1,567	2,246		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Amoritization Equalization Disbursements	<u>0</u>	<u>22,857</u>	<u>76,458</u>	<u>146,645</u>	
General Fund		11,081	30,171	52,184	
Cash Funds		3,345	9,886	14,143	
Cash Funds Exempt		3,033	15,987	38,622	
Federal Funds		5,398	20,414	41,696	
<i>*Mineral &amp; Energy Impact - CFE</i>			<i>14,907</i>		
Salary Survey and Senior Executive Service	<u>229,655</u>	<u>339,384</u>	<u>337,986</u>	<u>402,595</u>	
General Fund	103,456	133,175	134,347	165,289	
Cash Funds	28,797	43,628	28,771	40,267	
Cash Funds Exempt	52,184	77,681	69,202	61,208	
Federal Funds	45,218	84,900	105,666	135,831	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>50,334</i>	<i>74,213</i>			
Performance-based Pay	<u>115,965</u>	<u>0</u>	<u>0</u>	<u>115,689</u>	
General Fund	57,109	0		53,859	
Cash Funds	8,197	0		7,430	
Cash Funds Exempt	24,725	0		17,714	
Federal Funds	25,934	0		36,686	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>23,849</i>	<i>0</i>			
Workers' Compensation	<u>32,686</u>	<u>28,847</u>	<u>31,432</u>	<u>32,819</u>	
General Fund	30,407	26,836	29,237	30,522	
Cash Funds	951	839	925	984	
Cash Funds Exempt	1,328	1,172	1,270	1,313	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>1,288</i>	<i>1,132</i>	<i>1,245</i>		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Operating Expenses	<u>112,697</u>	<u>118,411</u>	<u>144,616</u>	<u>144,616</u>	
General Fund	0	8,051	0	0	
Cash Funds Exempt	106,434	104,106	132,854	132,854	
Federal Funds	6,263	6,254	11,762	11,762	
Legal Services	<u>109,318</u>	<u>113,354</u>	<u>123,886</u>	<u>121,308</u>	
General Fund	99,925	104,597	109,987	109,987	
Cash Funds	4,036	4,337	8,274	5,696	
Cash Funds Exempt	1,180	306	1,299	1,299	
Federal Funds	4,177	4,114	4,326	4,326	
*Hours	1,790	1,790	1,790	1,790	
*Mineral & Energy Impact - CFE	63	1,015	1,067	1,067	
Purchase of Services from					
Computer Center	<u>3,648</u>	<u>3,383</u>	<u>3,433</u>	<u>1,917</u>	
General Fund	3,648	3,383	3,433	1,917	
Cash Funds Exempt	0	0	0	0	
*Mineral & Energy Impact - CFE	0	0	0	0	
Multi-use Network Payments	<u>39,345</u>	<u>83,054</u>	<u>81,847</u>	<u>83,260</u>	
General Fund	21,963	46,143	45,939	46,732	
Cash Funds	1,606	3,406	3,318	3,375	
Cash Funds Exempt	3,108	6,473	6,419	6,530	
Federal Funds	12,668	27,032	26,171	26,623	
*Mineral & Energy Impact - CFE	2,662	6,027	2,358	2,358	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Payment to Risk Management and Property Funds	<u>34,039</u>	<u>12,615</u>	<u>29,221</u>	<u>39,732</u>	
General Fund	31,667	11,736	27,191	36,951	9,760
Cash Funds	980	363	1,870	2,384	514
Cash Funds Exempt	1,392	516	160	397	237
*Mineral & Energy Impact - CFE	1,358	482	125		
Vehicle Lease Payments	<u>78,426</u>	<u>64,243</u>	<u>71,340</u>	<u>81,336</u>	
General Fund	70,335	56,014	59,033	67,230	
Cash Funds Exempt	8,091	8,229	12,307	14,106	
*Mineral & Energy Impact - CFE	8,091		12,307	12,307	
Information Technology					
Asset Maintenance	<u>156,539</u>	<u>103,973</u>	<u>104,793</u>	<u>104,793</u>	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	10,364	10,364	10,364	10,364	
Cash Funds Exempt	40,192	39,652	40,192	40,192	
Federal Funds	76,070	24,044	24,324	24,324	
*Mineral & Energy Impact - CFE	37,759		37,507	37,507	
Capitol Complex Leased Space	<u>410,990</u>	<u>408,207</u>	<u>421,347</u>	<u>436,551</u>	
General Fund	285,155	283,224	294,864	311,618	
Cash Funds	15,167	15,042	14,881	15,963	
Cash Funds Exempt	50,900	50,666	55,789	55,542	
Federal Funds	59,768	59,275	55,813	53,428	
*Square Feet	54,308	53,770	53,770	53,770	
*Mineral & Energy Impact - CFE	49,468	49,234	54,384		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Leased Space	<u>47,848</u>	<u>67,332</u>	<u>79,379</u>	<u>80,849</u>	
General Fund	13,688	17,898	16,065	16,800	
Cash Funds Exempt	13,457	13,457	12,095	12,830	
Federal Funds	20,703	35,977	51,219	51,219	
* <i>Mineral &amp; Energy Impact - CFE</i>	<i>13,457</i>	<i>13,457</i>	<i>12,095</i>		
Communication Services Payments	<u>7,962</u>	<u>5,850</u>	<u>12,580</u>	<u>21,235</u>	
General Fund	3,981	2,925	6,290	10,617	
Federal Funds	3,981	2,925	6,290	10,618	
Moffat Tunnel Improvement District					
Admin.	<u>25,854</u>	<u>26,481</u>	<u>92,958</u>	<u>92,958</u>	
Cash Funds	25,854	26,481	32,958	32,958	
Cash Funds Exempt	0	0	60,000	60,000	
Workforce Development Council	363,937	352,520	466,016	466,016	
FTE	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	
Cash Funds Exempt	363,937	352,520	466,016	466,016	
FTE	4.0	4.0	4.0	4.0	
Federal Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Workforce Improvement Grants	1,193,270	1,028,224	470,000	470,000	
FTE	<u>1.3</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds Exempt	0	0	20,000	20,000	
Federal Funds	1,193,270	1,028,224	450,000	450,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
<b>(1) SUBTOTAL - EXECUTIVE</b>					Approp vs. Request
<b>DIRECTOR'S OFFICE</b>	4,369,322	4,365,682	4,349,375	4,774,621	9.8%
FTE	<u>18.8</u>	<u>18.2</u>	<u>19.0</u>	<u>19.0</u>	
General Fund	949,790	1,002,208	1,127,847	1,349,126	19.6%
FTE	0.0	0.0	0.0	0.0	
Cash Funds	124,363	178,428	206,900	209,823	1.4%
Cash Funds Exempt	1,769,068	1,772,387	2,068,907	2,158,222	4.3%
FTE	17.5	17.2	18.0	18.0	
Federal Funds	1,526,101	1,412,659	945,721	1,057,450	11.8%
FTE	1.3	1.0	1.0	1.0	
*Mineral & Energy Impact - CFE	278,693	217,151	228,081	53,239	-76.7%

**(2) DIVISION OF PROPERTY TAXATION**

(Purpose: Provides supervision for property tax collection throughout the state, including training of county assessors. The Division also determines eligibility for property tax exemptions. The Board of Assessment Appeals hears petitions for appeal on valuation, abatements, exemptions, and valuation of state-assessed properties.)

Board of Assessment Appeals	602,056	616,690	630,459	640,080	
FTE	<u>14.3</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	
General Fund	602,056	312,536	369,858	380,680	
FTE	14.3	7.6	7.6	7.6	
Cash Funds Exempt	0	304,154	260,601	259,400	
FTE	0.0	7.4	7.4	7.4	
*Mineral & Energy Impact - CFE	0	0	0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Property Taxation Program Costs	2,484,406	2,546,810	2,613,108	2,670,588	
FTE	<u>37.3</u>	<u>38.5</u>	<u>38.5</u>	<u>38.5</u>	
General Fund	1,143,978	1,205,127	1,250,433	1,274,642	
FTE	15.7	15.7	15.7	15.7	
Cash Funds	629,602	632,735	644,588	658,006	
FTE	9.9	11.1	11.1	11.1	
Cash Funds Exempt	710,826	708,948	718,087	737,940	
FTE	11.7	11.7	11.7	11.7	
*Mineral & Energy Impact - CFE	710,826	709,446	718,087		
State Board of Equalization	<u>12,856</u>	<u>12,856</u>	<u>12,856</u>	<u>12,856</u>	
General Fund	12,856	12,856	12,856	12,856	
Cash Funds Exempt	0	0	0	0	
*Mineral & Energy Impact - CFE	0	0	0	0	
Indirect Cost Assessment					
Cash Funds Exempt	94,098	89,371	100,872	100,872	
*Mineral & Energy Impact - CFE	94,098	89,371	100,872	100,872	
<b>(2) SUBTOTAL - PROPERTY TAXATION</b>	<b>3,193,416</b>	<b>3,265,727</b>	<b>3,357,295</b>	<b>3,424,396</b>	<b>Approp vs. Request</b>
FTE	<u>51.6</u>	<u>53.5</u>	<u>53.5</u>	<u>53.5</u>	2.0%
General Fund	1,758,890	1,530,519	1,633,147	1,668,178	2.1%
FTE	30.0	23.3	23.3	23.3	
Cash Funds	629,602	632,735	644,588	658,006	2.1%
FTE	9.9	11.1	11.1	11.1	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Cash Funds Exempt	804,924	1,102,473	1,079,560	1,098,212	1.7%
FTE	11.7	19.1	19.1	19.1	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>804,924</i>	<i>798,817</i>	<i>818,959</i>	<i>100,872</i>	<i>-87.7%</i>

### (3) DIVISION OF HOUSING

(Purpose: The 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.)

#### (A) Administration

Personal Services	1,435,065	1,505,793	1,414,221	1,428,934
FTE	<u>22.1</u>	<u>23.8</u>	<u>22.1</u>	<u>22.1</u>
General Fund	234,982	293,132	299,150	298,558
FTE	4.6	4.6	5.5	4.6
Cash Funds	60,578	66,799	78,084	77,929
FTE	0.9	0.9	0.0	0.9
Cash Funds Exempt	106,116	109,300	121,706	132,494
FTE	1.7	1.7	1.7	1.7
Federal Funds	1,033,389	1,036,562	915,281	919,953
FTE	14.9	16.6	14.9	14.9
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>106,116</i>		<i>121,706</i>	
Operating Expenses	<u>206,794</u>	<u>149,493</u>	<u>211,585</u>	<u>323,903</u>
General Fund	25,903	25,902	25,903	25,903
Cash Funds Exempt	0	0	0	0

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
Federal Funds	180,891	123,591	185,682	298,000	
<i>*Mineral &amp; Energy Impact - CFE</i>	0	0	0	0	
Indirect Cost Assessment	<u>391,748</u>	<u>325,528</u>	<u>407,442</u>	<u>407,442</u>	
Cash Funds	164,666	126,613	149,320	149,320	
Cash Funds Exempt	31,208	36,151	41,662	41,662	
Federal Funds	195,874	162,764	216,460	216,460	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>31,208</i>	<i>36,151</i>	<i>41,662</i>	<i>41,662</i>	
<u>(B) Manufactured Buildings Program</u>					
Program Costs	683,021	676,552	1,031,963	1,043,921	
FTE	<u>8.6</u>	<u>8.7</u>	<u>10.0</u>	<u>10.0</u>	
General Fund	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	683,021	676,552	1,031,963	1,043,921	
FTE	8.6	8.7	10.0	10.0	
<u>(C) Affordable Housing Development</u>					
Colorado Affordable Housing					
Construction Grants & Loans	<u>100,000</u>	<u>100,000</u>	<u>1,115,000</u>	<u>1,115,000</u>	
General Fund	100,000	100,000	1,100,000	1,100,000	
Cash Funds Exempt	0	0	15,000	15,000	
<i>*Mineral &amp; Energy Impact - CFE</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
Federal Affordable Housing					
Construction Grants & Loans					
Federal Funds	11,386,947	15,158,765	8,559,000	8,880,825	

	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>Change</b>
	<b>Actual</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Request</b>	<b>Requests</b>
Emergency Shelter Program					
Federal Funds	882,672	968,623	890,000	971,220	
Private Activity Bond Alloc. Com.	<u>19</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	
General Fund	0	0	0	0	
Cash Funds	19	2,500	2,500	2,500	
Cash Funds Exempt	0	0	0	0	
*Mineral & Energy Impact - CFE	0	0	0	0	
<u>(D) Rental Assistance</u>					
Low Income Rental Subsidies					
Federal Funds	17,610,525	17,058,301	17,040,000	17,040,000	
<b>(3) SUBTOTAL - DIVISION OF HOUSING</b>	<b>32,696,791</b>	<b>35,945,555</b>	<b>30,671,711</b>	<b>31,213,745</b>	<b>Approp vs. Request 1.8%</b>
FTE	<u>30.7</u>	<u>32.5</u>	<u>32.1</u>	<u>32.1</u>	
General Fund	360,885	419,034	1,425,053	1,424,461	0.0%
FTE	4.6	4.6	5.5	4.6	
Cash Funds	908,284	872,464	1,261,867	1,273,670	0.9%
FTE	9.5	9.6	10.0	10.9	
Cash Funds Exempt	137,324	145,451	178,368	189,156	6.0%
FTE	1.7	1.7	1.7	1.7	
Federal Funds	31,290,298	34,508,606	27,806,423	28,326,458	1.9%
FTE	14.9	16.6	14.9	14.9	
*Mineral & Energy Impact - CFE	137,324	36,151	163,368	41,662	-74.5%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
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**(4) DIVISION OF LOCAL GOVERNMENT**

(Purpose: The Division of Local Government provides information and training for local governments on budget review, 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	1,389,265	1,546,694	1,465,896	1,517,235	
FTE	<u>18.6</u>	<u>18.6</u>	<u>20.4</u>	<u>20.4</u>	
General Fund	784,774	793,661	821,162	874,425	
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	451,874	453,465	471,791	466,997	
FTE	6.7	6.7	7.0	7.0	
Federal Funds	152,617	299,568	172,943	175,813	
FTE	1.6	1.6	3.1	3.1	
* <i>Mineral &amp; Energy Impact - CFE</i>	451,874		471,791	455,058	
Operating Expenses	<u>99,533</u>	<u>98,275</u>	<u>119,324</u>	<u>131,351</u>	
General Fund	43,186	43,186	42,178	42,178	
Cash Funds Exempt	24,138	25,094	25,146	25,146	
Federal Funds	32,209	29,995	52,000	64,027	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
<i>*Mineral &amp; Energy Impact - CFE</i>	24,138	25,146	25,146	25,146	
<i>(2) Local Government Services</i>					
Local Utility Management Assistance					
Cash Funds	137,263	140,369	144,799	146,937	
FTE	2.0	2.0	2.0	2.0	
Conservation Trust Fund Disbursements					
Cash Funds Exempt	41,334,917	49,918,126	46,500,000	52,000,000	
FTE	2.0	2.0	2.0	2.0	
Volunteer Firefighter Retirement Plans					
General Fund	3,760,894	3,712,497	4,076,684	4,082,138	
†General Fund Exempt	0	3,669,309	3,795,859	0	
Volunteer Firefighter Death and Disability Insurance					
General Fund	30,000	30,000	30,000	30,000	
†General Fund Exempt	0	30,000	30,000	30,000	
Federal Disability Program Navigator Project					
Federal Funds	0	1,293,959	444,065	931,910	
FTE	0.0	8.5	9.0	9.0	
EPA Water/Sewer File Project					
Federal Funds	29,399	33,073	50,000	50,000	
FTE	0.5	0.4	0.5	0.5	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
<i>(3) Community Services</i>					
Community Services Block Grant					
Federal Funds	5,655,461	5,669,684	5,237,289	5,176,401	
<i>(4) Waste Tire Fund</i>					
Waste Tire Recycling, Reuse and Removal Grants					
FTE	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	
Cash Funds	2,167,357	2,154,011	2,455,000	2,187,933	
Cash Funds Exempt	671,651	773,237	0	0	
Waste Tire Fund - Allocations to CCHE					
Cash Funds	770,658	825,000	815,000	804,401	
<b>(A) Subtotal - Local Government and Community Services</b>					
FTE	<u>23.6</u>	<u>32.0</u>	<u>34.4</u>	<u>34.4</u>	Approp vs. Request 9.3%
General Fund	4,618,854	4,579,344	4,970,024	5,028,741	1.2%
FTE	10.3	10.3	10.3	10.3	
Cash Funds	3,075,278	3,119,380	3,414,799	3,139,271	-8.1%
FTE	2.5	2.5	2.5	2.5	
Cash Funds Exempt	42,482,580	51,169,922	46,996,937	52,492,143	11.7%
FTE	8.7	8.7	9.0	9.0	
Federal Funds	5,869,686	7,326,279	5,956,297	6,398,151	7.4%
FTE	2.1	10.5	12.6	12.6	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
†General Fund Exempt	0	3,699,309	3,825,859	30,000	-99.2%
*Mineral & Energy Impact - CFE	476,012	25,146	496,937	480,204	-3.4%
<b>(B) Field Services</b>					
Program Costs	1,852,157	2,080,978	2,032,365	2,044,803	
FTE	<u>22.0</u>	<u>23.4</u>	<u>24.3</u>	<u>24.3</u>	
General Fund	294,368	465,085	465,704	500,069	
FTE	4.4	5.2	5.2	5.2	
Cash Funds Exempt	1,206,733	1,204,883	1,256,214	1,248,383	
FTE	14.2	14.0	14.2	14.2	
Federal Funds	351,056	411,010	310,447	296,351	
FTE	3.4	4.2	4.9	4.9	
*Mineral & Energy Impact - CFE	1,087,694	1,097,505	1,127,537	1,171,997	
Community Development Block Grant (Business & Infrstr. Dvlpmnt)					
Federal Funds	10,064,728	8,107,258	7,835,637	6,701,843	
Local Government Mineral and Energy Impact Grants and Disbursements	<u>64,962,478</u>	<u>101,477,804</u>	<u>63,300,000</u>	<u>63,300,000</u>	
Cash Funds	23,100,000	23,100,000	23,100,000	23,100,000	
Cash Funds Exempt	41,862,478	78,377,804	40,200,000	40,200,000	
<i>For Information Only, Non-add State Severence Tax</i>	47,346,903	73,616,514	40,200,000	40,200,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
<i>Federal Mineral Impact</i>	17,615,575	27,861,289	23,100,000	23,100,000	
Local Government Limited					
Gaming Impact Grants					
Cash Funds Exempt	7,141,816	5,809,651	6,580,019	6,805,480	
Search and Rescue	468,507	471,910	615,000	615,000	
FTE	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	
Cash Funds	378,273	425,716	505,000	505,000	
FTE	1.3	1.3	1.3	1.3	
Cash Funds Exempt	90,234	46,194	110,000	110,000	
Colorado Heritage Communities Grant Fund					
General Fund	0	0	200,000	200,000	
Colorado Heritage Communities Grants					
Cash Funds Exempt	119,318	79,373	200,000	200,000	
					Approp vs. Request
<b>(B) Subtotal - Field Services</b>	84,609,004	118,026,974	80,763,021	79,867,126	-1.1%
FTE	<u>23.3</u>	<u>24.7</u>	<u>25.6</u>	<u>25.6</u>	
General Fund	294,368	465,085	665,704	700,069	5.2%
FTE	4.4	5.2	5.2	5.2	
Cash Funds	23,478,273	23,525,716	23,605,000	23,605,000	0.0%
FTE	1.3	1.3	1.3	1.3	
Cash Funds Exempt	50,420,579	85,517,905	48,346,233	48,563,863	0.5%
FTE	14.2	14.0	14.2	14.2	
Federal Funds	10,415,784	8,518,268	8,146,084	6,998,194	-14.1%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
FTE	3.4	4.2	4.9	4.9	
<i>*Mineral &amp; Energy Impact - CFE</i>	1,087,694	1,097,505	1,127,537	1,171,997	3.9%
<b>(C) Division of Emergency Management</b>					
Administration	3,030,701	2,824,360	2,579,811	2,696,065	
FTE	<u>24.7</u>	<u>28.0</u>	<u>28.2</u>	<u>28.2</u>	
General Fund	521,164	547,167	478,230	529,876	
FTE	7.2	7.2	7.2	7.2	
Cash Funds Exempt	60,489	65,434	62,497	65,086	
FTE	0.8	0.3	1.0	1.0	
Federal Funds	2,449,048	2,211,759	2,039,084	2,101,103	
FTE	16.7	20.5	20.0	20.0	
<i>*Mineral &amp; Energy Impact - CFE</i>		62,622	62,497	62,499	
Disaster Response and Recovery	<u>3,145,753</u>	<u>2,741,559</u>	<u>3,191,559</u>	<u>3,179,407</u>	
Cash Funds Exempt	3,145,753	2,741,559	2,741,559	2,729,407	
Federal Funds	0	0	450,000	450,000	
Preparedness Grants and Training	<u>117,363,953</u>	<u>59,102,401</u>	<u>52,010,988</u>	<u>35,510,988</u>	
Cash Funds	0	0	10,988	10,988	
Federal Funds	117,363,953	59,102,401	52,000,000	35,500,000	
					Approp vs. Request
<b>(C) Subtotal - Emergency Management</b>	123,540,407	64,668,320	57,782,358	41,386,460	-28.4%
FTE	<u>24.7</u>	<u>28.0</u>	<u>28.2</u>	<u>28.2</u>	
General Fund	521,164	547,167	478,230	529,876	10.8%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
FTE	7.2	7.2	7.2	7.2	
Cash Funds	0	0	10,988	10,988	0.0%
Cash Funds Exempt	3,206,242	2,806,993	2,804,056	2,794,493	-0.3%
FTE	0.8	0.3	1.0	1.0	
Federal Funds	119,813,001	61,314,160	54,489,084	38,051,103	-30.2%
FTE	16.7	20.5	20.0	20.0	
<i>*Mineral &amp; Energy Impact - CFE</i>	0	62,622	62,497	62,499	0.0%

(D) Division-wide Indirect

Cost Assessment	<u>428,057</u>	<u>1,088,061</u>	<u>962,841</u>	<u>962,841</u>	
Cash Funds	47,523	4,100	67,201	67,201	
Cash Funds Exempt	78,956	481,898	490,482	490,482	
Federal Funds	301,578	602,063	405,158	405,158	
<i>*Mineral &amp; Energy Impact - CFE</i>			442,024	442,024	

**(4) SUBTOTAL - DIVISION OF LOCAL**

<b>GOVERNMENT</b>	264,623,866	249,978,280	200,846,277	189,274,733	Approp vs. Request -5.8%
FTE	<u>71.6</u>	<u>84.7</u>	<u>88.2</u>	<u>88.2</u>	
General Fund	5,434,386	5,591,596	6,113,958	6,258,686	2.4%
FTE	21.9	22.7	22.7	22.7	
Cash Funds	26,601,074	26,649,196	27,097,988	26,822,460	-1.0%
FTE	3.8	3.8	3.8	3.8	
Cash Funds Exempt	96,188,357	139,976,718	98,637,708	104,340,981	5.8%
FTE	23.7	23.0	24.2	24.2	
Federal Funds	136,400,049	77,760,770	68,996,623	51,852,606	-24.8%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriated	FY 2007-08 Request	Change Requests
FTE	22.2	35.2	37.5	37.5	
†General Fund Exempt	0	3,699,309	3,825,859	30,000	-99.2%
*Mineral & Energy Impact - CFE	1,563,706	1,185,273	2,128,995	2,156,724	1.3%

					Approp vs. Request
<b>TOTAL - LOCAL AFFAIRS</b>	304,883,395	293,555,244	239,224,658	228,687,495	-4.4%
FTE	<u>172.7</u>	<u>188.9</u>	<u>192.8</u>	<u>192.8</u>	
General Fund	8,503,951	8,543,357	10,300,005	10,700,451	3.9%
FTE	56.5	50.6	51.5	50.6	
Cash Funds	28,263,323	28,332,823	29,211,343	28,963,959	-0.8%
FTE	23.2	24.5	24.9	25.8	
Cash Funds Exempt	98,899,673	142,997,029	101,964,543	107,786,571	5.7%
FTE	54.6	61.0	63.0	63.0	
Federal Funds	169,216,448	113,682,035	97,748,767	81,236,514	-16.9%
FTE	38.4	52.8	53.4	53.4	
†General Fund Exempt	0	3,699,309	3,825,859	30,000	-99.2%
*Mineral & Energy Impact - CFE	2,784,647	2,237,392	3,339,403	2,352,497	-29.6%

**KEY:**

ITALICS = non-add figure, included for informational purposes

A = impacted by a budget amendment submitted after the November 1 request

S = impacted by a supplemental appropriation approved by the Joint Budget Committee

<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b><u>FY 2007-08</u></b>	<b>Change</b>
<b>Actual</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Request</b>	<b>Requests</b>

P = The recommended amount for this line item is pending. The requested amount has been used as a place-holder in the Recommendation.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF LOCAL AFFAIRS**  
**Update on footnotes in the FY 2006-07 Long Bill**

- 2 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. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

*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 is an unfunded mandated.*

Because this footnote was vetoed, the Department did not provide this information 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 it receives as part of its Schedule 3's, contained in its annual budget request.

- 3 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 2006-07. 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: The Department did not send it's rules and regulations to the Office of Legislative Legal Services for publishing on the Internet, but the Department does post it's rules on it's own web site. The rules and regulations of the Department can be found through the following links:*

Board of Assessment Appeals  
<http://165.127.116.35/baa/baacontent/rulesbaa.cfm>

Search and Rescue  
<http://www.dola.state.co.us/LGS/FA/SAR/sarrules.htm>

Division of Property Taxation - State Board  
<http://www.dola.state.co.us/PropertyTax/State%20Board/RULES.pdf>

Division of Property Taxation - Religious, Schools & Charitable, Rulemaking  
<http://www.dola.state.co.us/PropertyTax/Exemption.htm>

Manufactured Housing (updated rules in process of being posted):  
[www.dola.state.co.us/Doh/StandardsTechnology.htm](http://www.dola.state.co.us/Doh/StandardsTechnology.htm)

- 95 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, 2006, 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: *The Governor vetoed this footnote on the grounds that it interferes with the ability of the executive branch to administer the appropriation and it may constitute substantive legislation.* The Department did not submit a report.

**Staff recommends that the JBC ask the Department to respond to this footnote at the hearing.**

- 95a Department of Local Affairs, Division of Local Government, Division of Emergency Management, Preparedness Grants and Training** -- The Department is requested to submit a report by May 10, 2006, to the Local Government Committee of the House and of the Senate, detailing the resolution of the issues identified in the federal Homeland Security monitoring report dated January 10, 2006. The Department is further requested to submit reports by June 30, 2006, and January 30, 2007, detailing the grants awarded from federal homeland security funds.

Comment: *The Governor vetoed this footnote on the grounds that it violates the separation of powers, it may constitute substantive legislation, and it applies to federal funds.* The Department did not submit the requested report. The report was due to the Local Government Committee of the House and of the Senate, rather than the Joint Budget Committee.

**Staff recommends that the JBC ask the Department to respond to this footnote at the hearing.**

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF LOCAL AFFAIRS**

**ISSUE:**

Department of Local Affairs Performance Measures

**DISCUSSION:**

**Department Mission**

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*Mission Statement:*

Strengthening Colorado's Communities

**Goals and Performance Measures**

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The Department's strategic plan and program crosswalk is 55 pages long. The table below summarizes the three broad goals identified by the Department and provides a sample of some of the performance measures for each goal that the Department identified as key measures.

Issue	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
<b>Goal 1:</b> Ensure equity for taxpayers and compliance with constitutional and statutory revenue limitations and budgetary practices of local governments in Colorado.				
Number of companies required to be valued by the state	569	564	570	570
Number of state valuations adjusted by the Board of Assessment Appeals following a successful appeal	11	8	10	5
Percent of local governments failing to submit annual budgets adequate to meet the Department's reporting requirements that are notified by June 30th	100.0%	100.0%	100.0%	100.0%
<b>Goal 2:</b> Work with local governments to improve their capacity to plan for, respond to, and recover from natural and man-made disasters. Provide comprehensive community, family and personal preparedness outreach program on coping with emergencies in Colorado.				
Disaster training courses and/or workshops	94	90	85	85
Course/Workshop Participants	1,482	1600	1,500	1,500

Issue	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
<b>Goal 3:</b> Assist local communities in achieving their goals by providing, in an efficient and timely manner, technical assistance services and distribution of revenues from state and federal sources.				
Communities for which financing was arranged for infrastructure needs (all types of infrastructure)	151	189	189	189
Number of rental opportunities produced for low income households	838	1367	1,000	1,000
Percent of housing grant projects receiving monitoring findings	3.0%	7.5%	5.0%	5.0%
Average customer satisfaction rating with regional workshops on budgeting, finance, and other local government functions (5=excellent, 1=poor)	4.26	4.20	4.29	4.35

Issues raised by the available performance information that the JBC may want to pursue further with the Department include:

1. **Should the Department's first goal extend beyond merely ensuring compliance with constitutional and statutory revenue limitations to include encouraging best budgetary practices by local governments?** The Department identified as a key performance measure the percent of local governments notified by June 30th of failure to submit an adequate annual budget to the Department. This perfunctory standard tells nothing about the quality of local government budget procedures, or the financial health of local governments. Staff believes that the Department's goal should be broader and include educating and improving local government budget procedures. The Department should find measures that indicate the financial condition of local governments, and whether the Department's outreach efforts are successfully promoting better budget practices.
2. **Why has the percentage of housing grant projects with monitoring findings increased?** What is the nature of these findings? Are they cause for concern? Is the Department adequately funded to provide technical assistance to local governments in preparing and implementing housing plans so that the local governments don't receive monitoring findings?
3. **The Department did not include key performance data for some of its most recognized grant programs.** Noticeably absent from the Department's key performance measures are metrics related to the mineral and energy grant program and the Conservation Trust Fund. Even in the more detailed performance measures provided by the Department in the Program Crosswalk section of the budget request there are only a couple of items that apply to these grant programs and they are inadequate to give a well-rounded view of performance.

## Staff Analysis

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Joint Budget Committee staff reviewed the department's performance measures submitted in the budget. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

1. Do the goals and performance measures correspond to the program's directives provided in statute?

Generally, yes. Staff did not identify any performance measures that were in conflict with the statutory directives for a program. There were a few measures that appeared to have little relevance to the statutory directives for the program. For example, the Department describes as one of its key performance measures the percent of data released by the U.S. that is available through the demography program. The Department reports that 100 percent is available. Given that local governments can easily get U.S. census data directly from the federal government through the internet, staff believes it is of limited value for the Department to also provide the information. It would be laughable if the demography program in the Department could not provide 100 percent of the census data released by the U.S.

Better measures would look at the value added by the Department in interpreting U.S. census data, forecasts made by the Department using U.S. census data, and outreach efforts by the Department to ensure that local governments are aware of the available census data and how to use it to inform public policy decisions. To its credit, the Department does report some of this type of information, and so staff is not sure why the measure on the percent of available census data is used, and why it is categorized as a key performance measure. Below are some examples of what staff believes are the more useful performance measures for the demography program.

<b>Demography Program</b>	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
Number of jurisdictions for which population estimates made	452	455	460	465
Number of formal challenges to population estimates	27	32	32	35

<b>Demography Program</b>	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
Number of Census communiques, workshops, and technical assistance events by demography staff	140	160	180	117
Number of economic base analyses completed	127	117	117	117
Number of economic forecasts built on the base analyses and tied to population forecasts	57	57	57	57

2. Are the performance measures meaningful to stakeholders, policymakers, and managers?

An important part of ensuring that performance measures are meaningful to stakeholders and policymakers is organizing them into a hierarchy that clearly identifies the most important issues. The Department has detailed performance measures for each program, but then it has a section of the budget request titled "Prioritized Critical Objectives and Key Performance Measures." The OSPB budget instructions describe the purpose of this section as follows:

This section should address the department's key accomplishments and critical performance measures. The purpose of this section is to highlight the strides departments have made or are making towards operating more efficiently and effectively. Critical performance measures relate to the department's most important objectives and, in most cases, the number of measures should be in the range of 10 to 30. Key accomplishments relate to past achievements as expressed by past or present prioritized objectives (see Appendix F for examples).

Staff believes that the Department did a poor job of identifying the most meaningful performance measures and putting them in this section. For example, many of the performance measures used by the Department track success in meeting minimum standards. If these minimum standards were not met, stakeholders, policy makers, and managers would be concerned. However, the standards tracked in most of the Department's measures are so minimal and so easily attained that staff believes these performance measures hold little interest for policy makers, except if the Department fails to meet the standard. For example, the Department measures whether it issues notifications and orders in a timely manner to local governments to withhold or reduce revenues if they have exceeded the statutory property tax revenue limit in Section 29-1-301 (6), C.R.S. (the Department indicates 100 percent of orders were issued by May 31 in all report years). This measure should probably not be listed among the key performance indicators, unless for some reason the Department fails to meet it one year.

Another important aspect of making performance measures meaningful to policy makers and stakeholders is adequately describing the measures, the reasons for the Department's previous performance results, and the relationship of the performance measures to the budget request. Below are two examples of inadequately explained performance measures.

	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
<b>Division of Housing</b> - Percent of local jurisdictions participating in manufactured housing installation program	35.0%	40.0%	40.0%	40.0%
<b>Division of Emergency Management</b> - Provide assistance to 12 additional jurisdictions in implementing and maintaining local emergency operations plans with special attention to recovery phase.	10	8	10	10

The first performance measure in the table above sounds promising. The Department operates a program statutorily charged with regulating the safety of manufactured housing. Both state and local regulatory roles are acknowledged in the statute, but the legislative declaration indicates that in some cases statewide standards are required, as opposed to both state and local standards, so as not to impose an undue burden on the sellers of manufactured homes or discourage the sale of an affordable housing option. Measuring the percent of jurisdictions participating in the Department's manufactured housing installation program sounds like a good measure of the program's success, but what does it mean to "participate" in the program? Does this mean that manufactured housing was installed in the jurisdiction? Does it mean that a local jurisdiction voluntarily waived local standards in favor of a uniform statewide standard? Does it mean that a local jurisdiction failed to fund an installation inspection program and ceded the job to the state?

The second performance measure in the table above is not only confusing (In FY 2004-05 did the Department provide assistance to 12 additional jurisdictions 10 times, or did the Department assist a total of 10 jurisdictions?), but it shows a drop-off in performance that is not explained. If the figures reported are the total number of jurisdictions served, then the estimate and projection years don't meet the goal of 12. Does the Department not have enough money to accomplish this performance goal? Has the Department moved in another direction and replaced this strategy for improving disaster preparedness with something else?

Overall, the Department needs to improve the organization of its performance measures to identify the most important ones, adequately describe the measures, explain the reasons for the Department's previous performance results, and strengthen the relationship of the performance measure to the budget request.

3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?

For some programs, yes, but for others, no. For the Department's regulatory functions related to property taxes and manufactured housing, it provides a well-rounded view of performance. For example, regarding requests for property tax exemptions the Department reports the number of applications (input), the number of applications processed (output), the cost per application/review (efficiency), the percentage of decisions appealed (quality/outcome), and the percentage of decisions upheld (quality/outcome).

<b>Property Tax Exemptions</b>	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
Applications pending at beginning of fiscal year	522	413	403	378
Applications received during fiscal year	664	687	725	725
Applications processed	765	697	750	750
Cost per application review	\$346	\$378	\$380	\$380
Percent protested to public hearing	5.0%	13.0%	15.0%	15.0%
Percent appealed to Board of Assessment Appeals	0.3%	0.5%	0.5%	0.5%
Percent of appealed cases reversed by Board of Assessment Appeals	50.0%	0.0%	25.0%	25.0%

For the Department's technical assistance and grant making functions, the performance measures are noticeably less robust. The Department relies primarily on customer satisfaction surveys to measure quality and outcomes. While the Department can't be held responsible for local government decisions, staff believes that the Department should explore adding some measures of the types of local government behaviors that they hope to influence. For example, the Department could look at whether local governments are using good planning tools, like maintaining a facility condition index. They could also look at the condition of local government facilities as both a quality and outcome measure, both for the Department's technical assistance programs and the Department's grant programs.

For grant making functions, staff believes that the addition of more input measures, such as the amount of revenue available for granting and the number of grant requests received, would provide a greater context for analyzing the reported outputs. Information on the number and complexity of grants and contracts processed per FTE would help measure the efficiency of the grant programs. The Department should provide information about whether targeted grant programs, like the mineral and energy assistance program, are reaching the intended population. Quality and outcome measures are weak or not reported for most of the Department's grant programs, with housing being the one area where the Department has some reasonable quality and outcome measures. Information like the number of monitoring issues found and the amount of local and private funding leveraged is missing for the grant programs other than housing. Also, the Department does not report measures of local infrastructure and service capacity affected by the grant programs. Below are some of the kinds of performance measures that the Department uses for the housing grant program, but needs to add for other grant programs.

<b>Housing Grants</b>	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
Number of rental opportunities produced for low income households	838	1367	1,000	1,000

<b>Housing Grants</b>	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Est.	FY 07-08 Proj.
Number of affordable ownership opportunities produced for low income households	430	274	500	500
Funding leveraged from non-state sources per unit	\$56,580	\$58,548	\$80,000	\$80,000
Number of households receiving rental assistance	2,425	2,410	2,450	2,450
Percent of projects receiving monitoring findings	3.0%	7.5%	5.0%	5.0%
Percent of communities with affordable housing components in their comprehensive plans	64.0%	66.0%	80.0%	80.0%
Division of Housing customer services survey rating (1-poor, 5-excellent)	4.5	4.4	4.2	4.2

In addition to including a greater diversity of performance measures, the Department could also improve the strategic plan by providing benchmark data and long-term baseline data for some of the measures. For example, staff believes that both longer-term trend lines and national comparisons would be helpful in understanding the performance of the Department's housing programs.

4. Do the performance measures cover all key areas of the budget?

There are at least some performance measures reported for all key areas of the budget, even the Department's administration. However, as noted above, the reported measures for grant programs, and particularly the mineral and energy assistance program, need to be expanded to provide a more complete view of performance.

5. Are the data collected for the performance measures valid, accurate, and reliable?

Staff does not have reason to doubt the veracity of the data reported.

6. Are the performance measures linked to the proposed budget base?

The Department's strategic plan does not explicitly link performance measures to the base budget. However, for the housing program the Department's budget request last year did a good job of drawing on performance data to support a decision item to increase housing grants. The Department's FY 2006-07 request calculated a cost per unit of outcome, estimating that an additional \$1.0 million General Fund would provide 159 additional affordable rental units per year. The Department's FY 2007-08 budget request projects that the Department is on pace to meet this goal. For programs other than the housing grants, the Department has not indicated how an increase or decrease in expenditures would likely impact performance.

7. Is there a change or consequence if the Department's performance targets are not met?

The Department reports that managers review the performance measures and investigate when the goals are not achieved. According to the Department, they make decisions about what to do on a case by case basis. However, the Department did not provide an example of an instance where performance measures had influenced management decisions.

### **Questions for Department**

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Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?
2. To what extent do the performance outcomes reflect appropriation levels?
3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?
4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF LOCAL AFFAIRS**

**ISSUE:**

Mineral and Energy Impact Grant Program

**SUMMARY:**

- The mineral and energy impact program provides grants to communities socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels.
- Grants can be used by political subdivisions for planning, constructing, and maintaining public facilities, or for the provision of public services.
- There are two revenue streams for the program, which are federal mineral lease payments and state severance taxes.
- These revenue streams are historically volatile.
- There has been a dramatic increase in revenues from federal mineral lease payments and severance taxes in recent years.
- Most successful grantees work collaboratively with the Department of Local Affairs for approximately a year to develop their proposal, and provide matching funds.
- Mineral and energy impact funds are used by local governments primarily for capital construction, roads, water and sewer projects, and public safety equipment and training.

**RECOMMENDATION:**

Staff recommends discussing with the Department the infrastructure funding needs of local governments in the areas affected by mineral and energy activity.

**DISCUSSION:**

The Department of Local Affairs' mineral and energy impact grant program is statutorily charged with supporting communities socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels. Grants can be used by political subdivisions for planning, constructing, and maintaining public facilities, or for the provision of public services.

*Two Revenue Streams:* The mineral and energy impact grant program actually has two distinct revenue sources and the legislative authorization for the Department to use these two sources of funds are in different sections of the statutes. However, the purposes of both revenue sources are so similar that in practice they are administered as a single program. The sources of revenue for the mineral and energy impact program are: 1) federal mineral leases; and 2) the state severance tax.

*Federal Mineral Lease Revenues:* Private entities that want to extract mineral resources from federal lands pay a rental fee to occupy the space, and then a royalty fee once production begins, based on the value of the resource. They may also pay bonuses for the development rights, if there is competition from other companies. The federal government follows general standard principles in developing mineral leases, but each lease is individually negotiated. Under the Federal Mineral Leasing Act, 50 percent of these rentals, royalties, and bonuses (after federal administrative costs) are returned to the state of origin.

State statutes distribute these funds according to a "cascade" method, illustrated in the flow chart at the end of this issue brief. This method of distribution was developed over time through the adoption of several layers of legislation. Typically, new legislation has provided funding for existing constituents up to a threshold, and then allocated additional funds according to a different distribution. Thus, there is a first cut with a cap on distributions to counties, a distribution of the spillover to the State School Fund up to a cap, a second cut that also has a cap on distributions to counties, and then a distribution of the overflow.

Federal mineral lease revenues are tied to the extraction of finite resources. When those resources are exhausted, the federal mineral lease revenues cease. Also, worldwide fluctuations in production and consumption can dramatically alter the value of production in Colorado, and thus the amount of federal mineral lease revenues. This makes the revenue source well suited for developing large balances that are then spent over time (this is how the Department manages the mineral and energy impact grant program), or balances that are held in reserve (such as in a TABOR reserve or a rainy day fund).

In recent years gas activity in the western part of the state has significantly increased state revenues from federal mineral leases and there is widespread speculation that this trend will continue and be magnified by oil shale production. This may lead the legislature to, once again, examine the distribution formula for federal mineral lease moneys and add new priorities or establish different caps and distributions. **Staff recommends discussing with the Department the infrastructure funding needs of local governments in the affected areas.**

Federal mineral lease revenues are considered exempt from TABOR for both the state and any locality receiving a grant.

*Severance Tax Revenues:* Businesses extracting oil, gas, coal, molybdenum or metals from non-federal lands are subject to state severance taxes. Statutes allow 87.5 percent of local property taxes on production, excluding equipment and facilities, as a credit that reduces or eliminates the severance tax liability. Stated another way, severance tax revenues are only produced when 87.5 percent of local property taxes due is less than the state severance taxes due. This may occur as a result of a lag in the local property tax assessment or a low local property tax rate or both. 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, which used actual data from the year prior to that.

Statutes also allow corporations to use certain contributions to public facilities or service projects as a credit against severance taxes due.

Severance tax revenues are volatile for the same reasons that federal mineral lease revenues are volatile, but the interaction with local property taxes magnifies the volatility. While federal mineral lease revenues tend to fluctuate with production value, the increases and decreases in severance taxes are out of proportion to the market and sometimes even out of phase with the market.

Of the total state severance taxes, 50 percent are allocated to the Department of Local Affairs and 50 percent are administered by the Department of Natural Resources. Of the portion allocated to the Department of Local Affairs, 15 percent is simply passed on according to a statutory distribution formula to communities where people involved in mineral and energy production live. The remaining 85 percent is combined with federal mineral lease funds in the mineral and energy impact grant program.

*Grant Making Process:* The Department views the mineral and energy impact grant program as complimentary to the local property tax structure that helps communities respond to the demands that mineral and energy extraction put on the public infrastructure and services. This perspective affects the way that they chose to distribute grants.

Most of the public money raised from mineral and energy companies comes from local property taxes. However, there are several reasons local property taxes might have shortcomings in helping local governments address mineral and energy impacts:

- ❑ **Local property taxes can lag behind the economic and social impacts of mineral and energy production.** A community may experience things like housing shortages, overcrowding in schools, and wear and tear on roads during the construction of a mineral or energy operation, before the company starts creating any taxable production. Once production starts, there is further lag, because local property taxes are based on a value assessment from the prior year, which in turn is based on actual data from the year prior to that.
- ❑ **Local property taxes are only collected when mineral and energy activity leads to production.** Research and development or exploration may result in significant economic and social impacts without production, which means that local property taxes might not kick in at all to help a community deal with the fallout.
- ❑ **Neighboring communities impacted by the mineral and energy extraction don't collect property tax from the company.** Often the facility is located in a different jurisdiction than where the employees live and need services, such as operations on federal land. Also, the transportation of mineral and energy resources can create significant impacts on communities far from the location of the facility.

State severance taxes and federal mineral lease revenues can help to overcome these shortfalls in the local property tax system. State severance taxes and federal mineral lease revenues are based on

current year production value -- or sometimes even prospective production value in the case of bonus payments for federal mineral leases. Thus, there is less lag between the economic and social impacts of mineral and energy extraction and the public revenue. Also, collecting money at the state level makes it possible to provide funds to communities impacted by research and development or exploration that doesn't result in production. Finally, pooling the money at the state level makes it possible, if necessary, to redistribute the funding from the communities that produce mineral and energy revenues to the communities that provide the services.

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 the Department. Talking through the request with the Department's experts helps local communities to refine their proposals and usually produces better planned projects, especially for those communities with limited or infrequent experience with capital construction. In these meetings with local governments, the Department makes them aware of what money is available and the priorities for those funds. The Department also provides feedback that gives the local governments a sense of whether they can reasonably expect that their grant applications will be successful. Roughly 95 percent of proposals to use mineral and energy impact funds that reach the point of an official application get funded. The Department frequently refers to a pipeline of local communities waiting in line to receive funding at any given point in time.

Submitted applications are reviewed by staff at the Department, who make recommendations to an advisory committee. The advisory committee in turn makes recommendations to the executive director of the Department, who is ultimately responsible for making the grants.

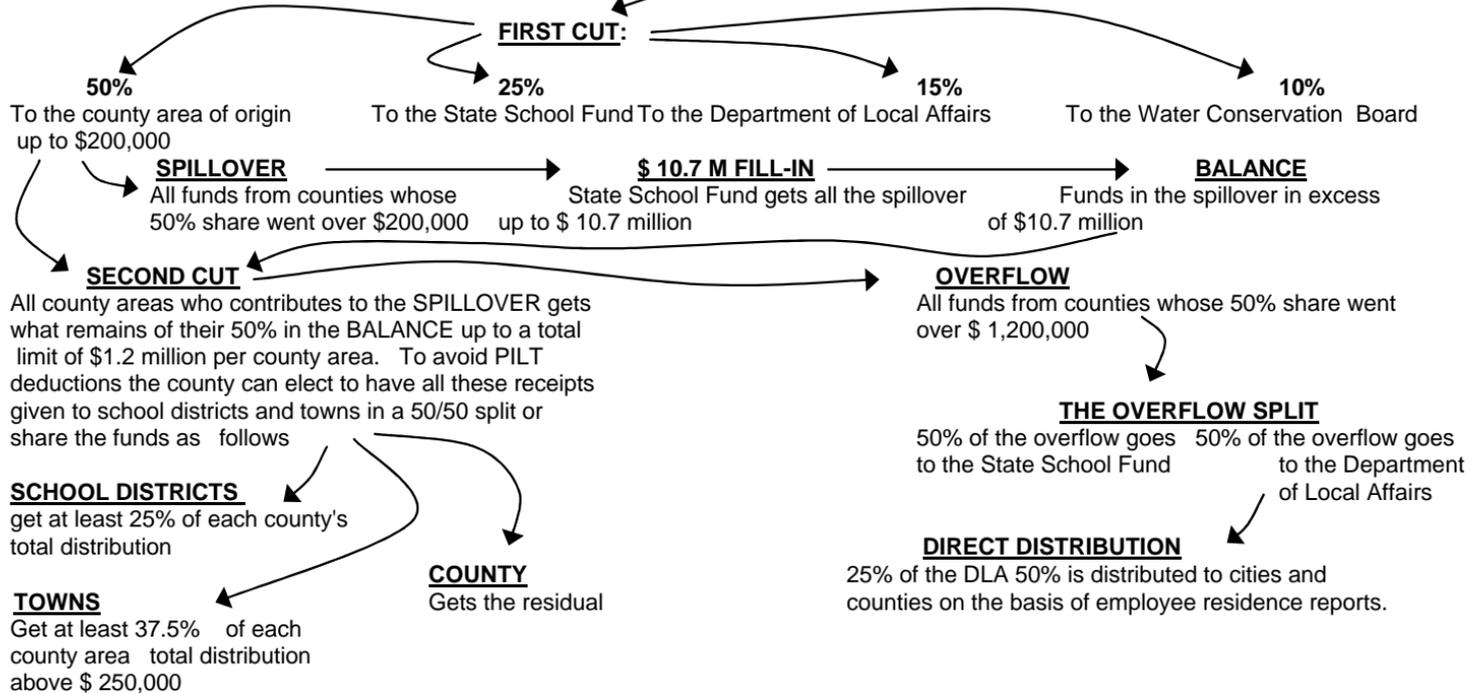
The grant process is largely driven by the priorities of the local communities and the requests that they submit. Successful applicants typically provide matching local funds. The specific priorities of local governments change from year to year, but the perennial issues include roads, water and sewer projects, public safety equipment and training, and construction and maintenance of public buildings. 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. For example, the Department just completed special grant cycles for the Wireless Interoperability Network to connect local governments to the state's digital trunk radio system, and for the Rural Healthcare Initiative to expand access to primary, dental, and mental healthcare in rural areas.

**FEDERAL MINERAL LEASING ACT**

- Net of administrative charges, returns 50% of rentals and royalties from federal lands in the state of origin.
- Directs that such funds be used by the states for planning, maintenance of public facilities and services in areas of the state Socially and economically impacted by mineral development.

**COLORADO MINERAL LEASING FUND**

- Colorado statute (CRS 34-63-102) directs that in the distribution of these funds priority shall be given to school districts and political sub-divisions socially or economically impacted by the development or construction and processing of the federal minerals.
- Distributes the amounts originating in each county as reported by the Federal government under the following "cascade" type of formula:

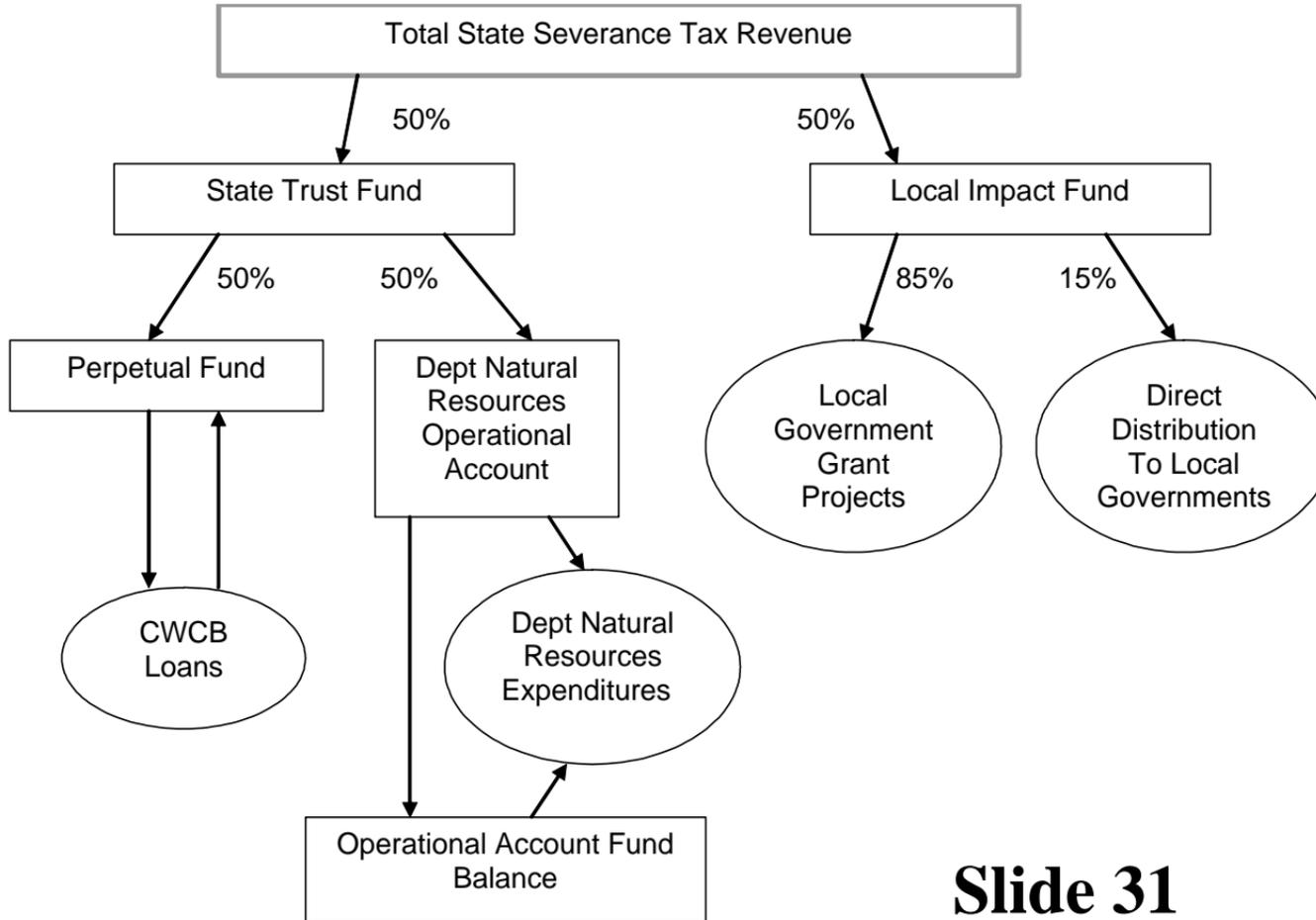


**Federal Mineral Lease State Calendar Year Receipts (\$M)**

	<u>5-year Average</u> <u>1995-1996</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Receipts	\$37,429,791	\$47,573,248	\$64,583,766	\$41,797,845	\$62,841,190	\$89,860,158	\$114,791,773
Counties	\$3,006,108	\$4,428,961	\$5,378,931	\$4,005,099	\$5,246,746	\$5,595,223	\$6,158,485
School Districts	\$1,786,703	\$2,332,895	\$3,095,017	\$2,103,826	\$3,044,457	\$3,391,473	\$3,724,617
Towns	\$1,515,347	\$2,155,153	\$3,053,696	\$1,959,186	\$2,914,985	\$3,401,548	\$3,815,160
CWCB	\$3,756,190	\$4,757,360	\$6,458,434	\$4,156,885	\$6,307,167	\$8,986,021	\$11,479,169
State School Fund	\$20,610,179	\$24,678,119	\$31,878,061	\$22,214,867	\$31,167,501	\$44,085,957	\$55,896,755
DOLA Grants	\$6,565,337	\$8,699,579	\$13,461,633	\$7,077,318	\$12,985,438	\$21,669,710	\$29,592,878
DOLA Direct Distributions	\$189,926	\$521,180	\$1,257,994	\$280,663	\$1,174,896	\$2,730,226	\$4,124,708

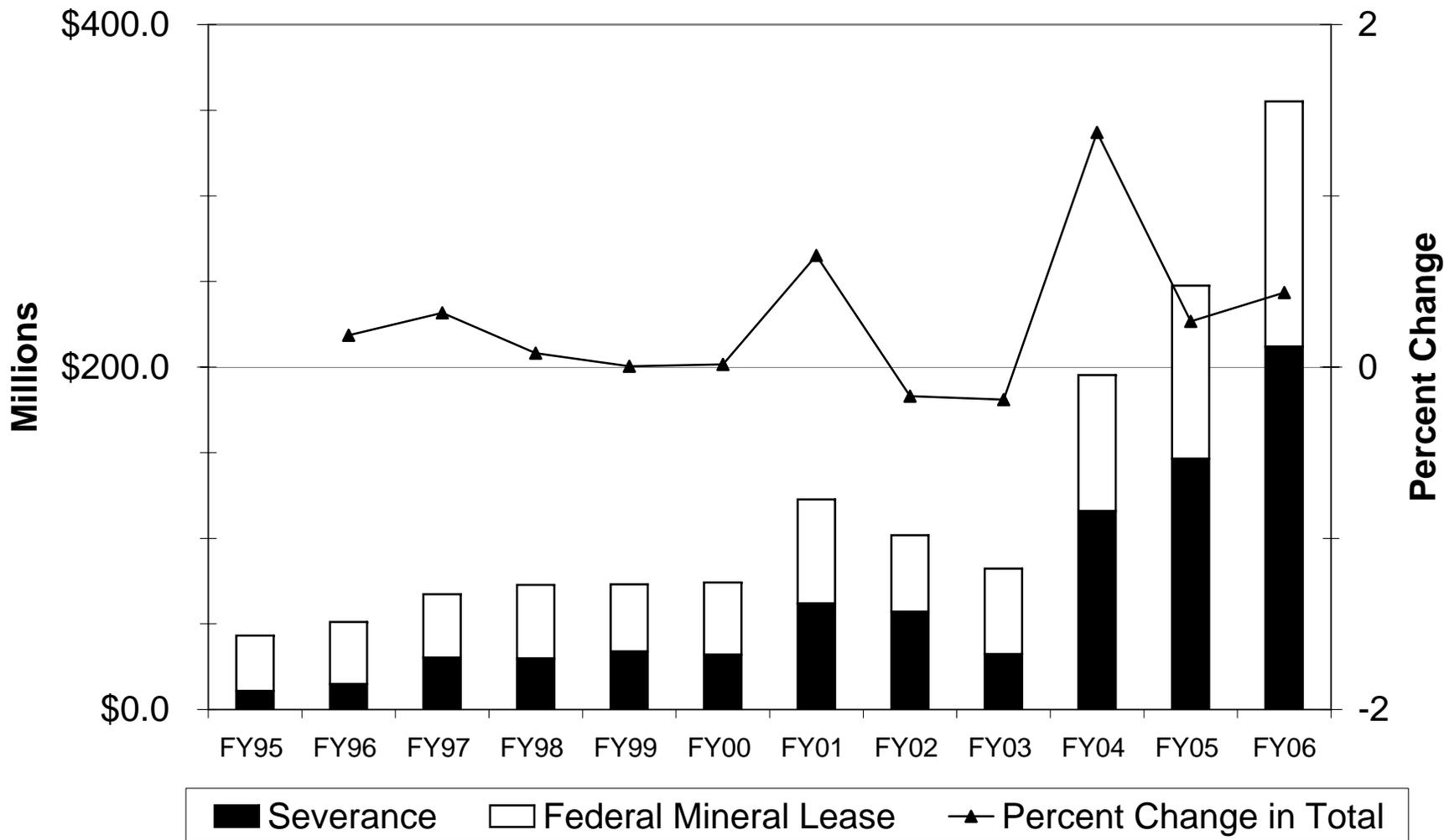
**Dollar Difference from 5-year Average 1995-96**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Receipts	\$10,143,457	\$27,153,975	\$4,368,054	\$25,411,399	\$52,430,367	\$77,361,982
Counties	\$1,422,853	\$2,372,822	\$998,991	\$2,240,638	\$2,589,115	\$3,152,376
School Districts	\$546,192	\$1,308,313	\$317,122	\$1,257,754	\$1,604,770	\$1,937,914
Towns	\$639,805	\$1,538,349	\$443,839	\$1,399,638	\$1,886,200	\$2,299,813
CWCB	\$1,001,170	\$2,702,244	\$400,695	\$2,550,977	\$5,229,831	\$7,722,979
State School Fund	\$4,067,940	\$11,267,882	\$1,604,688	\$10,557,321	\$23,475,777	\$35,286,576
DOLA Grants	\$2,134,243	\$6,896,297	\$511,982	\$6,420,101	\$15,104,373	\$23,027,542
DOLA Direct Distributions	\$331,254	\$1,068,068	\$90,737	\$984,970	\$2,540,300	\$3,934,782



**Slide 31**

### Total Colorado State Severance Tax and Federal Mineral Lease Revenues



**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF LOCAL AFFAIRS**

**ISSUE:**

Waste Tire Program

**SUMMARY:**

One dollar is collected by the state per tire legally disposed of in the state. The revenue is distributed by the Department of Local Affairs through four programs. These programs are:

- Processors and End Users
- Recycling Incentives
- Cleanup Grants
- Advanced Technology Grants (administered by the Department of Higher Education)

**DISCUSSION:**

One dollar is collected by the state per tire legally disposed of in the state. There is a base \$0.75 fee and a \$0.25 surcharge. Administrative expenses may be retained by the collector, the Department of Revenue, and DOLA. DOLA has limited authority to move money between the programs administered by the Department. After administrative expenses, each dollar is allocated among four programs approximately as follows:

**\$0.33 Processors and End Users** – This program subsidizes the operation of businesses that recycle or reuse waste tires. The facilities that process the tires must be located in Colorado, and they are only paid for Colorado tires that are processed. To qualify a business must submit an application to DOLA describing the end use and certifying the tonnage of tires processed. DOLA periodically audits the qualifying businesses.

There are currently three ways that businesses are processing waste tires. The tires may be bailed for use as a building block in construction, such as in a retaining wall. The tires can be burned for energy. There are two cement plants in Colorado that are burning tires. According to the Department, tires burn hotter than many other available fuel options, and this is a useful property in cement plants. Finally, the tires may be shredded. Shredded tires are used either loose or compacted as a base for playgrounds, on basketball and tennis courts, and under or in synthetic sports fields. They are frequently added to asphalt and cement products. Shredded tires can be used as a liner/sealer for land fills.

The Department prorates funding to the processors and end users based on tonnage of tires used. The statutes cap the reimbursement at \$50 per ton. In FY 2004-05 the Department paid \$47.25 per

ton and in FY 2005-06 \$38.84. On a per-tire basis, that is a reimbursement of \$0.47 per tire in FY 2004-05 and \$0.39 per tire in FY 2005-06.

**\$0.17 Recycling Incentives** – This program provides an incentive for state and local government agencies to use Colorado waste tire material in public projects. There is a competitive grant process with applications judged in large part based on the number of tires used relative to the funding provided. According to the Department, they are generally able to provide all qualified applicants with funding, although applicants sometimes must wait for another grant cycle before sufficient funds are available. Recent changes in playground safety and insurance standards have led to increased demand for the recycling incentives, which may impact competition for the funds in the future. There is a wide range in the size of the grants based on the scope of the projects, from \$1,300 to \$96,000. The Department will reimburse government agencies for up to 75 percent of the waste tire product cost. This does not include labor or any materials other than the waste tires, such as a concrete basin to hold the shredded tires or a playground structure on top of the shredded tires. If a government agency receives funding through this program, the supplier of the waste tire product may not also claim the tonnage supplied toward reimbursement through the processors and end users program.

**\$0.25 Cleanup Grant Program** – This program supports the removal of illegally dumped waste tires to a state or county approved storage, disposal or recycling facility. It may also be used to recycle tires disposed of legally at a facility that is at capacity. There is a competitive grant process with applications judged on the severity of the problem, with consideration for factors such as the number of tires, the risk of fire, and the proximity of the site to populated areas. The Department expects a local match, but typically provides 90+ percent of the funding for each project. Since 1998 this program has paid for the clean up of approximately 4.3 million illegally disposed tires. The table below shows the location and approximate number of tires requiring cleanup in some of the major remaining known illegal dump sites.

County	Estimated # of Tires	Current/anticipated applicant for Clean-up program
Arapahoe	67,000	
Larimer	2,000,000	X
Logan	2,000,000	X
Weld	150,000	X
<b>TOTAL TIRES</b>	<b>4,217,000</b>	

The Department is aware of another 41 smaller sites throughout the state. When considering the fact that the program has cleaned up 4.3 million tires to date but there are still 4.2 million tires at major known sites, it should also be noted that the program may be preventing the accumulation of tires in new illegal dump sites. The Department indicates that the recycling incentives program has helped state and local governments use 1.2 million tires in public projects, and the Processors and End Users program has reimbursed recyclers for 25.7 million tires.

**\$0.25 Advanced Technology Grants** – This program supports public and private research, development and technology transfer related to waste diversion and recycling. It is not limited to waste tires. The program is administered by the Department of Higher Education, rather than the Department of Local Affairs.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF LOCAL AFFAIRS**

**ISSUE:**

Funding for the response and recovery from major disasters in Colorado

**SUMMARY:**

- A disaster declaration by the executive branch authorizes response efforts and is a prerequisite for state and federal funding for major disasters.
- There are two main types of federal disaster aid: public assistance that supports the public infrastructure; and individual assistance that supports private individuals.
- Federal disaster aid pays 75 percent of eligible expenses.
- Funding for the suppression of wildfires operates under different rules than funding for other disasters.
- The Colorado State Forest Service manages the response to major wildfires.
- The Colorado State Forest Service administers the voluntary Fire Emergency Fund for the counties.
- Federal wildfire funds pay 75 percent of eligible expenses.

**RECOMMENDATION:**

Staff recommends discussing with the Department, the State Forest Service, and the Governor's Office whether on-going state funding needs to be provided for fire emergencies.

**DISCUSSION:**

*Disaster Declaration*

Declaring an event to be a disaster activates state, local, and interjurisdictional emergency plans for response and recovery. It provides the authority for the deployment and use of any forces and for use or distribution of any supplies, equipment, and materials and facilities to which the plans apply. In a state of disaster, for purposes of responding to the disaster, the Governor can: suspend regulatory statutes concerning state agencies and redirect the functions and personnel of those agencies; issue executive orders, proclamations, and regulations that have the force of law; commandeer private property (which may or may not include compensation, depending on applicable state laws); compel evacuations and control access to disaster areas; and suspend or limit the sale, dispensing, or transportation of alcohol, firearms, explosives or combustibles. During a disaster the Governor is commander-in-chief of all organized and unorganized militia and other forces available for emergency duty. Similar duties are assumed by executives at the local level during local disaster declarations with regard to local ordinances, regulations, personnel and equipment.

Whether to make a disaster declaration or not is a judgement call by the executive branch at the federal, state, and local level. It is possible for an event to be declared a disaster at one level of government, but not another. State disaster declarations require an executive order or proclamation and can only be issued for 30 days at a time, although they can be renewed. The declaration must include the nature of the disaster, the area threatened, and an explanation of the need for the declaration. Disaster declarations must be disseminated to bring them to the attention of the general public. The General Assembly may terminate any disaster declaration by joint resolution.

*State Disaster Emergency Fund*

Section 24-32-2106, C.R.S. asserts the policy of the state that, "funds to meet disaster emergencies shall always be available." It indicates that first recourse should be to funds regularly appropriated to state and local agencies, but it allows the Governor to transfer and expend moneys appropriated for other purposes, with the concurrence of the Disaster Emergency Council. The Council may include between six and nine members. The Attorney General, Adjutant General, and the executive directors of the departments of Personnel, Transportation, Public Safety, and Natural Resources are automatically members of the Council, and the Governor may appoint other members from among the executive directors of the other departments.

When the Governor uses Section 24-32-2106, C.R.S. to transfer funds in order to reimburse local governments or citizens for costs associated with disasters, or to match federal disaster moneys, the transfers are generally filtered through the Disaster Emergency Fund. There have been six transfers to the Disaster Emergency Fund during the Owens administration. All of the transfers have been from moneys that were designated by the General Assembly as part of the TABOR reserve. The table below summarizes these transfers. Once money is transferred to the Disaster Emergency Fund, it can only be used for disasters.

<b>Executive Order</b>	<b>Nature of Disaster</b>	<b>Amount of Transfer</b>	<b>Source of Funds</b>
D 019 02, June 28, 2002	Wildfires, especially the "Hayman" fire	\$5,000,000	Subsequent Injury 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 \$4,000,000	Subsequent Injury Fund Operational Account of Severance Tax Trust Fund
D 009 00, June 28, 2000	Wildfires in Park, Jefferson and Larimer Counties	\$4,121,000	Controlled Maintenance Trust Fund

Executive Order	Nature of Disaster	Amount of Transfer	Source of Funds
D 001 06, October 6, 2006	The Mauricio Canyon Fire in Las Animas and Huerfano Counties	\$240,000	Major Medical
D 014 06, June 21, 2006	The Mato Vega Fire in Costilla and Huerfano Counties	\$3,000,000	Major Medical
D 017 06, July 13, 2006	The Tyndall Fire in Custer County, the Wright Fire in Teller County, and the Jolly Mesa Fire in Garfield County	\$1,500,000	Major Medical

In order to access moneys in the TABOR reserve, the Governor or the General Assembly must declare a disaster emergency. Pursuant to TABOR, an emergency does not include economic conditions or revenue shortfalls.

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, but the agency has not exercised this authority, preferring to make decisions on a case by case basis.

#### *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:

1. **Public Assistance** - Public Assistance is for states, local governments, Indian tribes, and for private non-profit organizations that perform essential services of a government nature, such as 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, restoration or replacement of damaged infrastructure.

In evaluating a request for Public Assistance, the federal government considers the estimated cost of assistance per capita. For a statewide disaster, Colorado is most likely to receive federal funding if the cost per capita exceeds \$1.14. For a disaster with concentrated localized impacts, the state is most likely to receive federal funding if the cost per capita in the affected county or counties exceeds \$2.84. The federal government does not pay for costs covered by actual insurance, for costs they determine should be covered by insurance,

or for "normal" functions of emergency personnel such as policemen and firefighters. Therefore, the cost of assistance calculation does not include these expenses.

2. **Individual Assistance** - Individual assistance helps with costs not covered by insurance for 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 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. As noted above, the Disaster Emergency Fund is used to provide the state share, but the Division of Emergency Management also works with state grant programs, such as the Mineral and Energy Impact Grant Program, to complete and/or enhance the state share.

### *Wildfires*

The emergency response to wildfires is treated somewhat differently than for other disasters. It is possible for a wildfire to be declared a disaster that is eligible for one or both of the types of federal funds described above, but even without this declaration there may be state and federal resources available for the emergency response to a wildfire.

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, which is an agency of Colorado State University, analyzes the requests from local governments and manages the state's response to wildfires, rather than the Division of Emergency Management. The Colorado State Forest Service also takes responsibility for requesting federal funds that may be available to suppress fires.

The Colorado State Forest Service administers an Emergency Fire Fund to help defray the costs of response. Counties choose to participate in the Emergency Fire Fund or not on a voluntary basis. Only participating counties are eligible for reimbursement from the fund in the event of a fire. The cost of participating in the Emergency Fire Fund is based on the assessed value of property in the county and the forested acreage in the county. All the counties with forested land west of I 25 currently contribute to the fund except for San Juan County, which is composed primarily of lands that the federal government pays to protect. The Denver Water Board and Denver Mountain Parks also contribute to the fund.

The federal government pays all costs associated with responding to fires on federal lands. Most fires involve both federal and non-federal land, 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 they pay 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. The current thresholds are \$253,744 for an individual fire, and \$761,323 cumulative state and local expenses for a fire season. 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. In 2004 fees for participating in the Emergency Fire Fund provided \$330,000 to fight wildfires. The intergovernmental agreements that created the Emergency Fire Fund were recently re-written and the State Forest Service estimates the new assessments will raise \$1.0 million in 2007.

The State Forest Service indicates that an increase in the number of people living in forested areas has contributed to the complexity and cost of fighting wildfires, and that a number of environmental and other factors have resulted in an increase in the fuel for wildfires.

#### *On-going funding for wildfires*

All of the transfers to the Disaster Emergency Fund during the Owens administration have been related to wildfires. The local governments participating in the Emergency Fire Fund have significantly increased the fees assessed on themselves, but these fees have not been sufficient to cover the full costs associated with the wildfires. The transfers into the Disaster Emergency Fund have been from cash funds created by the legislature for purposes other than fighting fires, and the transfers into the Disaster Emergency Fund have affected fees and the adequacy of revenues in these

other programs. This highlights the value of having cash reserves that are liquid and unobligated for any other purpose to meet the TABOR reserve requirement. Also, it raises the question of whether on-going funding should be provided to the Disaster Emergency Fund, or some other mechanism, to support the response and recovery from wildfires. Staff recommends discussing with the Department, the State Forest Service, and the Governor's Office whether on-going state funding needs to be provided for fire emergencies.