MEMORANDUM

TO: Joint Budget Committee Members

FROM: Scott Thompson, JBC Staff x4957

SUBJECT: Department of Local Affairs Pending Items and Comebacks

DATE: March 14, 2014

R4 Downtown Revitalization Technical Assistance
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On March 7, 2014, the Committee approved the Department request to fund this item, however, its placement within the Long Bill is pending. The Committee requested staff investigate whether there was a line item already in the Long Bill that could house $4,000 reappropriated funds from the Governor's Office of Economic Development and International Trade (OEDIT) for downtown revitalization technical assistance.

Recommendation: **Staff recommends the appropriation be combined with the former Colorado Heritage Community Grants into a new line item called "Other Local Government Grants." Staff recommends an appropriation of $104,000 total funds including $100,000 cash funds and $4,000 reappropriated funds.**

Analysis: The initial Department request included the addition of a new line entitled "Other Local Government Grants." After further investigating the other line items currently housed in the Division of Local Government, staff identified Colorado Heritage Community Grants as a line item that accomplishes similar activities. Staff has identified no statute that would prevent the funds in the Colorado Heritage Community Grants line item from being combined with the reappropriated funds requested from OEDIT. Staff consulted with the Department and the Department agrees with the staff recommendation.

Local Government Severance Tax Fund and Local Government Mineral Impact Fund Compliance
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The Committee requested a discussion on whether the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund are in compliance with Section 24-75-402, C.R.S., which requires a fee reduction when uncommitted cash fund reserves exceed 16.5 percent of expenditures from that account in any fiscal year.

The Local Government Severance Tax Fund receives 50.0 percent of the State Severance Tax on the production of various metallic minerals. These funds assist political subdivisions that are socially and/or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels. State statute directs DOLA to distribute 30.0 percent of these severance taxes directly to municipalities and counties impacted on a formulaic basis. The remaining 70.0 percent is distributed to political subdivisions through a discretionary competitive grant and loan process. These competitive grants and loans are awarded three times a year. There is an inherent lag time between project "award" and "spending down" the project since this is done on a reimbursement basis. In addition pursuant to Section 24-75-402(2) (e) (IV), C.R.S., "any moneys received through the imposition of taxes" are not fees and therefore the fund is not subject to the 16.5% cash fund restriction.

The Local Government Mineral Impact Fund receives approximately 41.7 percent of the state's non-bonus receipts from mineral leases on federal land pursuant to the Federal Mineral Leasing Act of 1920. DOLA is directed to distribute 50.0 of the revenues of this fund directly to political subdivisions on a formulaic basis. The other 50.0 of the revenues are awarded by competitive grants to local governments. These competitive awards are done three times a year and an inherent lag time exists between project "awards" and spending down the award since the program is operated on a reimbursement basis. In addition, pursuant to Section 24-75-402(2) (e) (VIII), C.R.S., "any moneys received through direct transfers from another entity" are not fees and therefore the fund is not subject to the 16.5% cash fund restriction.

Local Government Severance Tax Fund and Local Government Mineral Impact Fund "Continuous Appropriation"
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The Committee requested the Department's position on whether a statutory change is needed to ensure continuous appropriation of the moneys in the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund.

Department response: Currently the Department does not believe there is a need to change statute related to either fund to ensure continuous appropriation given the existing language directing the distribution of moneys as statutorily prescribed. As stewards of these funds, the Department does not "over-commit" the obligations (awards) of this fund to the available revenues. However, in the event any legislation is drafted and introduced which proposes changes to the applicable sections creating these funds, the Department would support modernization of each fund's language to prevent future misinterpretation.

Community Development Block Grant 2015 Plan Legislative Hearing Requirement
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The Committee requested more information on the hearing requirement related to Community Development Block Grants and whether the hearing is more appropriately held with the Joint Budget Committee or the Department's Committees of Reference.

Department Response: As a federal requirement, Colorado must periodically hold a public hearing in front of a legislative body on the CSBG program plan. The Division of Local Government (DLG) has held these required public hearings every three years before the Joint Budget Committee.

The U.S. Department of Health and Human Services (HHS) will provide guidance on the 2015 plan requirements in mid-May this year and the draft will be ready for discussion by DLG with the legislative body in June.

The Joint Budget Committee is scheduled to meet in June and that is the reason the DLG requests the presentation at the JBC. This will ensure DLG meets the Federal requirement. The Committee of Reference may work, but may be difficult to conduct a timely meeting with the committee of reference at this time of the year. The plan for FFY 2015 must be submitted to the U.S. Department of Health and Human Services by September 1, 2014 which is well before the next legislative session.

Housing Development Grants and Loans Program
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The Committee requested information about the mix of grants and loans provided by the Housing Development Grants and Loans Program.

Department Response: In FY 2013-14, the program awards are 54.0 percent loans to 46.0 percent grants, as of March 12, 2014. For FY 2014-15, the Division of Housing projects that the percentage of loan awards will increase to 63.0 percent with the balance of 37.0 percent made as grants. The higher percentage of loans projected to be made for FY 2014-15 is a result of additional Mortgage Settlement Funds.