

Joint Budget Committee



Supplemental Budget Requests FY 2024-25

Department of Local Affairs

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

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Overview of Department

The Department of Local Affairs (DOLA) is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. The Department's budget is comprised of four sections:

- The *Executive Director's Office (EDO)* provides leadership and support, including strategic planning, policy management, accounting, budgeting, purchasing, human resources administration, and public information. Additionally, the State Demographer's Office is housed within the EDO.
- The *Division of Property Taxation* operates under the leadership of the *Property Tax Administrator*, who is appointed by the *State Board of Equalization*. This division: (1) coordinates and administers the implementation of property tax law throughout the state, including issuing appraisal standards and training county assessors; (2) grants exemptions from taxation for eligible entities; and (3) values multi-county companies doing business in Colorado, including railroads, pipelines, and other public utilities. The *Board of Assessment Appeals* is a quasi-judicial body that hears individual taxpayer appeals concerning the valuation of real and personal property, property tax abatements, and property tax exemptions.
- The *Division of Housing* administers state and federal affordable housing programs, including: (1) providing funding to private housing developers, housing authorities, and local governments to increase the inventory of affordable housing; and (2) offering rental assistance statewide through local housing authorities and not for profit service organization. This division also regulates the manufacture of factory-built residential and commercial buildings, and approves multi-family construction in counties with no construction codes.
- The *Division of Local Government* provides technical assistance and information to local government officials. This division also makes state and federal financial resources available to support community infrastructure and services through various statutory formula distributions and grant programs.

Summary of Staff Recommendations

Department of Local Affairs: Recommended Changes for FY 2024-25

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
FY 2024-25 Long Bill	\$379,394,624	\$70,113,196	\$166,163,764	\$18,265,146	\$124,852,518	238.9
Other legislation	1,348,235	560,989	787,246	0	0	6.9
Current FY 2024-25 Appropriation	\$380,742,859	\$70,674,185	\$166,951,010	\$18,265,146	\$124,852,518	245.8
Recommended Changes						
Current FY 2024-25 Appropriation	\$380,742,859	70,674,185	\$166,951,010	\$18,265,146	\$124,852,518	245.8
Statewide common policy supplementals	34,266	12,614	13,624	6,230	1,798	0.0
S1 POMH transfer to General Fund	0	0	0	0	0	0.0
S2 Building Regulation, Mobile Home Park Oversight, and Private Activity Bond Cash Funds	0	0	0	0	0	0.0
S3 FLEX Program repeal and transfer	0	0	0	0	0	0.0
Recommended FY 2024-25 Appropriation	\$380,777,125	\$70,686,799	\$166,964,634	\$18,271,376	\$124,854,316	245.8
Recommended Increase/-Decrease from 2024-25						
Recommended Increase/-Decrease from 2024-25	\$34,266	\$12,614	\$13,624	\$6,230	\$1,798	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2024-25 Executive Request						
FY 2024-25 Executive Request	\$34,266	\$12,614	\$13,624	\$6,230	\$1,798	0.0
Staff Rec. Above/-Below Request	\$380,742,859	\$70,674,185	\$166,951,010	\$18,265,146	\$124,852,518	245.8

FY 2024-25 Description of Incremental Changes

S1 Peace Officers Behavioral Health Support and Community Partnership Grant Program (POMH) transfer to General Fund [legislation required]: The Department requests, and staff recommends, a one-time transfer of \$3.1 million cash funds from the Peace Officers Behavioral Health and Community Partnership Fund (commonly referred to as Peace Officers Mental Health, or POMH) to the General Fund. These funds are from appropriations made between FY 2018-19 and FY 2021-22 that have expired and are restricted from use.

S2 Building Regulation, Mobile Home Park Oversight and Private Activity Bond Cash Funds [legislation requested]: The request is for a cash fund reserve waiver for the Mobile Home Park Oversight Cash Fund and to transfer \$300,000 cash funds from the Private Activity Bond Allocation Fund to the Building Regulation Fund. The staff recommendation is to provide the requested waiver for the Mobile Home Park Oversight Cash Fund, deny the request to transfer funds to the Building Regulation Fund, and transfer at least \$500,000 from the Private Activity Bond Program Fund to the General Fund.

S3 FLEX Program repeal and transfer [legislation required]: The Department requests, and staff recommends, that the Financial Literacy and Exchange (FLEX) program be repealed and the remaining fund balance, estimated at \$601,625, be transferred to the General Fund at the end of FY 2024-25. The program was created by House Bill 22-1389 (Financial Literacy Exchange Program); no participants have been enrolled into this program to date.

Statewide common policy supplemental requests: The request includes an increase of \$34,266 total funds, including \$12,614 General Fund, for non-prioritized requests associated with statewide common policy requests. The increase is associated with adjustments to the Department's payments for vehicle leases, state property risk management, and to the Office of Information technology (OIT), which are determined through common policies. The prioritized versions of these requests will be presented during the supplemental presentations for the Department of Personnel (vehicle and state property) and Office of the Governor (OIT). The recommendation is pending Committee action on common policy supplementals.

Note: Numbers pages have been omitted from this packet, as request and recommendation amounts involve transfers and waivers, rather than appropriations. Thus, changes shown in the numbers pages are consistently \$0.

Prioritized Supplemental Requests

S1 Peace Officers Behavioral Health Support and Community Partnership Grant Program Transfer to General Fund [legislation required]

S1 Transfers						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Transfer Request	\$0	\$3,068,634	-\$3,068,634	\$0	\$0	0.0
Transfer Recommendation	0	3,068,634	-3,068,634	0	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **Yes**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: The Department did not identify which supplemental criterion applies to the request. JBC staff believes this request falls under “data that was not available when the original appropriation was made” due to JBC staff being unaware that there was a restricted balance in the cash fund. This request was submitted as a budget balancing action.

Request

The Department requests a one-time transfer of \$3,068,634 cash funds from the Peace Officers Behavioral Health Support and Community Partnership Fund to the General Fund. This amount is from appropriations made between FY 2018-19 and FY 2021-22 that have expired and are restricted from being spent.

Recommendation

Staff recommends that the Committee approve the request to transfer \$3,068,634 from the Peace Officers Behavioral Health Support and Community Partnership Fund to the General Fund and sponsor corresponding legislation. However, because this is a FY 2024-25 budget balancing transfer, staff recommends it be included within a larger omnibus transfer bill as part of the Long Bill package as opposed to a separate supplemental package bill.

Analysis

The Peace Officers Behavioral Health Support and Community Partnerships Grant Program, commonly referred to as the Peace Officers Mental Health (POMH) program, provides grants to law enforcement agencies, peace officer organizations, and public safety agencies that employ peace officers for the following purposes:

- Co-responder community responses;

- Community-based alternative responses;
- Counseling services for peace officers and their immediate family members;
- Assistance for development and implementation of policies to support peace officers who are involved in shootings or fatal use of force;
- Training and education programs that teach peace officers and their immediate family members the symptoms of job-related mental trauma and how to prevent and treat such trauma;
- Peer support programs for peace officers; and
- Hiring, contracting, or developing a remote network to provide behavioral health counseling, therapy or other related support services to peace officers involved in job-related traumatic situations.

Behavioral health or community-based social services providers are eligible to apply in partnership with law enforcement or public safety agencies that employ peace officers for the purposes of co-responder community responses and community-based alternative responses.

The POMH program was created by H.B. 17-1215 (Mental Health Support for Peace Officers) but did not receive its first appropriation until the FY 2018-19 Long Bill. The first iteration of the program allowed only county sheriffs’ offices and municipal police departments to receive grants. The allowable applicants and permissible uses were expanded by H.B. 19-1244 (Expand Peace Officer Mental Health Support Program), H.B. 21-1030 (Expanding Peace Officers Mental Health Grant Program), and S.B. 22-005 (Law Enforcement Agency Peace Officer Services). The latter two bills also provided additional one-time funding. A history of appropriations for the POMH program is shown below.

POMH Appropriations History			
	Long Bill	Other Bill	Total
FY 2018-19	\$2,000,000		\$2,000,000
FY 2019-20	2,000,000		2,000,000
FY 2020-21	2,000,000		2,000,000
FY 2021-22	2,000,000	1,000,000	3,000,000
FY 2022-23	2,000,000	3,000,000	5,000,000
FY 2023-24	2,000,000		2,000,000
FY 2024-25	2,000,000		2,000,000
Total	\$14,000,000	\$4,000,000	\$18,000,000

The original statute for the program (created by H.B. 17-1215) was silent on whether the fund was subject to annual appropriation, but specified that “The Executive Director, or his or her designee, may expend money from the fund for the purposes of this section.”. The Office of the State Controller interpreted this as de facto continuous appropriation. H.B. 21-1030 included a statutory change to make the fund subject to annual appropriation and S.B. 22-005 added language to provide two years of roll-forward authority (allowing three years total for expenditure). All unexpended and unencumbered money in the fund at the end of the fiscal year remains in the fund – this provision has not changed since the program’s inception.

As a result of this series of statutory changes, appropriations from FY 2018-19 and FY 2019-20 totaling \$896,299 became restricted with the passage of S.B. 22-005 and appropriations from

FY 2020-21 and FY 2021-22 totaling \$2,172,334 expired after three fiscal years. The expired appropriations were a result of an extra \$4.0 million in one-time funding coupled with significant changes to the program made by H.B. 21-1030 and S.B. 22-005. The Department requests to transfer the funds described above (totaling \$3,068,633) to the General Fund as the funds are restricted and cannot be used for future grant awards.

Despite lower than anticipated demand in the program’s first few years of existence, demand has significantly outweighed available funding in recent years. The table below demonstrates that grant requests exceeded appropriations by \$11.2 million from FY 2021-22 through FY 2024-25. As a result, the Department is not recommending any additional budget balancing options related to POMH or changes to the program at this time.

POMH Recent Demand			
	Appropriated	Grant Requests	Difference
FY 2021-22	\$3,000,000	\$3,800,000	-\$800,000
FY 2022-23	5,000,000	6,200,000	-1,200,000
FY 2023-24	2,000,000	7,500,000	-5,500,000
FY 2024-25	2,000,000	5,700,000	-3,700,000
Total	\$12,000,000	\$23,200,000	-\$11,200,000

S2 Building Regulation, Mobile Home Park Oversight and Private Activity Bond Cash Funds [legislation requested]

S2 Transfers						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Net Request	\$0	\$0	\$0	\$0	\$0	0.0
Net Recommendation*	0	500,000	-500,000	0	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$500,000	-\$500,000	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **In part**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: The Department did not formally identify the supplemental criteria used for this request. JBC staff attributes the request to Executive Branch errors in failing to request cash fund reserve waivers in prior years and to adequately account for variability in cash fund expenditure needs, exacerbated by data about cash fund revenue that was not available when the original appropriation was made

*The recommendation is to transfer at least \$500,000.

Request

The supplemental budget request (and a related budget amendment)¹ address issues in the balance status of various Department of Local Affairs Cash Funds:

- Private Activity Bonds Cash Fund;
- Building Regulation Fund²; and
- Mobile Home Park Oversight Program Cash Fund

For FY 2024-25, the Department requests:

- Transfer \$300,000 from the Private Activity Bonds Cash Fund to the Building Regulation Fund in FY 2024-25 (requires legislation), thereby eliminating the excess fund balance in the Private Activity Bond Cash Fund and addressing a shortfall in the Building Regulation Fund; and

¹ The request also includes FY 2025-26 budget amendments that include an increase in cash fund amounts and General Fund appropriations for the Building Regulation Fund and the Mobile Home Park Oversight Program Fund totaling \$752,000 General Fund and \$793,973 cash funds. The FY 2025-26 items will be addressed during figure setting for the Department.

² The request calls this the “Building Codes and Standards Cash Fund”, but the legal name is the Building Regulation Fund.

- Provide a FY 2024-25 Cash Fund Balance Waiver for the Mobile Home Park Oversight Program Fund.

Recommendation

For the FY 2024-25 components of this request, staff recommends that the Committee:

- Approve the cash fund balance waiver for the Mobile Home Park Oversight Program Fund for FY 2024-25.
- Transfer *at least* \$500,000 from the Private Activity Bond Allocation Fund to the General Fund for FY 2024-25, as part of a larger anticipated bill that addresses cash fund transfers to the General Fund. (Staff currently expects \$574,000 should be feasible, with an additional transfer in FY 2025-26.)
- Do not transfer General Fund *into* the Building Regulation Fund. Based on information available at the time this document was completed, staff recommends that the Department address shortfalls in the Building Regulation Fund in FY 2024-25 through mechanisms available internally. Either the Department or staff may bring a comeback at a later date based on additional information.

Analysis

Because this request addresses issues in three different programs, these are addressed separately below.

Building Regulation Fund and Manufactured Building Program

Request: The Department requests a transfer of \$300,000 *into* the Building Regulation Fund for FY 2024-25.³ It has proposed making this transfer from another Department fund.

Recommendation: Staff does not recommend the request and recommends that the Department address the FY 2024-25 shortfall internally.

- Providing a transfer to this cash fund from the General Fund or another fund will require legislation, and such legislation is unlikely to fit under the title of a larger bill that transfers money to the General Fund. Asking the JBC to run separate legislation to transfer \$300,000 (or the revised current estimate of \$176,000) for this program seems unreasonable.
- Under current statute, this program's operations are supposed to be supported by fees. The General Assembly *did* provide a one-time General Fund appropriation for the program in H.B. 22-1242 (Tiny Homes) to cover initial start-up expenses for a program, so there is precedent for a General Fund appropriation⁴, however providing a General Fund subsidy does not seem consistent with legislative intent on how the program is to be funded.

³ For FY 2025-26 the Department has requested a General Fund appropriation of \$300,000 to partially support the Manufactured Building Program.

⁴ H.B. 22-1242 provided an FY 22-23 General Fund appropriation to the Department to support start-up of regulations related to tiny homes, including \$127,071 General Fund appropriated to the Manufactured Buildings Program line item. This was refinanced to cash funds in FY 2023-24. Statute also reflects two occasions (2015 and

- The request identifies one possible internal mechanism for addressing the problem: “If the transfer is not approved, DOLA will require emergency or immediate rule-making in order to run rules by the Technical Advisory Committee; get approval from the State Housing Board; and publish the fees.” The request notes that this will be challenging, though JBC Staff presumes it will be less challenging at the lower amount now calculated. (According to the Department: “This is unlikely to occur in less than 90 days, resulting in a very short time to try and make up the deficit with a fee increase in effect this FY for only 90 days.”) Staff also believes there may be some potential to provide temporary support from the Affordable Housing Program Costs line item, including from centrally-appropriated General Fund amounts transferred to that line item, since that line item title is quite broad, the line item includes some General Fund, and the Department has had some reversions from the line item in the past.⁵

Note that if the JBC wishes to provide mid-year support for the program, such support should be in the amount of \$176,000, rather than the \$300,000 originally requested.

Background: The Department’s Housing Technology and Standards section, which is identified as the Manufactured Building Program in the Long Bill, supports, licenses, and regulates the residential and non-residential factory-built industry in Colorado. This includes the registration and certification of manufacturers, dealers, and installation professionals statewide. This section also:

- administers the manufactured housing consumer complaint process;
- provides support for the adoption, enforcement, and compliance with the 2015 International Energy Conservation Code (IECC); and
- provides technical assistance concerning lead-based paint, mold, and asbestos in affordable housing projects.

This section is supported entirely by the Building Regulation Fund. Pursuant to Section 24-32-3309 (1)(a)(I), “The [State Housing] board, by rule, shall establish a schedule of fees designed to pay *all direct and indirect costs* incurred by the division in carrying out and enforcing this part 33...[except two registration fees established in statute]”. Part 33 encompasses all provisions related to the regulation of factory-built structures, multi-family structures where no standards exist, manufactured home installations, and sellers of manufactured homes.

In response to staff questions, the Department provided the following table summarizing revenues and expenditures from the Building Regulation Fund in recent years. Staff has highlighted the most relevant cells. *As shown, spending increased dramatically in FY 2023-24, while revenue did not keep pace. The Department anticipates that this pattern will continue,*

2016) when General Fund was transferred to the Building Regulation Fund. This appears to have been in partial repayment of money that was swept to the General Fund in 2009.

⁵ Staff also notes that the Governor’s Office has authority to transfer up to \$10.0 million General Fund among line items for “like purposes” under 24-75-108, C.R.S. This provides yet another source of flexibility for addressing critical end-of-year funding shortfalls.

pending either fee increases or General Fund support. The Department indicates that fees for the program have not been increased since 2019.

Building Regulation Fund								
	2020	2021	2022	2023	2024	2025 (Projected)	2026 (Projected)	
Revenue	\$1,191,334	\$1,226,366	\$1,153,718	\$1,437,663	\$1,360,808	\$1,341,595	\$1,332,206	
Fees	\$1,183,053	\$1,120,001	\$1,146,462	\$1,352,087	\$1,332,206	\$1,332,206	\$1,332,206	
Interest	\$7,606	\$4,691	\$5,957	\$20,036	\$28,602	\$9,389	\$0	
Other	\$675	\$101,674	\$1,299	\$65,540	\$0	\$0	\$0	
Expenditures	\$1,152,587	\$984,046	\$1,077,876	\$1,173,586	\$1,872,024	\$1,771,371	\$1,699,111	
Personnel	\$741,820	\$624,258	\$845,387	\$844,128	\$1,077,259	\$1,109,577	\$1,137,317	
Operating	\$410,767	\$359,788	\$232,490	\$329,457	\$696,794	\$661,794	\$561,794	
Legal					\$97,971	\$0	\$0	
Net Cash Flow	\$38,747	\$242,320	\$75,841	\$264,077	(\$511,216)	(\$429,776)	(\$366,905)	
Fund Balance	\$182,736	\$425,056	\$500,897	\$764,974	\$253,758	(\$176,019)	(\$542,923)	

Based on a comparison with historic appropriations, staff notes that *department-wide appropriations from the fund increased by nearly \$1.0 million, from \$850,039 in FY 2022-23 to \$1,847,273 in FY 2023-24*, more than doubling funding from this source, and FTE identified in the Long Bill for the program increased from 8.7 to 16.7 . This was primarily due to:

- 1 the addition of \$358,276 and 4.0 FTE pursuant to H.B. 24-1242 (Tiny Homes); and
- 2 approval of FY 2023-24 Department Request R5, which added spending authority of \$422,871 and an additional 4.0 FTE. The Department indicated that the additional FTE were required to respond to workload demands and indicated it did not expect to increase fees “unless it is determined fees are under current market values”.⁶

Issue: In response to staff questions, the Department provided the following summary of the problems that led to its current mid-year shortfall:

- “Unrealized Revenue: It was estimated in the fiscal note for HB22-1242 [Tiny Homes] that \$482,766 in revenue would be generated in a year. The demand for this program (and associated increases in fee revenue) was never realized. To date, only \$1,500 has been generated through tiny home regulation, and overall revenue has only increased by \$207,090 since FY22 despite implementation of HB22-1242.
- In FY23 and FY24 [the Building Regulation Fund] had a starting excess reserve. At this time, the program began rapidly spending these reserve balances down per the reserve requirements.
- Unexpected One-time Costs: Period 13 and 14 of FY24 saw charges to the program that we did not expect to occur, including \$97,000 in legal charges, and \$72,000 in OIT charges.

⁶ This request also proposed continuous spending authority, which the JBC rejected.

These charges increased the operating expense for the program and changed the starting balance available for FY25, with no opportunity to recoup these losses.”

JBC Staff Observations: Staff is sympathetic to the challenges the program faced when revenue from H.B. 22-1242 (Tiny Homes) did not materialize as expected. Staff recognizes that the Manufactured Building Program provides an important service in offering a more efficient review of manufactured structures than can be provided by individual local housing jurisdictions. Nonetheless, staff believes the current cash flow situation is largely driven by Executive Branch decisions.

JBC Staff reached out to the Department on several occasions in 2022 and 2023 to see if the Department if it wished a cash fund reserve waiver, as its fund balance was out of compliance. The Executive Branch indicated that it was not interested. The approach it took was, instead, to spend aggressively—and ultimately at a level that was too great for its available revenue. It also chose not to seek rate increases earlier. **In light of this, staff would like to see the Department address this problem internally (and particularly in a way that does not require a JBC-sponsored bill) if at all possible.**

Mobile Home Park Oversight Program and Fund

Request: The Department requests that the JBC authorize a waiver of the 16.5 percent maximum reserve requirement for the program effective immediately and with the intent that the Controller releases restrictions on the program’s FY 2023-24 end of year balance. The program exceeded its 16.5% excess uncommitted reserve fund balance by \$477,096. As a result, the OSC reduced the amount carried forward from that fiscal year to FY 2024-25 by \$273,632.37 (the “alternative maximum”), which resulted in a starting balance of \$566,816. If the Cash Fund Waiver is approved, the fund will have a starting FY 2024-25 fund balance of \$840,448.

Recommendation: **Staff recommends approving the waiver request for FY 2023-24, which affects FY 2024-25 revenue available.** The Department clearly erred in failing to request a waiver previously. In order for the Department to spend down fees previously collected, the waiver is required. Staff believes it is appropriate for these fees to be used for the purpose for which they were approved.

Background: The Mobile Home Park Dispute Resolution and Enforcement Program was originally established by H.B. 19-1309 (Mobile Home Park Oversight Act) and is codified in Sections 38-12-1101 to 38-12-1110, C.R.S.

Through this program, mobile home owners, mobile home park owners, and mobile home park managers can submit complaints for dispute resolution through the Division, instead of taking issues to court.

The Division of Housing’s requirements under the Program include:

- conducting outreach and education on mobile home park laws;
- registering all mobile home parks annually;
- receiving and investigating complaints;

- facilitating dispute resolution between mobile home owners and mobile home park landlords;
- determining whether violations of the law have occurred and taking enforcement actions; and
- engaging in public rulemaking to clarify the law.

The Department notes that there have been seven bills since the program was created that have modified or enhanced its provisions.

The Department reports that as of June 30, 24024 there are 761 mobile home parks registered, accounting for 52,884 mobile homes (of which 48,535 are tenant-owned).

Program Financing/Statute: This program is supported by fees that are deposited in the Mobile Home Park Act Dispute Resolution and Enforcement Program Fund, which is *continuously appropriated*, as well as General Fund which is appropriated to the Fund. Specifically:

- Section 38-12-1106 (8), C.R.S., specifies that the division shall establish by rule a registration fee for mobile homes. The fee may be adjusted to cover costs and landlords may charge a home owner or resident up to half of the fee. The Department is authorized to adjust the fee through rules so that it continues to reasonably relate to the cost of administering the program.
- Section 38-12-1110 (3), C.R.S., authorizes appropriation of General Fund to conduct outreach monitoring and enforcement related to certain activities, as well as dispute resolution activities that are not covered by fees.
- Pursuant to Section 38-12-1110, C.R.S., the Mobile Home Park Dispute Resolution and Enforcement Program Fund is **continuously appropriated** to the Division of Housing.

Program Growth: The tables below show the growth in program revenues and expenditures, as well as fund balance trends. As shown, based on new legislation in 2019, the program began to bring in nearly \$1.1 million in revenue nearly immediately, but spending grew far more slowly. As a result, the program had multiple years of large uncommitted reserves. By FY 2023-24, expenses exceeded revenue by a significant margin, but the end of year reserve still exceeded \$850,000. The Department proposes to fully expend the fund balance by the end of FY 2024-25. The top table addresses fees and the bottom table addresses General Fund appropriations.

Mobile Home Park Dispute Resolution and Enforcement Program Fund – EXCLUDING General Fund subsidy amounts								
		2020	2021	2022	2023	2024	2025 (Projected)	2026 (Projected)
Revenue		\$1,094,077	\$1,147,723	\$1,170,344	\$1,194,604	\$1,223,773	\$1,167,265	\$1,159,509
	Fees	\$1,088,419	\$1,136,864	\$1,155,904	\$1,154,265	\$1,115,937	\$1,115,937	\$1,115,937
	Interest	\$5,655	\$10,859	\$14,440	\$38,872	\$42,963	\$25,603	\$17,847
	Other	\$3	\$0	\$0	\$1,468	\$64,873	\$25,725	\$25,725
Expenditures		\$275,763	\$841,978	\$903,943	\$1,297,026	\$1,658,378	\$2,017,832	\$1,962,455
	Personnel	\$193,485	\$483,963	\$541,712	\$876,983	\$1,130,845	\$1,310,910	\$1,255,533
	Operating	\$60,205	\$136,370	\$140,400	\$368,459	\$373,736	\$457,736	\$457,736

Mobile Home Park Dispute Resolution and Enforcement Program Fund – EXCLUDING General Fund subsidy amounts								
		2020	2021	2022	2023	2024	2025 (Projected)	2026 (Projected)
	Legal	\$22,073	\$221,645	\$221,831	\$51,583	\$153,797	\$249,186	\$249,186
	Net Cash Flow	\$818,314	\$305,745	\$266,401	(\$102,421)	(\$434,605)	(\$850,567)	(\$802,946)
	Fund Balance	\$818,314	\$1,124,059	\$1,390,460	\$1,288,039	\$853,433	\$2,866	(\$800,080)

Mobile Home Park Dispute Resolution and Enforcement Program <u>General Fund Subsidy - Appropriation</u>								
		2020	2021	2022	2023	2024	2025 (Projected)	2026 (Request)
	Appropriation	\$0	\$0	\$0	\$89,870	\$246,582	\$114,132	\$570,440

Current Issue – Excess Cash Fund Balances: Section 24-75-402, C.R.S., establishes limits on uncommitted cash reserve balances.

- Section 24-75-402, C.R.S. subsections (2) and (3) requires that the uncommitted reserves in a cash fund at the end of a fiscal year may not exceed 16.5 percent of the expenditures from the cash fund in the prior fiscal year, unless the fund has a waiver or alternative maximum reserve authorized by the JBC or is exempted by law.
- Section 24-75-402 (8), C.R.S. specifies that “the joint budget committee may grant a waiver of the maximum reserve for up to three years for an entity that demonstrates a specific purpose for which the entity needs to maintain uncommitted reserves in an amount greater than the maximum reserve. As part of the waiver, the joint budget committee may establish an alternative maximum reserve for the cash fund or exempt the cash fund altogether from any limits on uncommitted reserves.”
- Section 24-75-402 (12), C.R.S. states that “If a cash fund has excess uncommitted reserves for three or more fiscal years in a row, the state controller shall restrict spending of any appropriation from the cash fund for the next fiscal year in an amount equal to the lesser of the excess uncommitted reserve or the applicable maximum reserve or alternative maximum reserve. The entity shall not expend any amount restricted pursuant to this subsection (12) unless the restriction is released. The restriction is released when the fund is in compliance with the maximum reserve or alternative maximum reserve requirement or when the joint budget committee approves a waiver for the excess uncommitted reserves in accordance with subsection (8) of this section.”

The Office of the State Auditor’s report, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2024, identifies two Department of Local Affairs funds that are out of compliance as of the end of FY 2023-24: the Mobile Home Park Act Dispute Resolution and Enforcement Fund, which has been out of compliance for three years--FY 2021-22, FY 2022-23, and FY 2023-24--and since 2022—and the Private Activity Bond Allocation Fund (discussed below).

The table below shows the data from the OSA report for the Mobile Home Park Act Dispute Resolution and Enforcement Fund. *As shown, the program has been out of compliance for three years.*

Fund Name	Excess Uncommitted Reserves			
	2021	2022	2023	2024
Mobile Home Park Act Dispute Resolution And Enforcement Fund	\$0	\$1,194,430	\$999,866	\$477,096

Source: Office of the Stat Auditor, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2024

JBC Staff Observations: JBC Staff approached the Department multiple times in recent years to ask whether the Department wished to seek a waiver for this fund. The Department expressed no interest, apparently in the expectation that it would be able to spend down the funds or that no waiver was needed because the fund is continuously appropriated. However, as reflected in this request, after the third year of being out of compliance, the Office of the State Controller has imposed a restriction.

While staff is disappointed that the Department allowed the situation to reach this point, staff also believes that the fact that this is a new program adequately explains the development of a fund balance that had to be spent down over time. Further, staff believes the most appropriate use of these excess reserve funds is for services to support the mobile home owners and parks that paid these fees.

Given this, staff is recommending the waiver. Staff further notes that, in staff’s opinion, the Department would be prudent *not* to spend the fund balance down to zero this year and to instead consider if it can moderate its expenses, thus leaving some cushion for FY 2025-26.⁷

Private Activity Bond Allocation Fund

Request: The Department’s request proposes to transfer \$300,000 from the Private Activity Bonds Allocation Cash Fund to the Building Regulation Fund in FY 2024-25.

Recommendation: Staff recommends transferring *at least* \$500,000 from the Private Activity Bonds Allocation Cash Fund to the General Fund in FY 2024-25 as part of a larger bill to sweep cash funds to the General Fund. Staff suggests a target reserve level of no more than \$50,000 for this program and that if end of year amounts are projected to be above this level, the balance should be transferred to the General Fund. *This suggests an FY 2024-25 transfer as high as \$574,000 should be feasible.* Staff will return to the Committee with a comeback for FY 2024-25 to refine the FY 2024-25 transfer. Staff also expects to recommend an FY 2025-26 transfer as part of figure setting.

⁷ The Department has also submitted a budget amendment for FY2025-26 requesting an increased General Fund subsidy for this program. A choice between increased fees versus General Fund subsidies will be addressed at figure setting. The mobile home park registration fee is \$24 annually per unit independently owned at a park. Pursuant to statute, the mobile home park owner is allowed to recoup up to 50 percent of the fee from the unit owner. The Department currently anticipates that fees would need to be increased by \$19 per unit for FY 2025-26 if an additional General Fund subsidy is not provided. For FY 2025-26, it is seeking a General Fund appropriation of \$452,000 to limit fee increases to \$10. Because this program is not subject to annual appropriation for fee revenue, the General Assembly has no direct mechanism for limiting program expenses.

Background: The Private Activity Bond program is responsible for the allocation of tax-exempt bonds used for privately developed projects, including affordable housing projects. The amount of tax exempt bonds that may be issued is limited by the federal Internal Revenue Service, and the Department has 1.0 FTE who coordinates related activities, including supporting the Private Activity Bond Allocation Committee. The program is supported by fees on bond issuances.

The Office of the State Auditor’s report, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2024, indicates the Department’s Private Activity Bond Allocation Fund has been out of compliance with the maximum reserve cap for multiple years, including three years between 2022 and 2024. As a result, some excess reserve funds have been restricted.

Fund Name	Excess Uncommitted Reserves			
	2021	2022	2023	2024
Private Activity Bond Allocation Fund	\$0	\$186,639	\$175,057	\$448,179

Source: Office of the Stat Auditor, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2024

The Department’s Cash Fund (Schedule 9) submission shows recent revenues and expenditures and projections. As shown, the fund is expected to continue to exceed excess reserve limits and, as of the Schedule 9 submission, it appears to expect this excess figure to grow.

	Private Activity Bond Allocation Fund			
	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Proj.	FY 2025-26 Proj.
Revenue	\$154,409	\$328,286	\$386,958	\$386,958
Expenditure	162,642	70,386	172,750	172,750
Net Change	-8,233	257,900	214,208	214,208
Uncommitted fee reserve balance	201,892	459,793	624,001	821,798
Excess reserve	175,056	448,179	595,497	785,294

The Department’s request explains a large FY 2023-24 excess reserve and a growing reserve projected for FY 2024-25 as follows: “In FY 2023-2024, the 1 FTE that the fund covers was vacant for a portion of the year. Additionally, once the position was filled, DOH developed a more streamlined effort to collect on outstanding invoices and there has been an increase in the PAB issuances. Collecting on the outstanding invoices and the increased issuances brought in close to an additional \$200,000 more in revenue than the fund would anticipate in a year. It is anticipated that by the end of FY 2024-25, the fund balance will be approximately \$624,001.”

Staff inquired whether the fees for the program should be reduced, in light of the excess, and the Department responded: “The excess revenue obtained in the past two years is not a trend that DOLA anticipates in future years and was the result of an unplanned staff vacancy and the collection of invoices in a single year from a preexisting backlog. Reducing the fees, which are already unpredictable, has the risk of too little revenue in the future to cover fund operations requiring another increase of the fees.”

Given this, staff is recommending a transfer to the General Fund that will bring the program’s reserves down to a more reasonable level. The restriction on excess reserves does not apply if total reserves fall below \$200,000 pursuant to Section 24-75-402 (5)(g), C.R.S. Thus, at a

minimum, the General Assembly should transfer sufficient funds to ensure that the program stays below the \$200,000 threshold; however, given General Fund shortfalls and that annual expenditures are projected to be under \$173,000 per year (16.5 percent=\$28,545), *staff suggests a target reserve level of no more than \$50,000 and that end of year amounts above this level should be transferred to the General Fund.*

S3 FLEX Program Repeal and Transfer [legislation required]

S3 Transfers						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<i>Transfer Request</i>	\$0	\$601,625	-\$601,625	\$0	\$0	0.0
<i>Transfer Recommendation</i>	0	601,625	-601,625	0	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **Yes**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: The Department did not identify which supplemental criteria applies to the request. JBC staff believes this request falls under “data that was not available when the original appropriation was made” due to JBC staff being unaware that there were no households actively enrolled in the program and that there is a statutory impediment to enrolling households at the time the FY 2023-24 and FY 2024-25 appropriations were made. This request was submitted to show agreement with JBC staff’s suggestion during briefings to repeal the program and transfer the fund balance as a budget balancing action.

Request

The Department requests that the Financial Literacy and Exchange (FLEX) program be repealed and the remaining fund balance, estimated at \$601,625, be transferred to the General Fund at the end of FY 2024-25. The program was created by House Bill 22-1389 (Financial Literacy Exchange Program); no participants have been enrolled into this program to date.

Recommendation

Staff recommends the Committee approve the request and sponsor corresponding legislation for the program’s repeal and transfer to the General Fund as part of the supplemental budget package.

Analysis

House Bill 22-1389 created the Financial Literacy Exchange (FLEX) Program, which is modeled after the U.S. Department of Housing and Urban Development (HUD) Family Self-Sufficiency Program. The FLEX Program allows households participating in the State Housing Voucher (SHV) Program to open an escrow-like savings account. Account holders will receive a \$200 monthly match and access to services such as financial mentoring, life skills training, and asset management.

The program is funded by an annual General Fund appropriation into a continuously appropriated cash fund. The FLEX Fund has received \$708,952 since FY 2022-23 and is expected to have an ending FY 2024-25 balance of over \$600,000. No households have been enrolled in

this program due to the FLEX account administrators' inability to provide case management and other additional responsibilities without compensation.

The Legislative Council Staff Fiscal Note estimated 50 households would establish accounts in the first year, growing to 100 in the following years. Account holders will receive \$200 per month of state matching funds, equating to \$240,000 per year with 100 participating households. The Department was spending approximately 90,000 per year for an FTE to administer the FLEX program; however, the employee working on this program has been shifted to a different position and no additional expenditures will be made out of the FLEX fund.

The FTE associated with the program created infrastructure and conducted trainings, webinars, marketing, and outreach to potential community partners. The Department is contracting with two administrators for the FLEX accounts. However, those agencies are unable to provide case management and the other services advertised by the program without compensation, which is why no households have been enrolled yet. The Department initially planned to pursue legislative changes during the 2025 session to allow funds to be used for "coordination by the community partners", estimated at \$34,500. The additional costs would have been paid out of the existing appropriation, which would result in fewer than 100 households being served by this program.

JBC staff flagged the FLEX program as a budget reduction option during the briefing process. The Department later agreed that because the program has not been able to enroll any households to date, there would be minimal negative consequences should it be repealed. In addition to the year-end balance transfer to the General Fund, repealing this program will have ongoing savings of approximately \$310,000 General Fund beginning in FY 2025-26.

Statewide Common Policy Supplementals

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

Statewide common policy supplementals						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
DPA Annual fleet supplemental	\$14,087	\$6,501	\$5,780	\$1,806	\$0	0.0
SNP OIT Real time billing	13,643	4,038	5,007	2,800	1,798	0.0
SNP Risk management	6,536	2,075	2,837	1,624	0	0.0
Total	\$34,266	\$12,614	\$13,624	\$6,230	\$1,798	0.0

The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee acts on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.