

JOINT BUDGET COMMITTEE



STAFF BUDGET BALANCING FY 2020-21

DEPARTMENT OF LOCAL AFFAIRS

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff

March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF LOCAL AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
S.B. 19-207 (Long Bill)	\$341,832,311	\$42,354,984	\$204,856,082	\$12,565,874	\$82,055,371	184.7
H.B. 20-1251	36,002	36,002	0	0	0	0.0
Other legislation	7,252,852	6,426,352	826,500	0	0	5.0
TOTAL	\$349,121,165	\$48,817,338	\$205,682,582	\$12,565,874	\$82,055,371	189.7
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$349,121,165	\$48,817,338	\$205,682,582	\$12,565,874	\$82,055,371	189.7
Annualize prior year budget actions	644,421	(26,761)	131,552	349,783	189,847	0.4
Housing Assistance for Persons Transitioning from the Criminal or Juvenile Justice System changes	500,000	1,000,000	0	(500,000)	0	0.0
Indirect cost assessment adjustment	243,708	(3,689)	33,479	216,924	(3,006)	0.0
Crime Prevention Initiative Grant Program	500,000	500,000	0	0	0	0.0
R1 Rural Economic Development Initiative funding increase	257,248	257,248	0	0	0	0.0
R2 Field Services staff increase	190,245	0	0	190,245	0	2.7
R3 Affordable housing administrative reappropriation	172,620	0	0	172,620	0	2.0
H.B. 19-1009 Substance Use Disorders Recovery fund adjustment	0	(173,500)	173,500	0	0	0.0
R6 Transfer State Demography Office to new line	0	0	0	0	0	(0.0)
R5 Gray & Black Market Marijuana unused funds adjustment	(4,000,000)	0	(4,000,000)	0	0	0.0
Annualize prior year legislation	(2,978,658)	(3,425,643)	(38,784)	469,336	16,433	7.7
R4 Crime Prevention Initiative unused funds adjustment	(1,000,000)	(1,000,000)	0	0	0	0.0
Centrally appropriated line items	(703,624)	(427,324)	(306,872)	211,040	(180,468)	0.0

DEPARTMENT OF LOCAL AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Technical changes	(408,052)	0	(408,052)	0	0	0.0
R7 Moffat Tunnel District spending authority adjustment	(95,000)	0	(95,000)	0	0	0.0
Non-prioritized requests	(19,117)	(10,740)	(1,707)	(4,390)	(2,280)	0.0
SUBTOTAL – JBC ACTION AS OF 3/16/20	342,424,956	45,506,929	201,170,698	13,671,433	82,075,897	203
Remove Crime Prevention Initiative Grant Program funding increase	(500,000)	(500,000)	0	0	0	0.0
Remove R1 Rural Economic Development Initiative funding increase	(257,248)	(257,248)	0	0	0	0.0
Partially refinance Firefighter Heart and Circulatory Malfunction Benefits appropriation	0	(250,000)	0	250,000	0	0.0
Refinance General Fund with Indirect Cost Recovery fund balance	0	(140,000)	0	140,000	0	0.0
Remove Housing Assistance for Persons Transitioning from the Criminal or Juvenile Justice System increase	(500,000)	(500,000)	0	0	0	0.0
Remove R2 Field Services staff increase	(190,245)	0	0	(190,245)	0	(2.7)
TOTAL	\$340,977,463	\$43,859,681	\$201,170,698	\$13,871,188	\$82,075,897	199.8
INCREASE/(DECREASE)	(\$8,143,702)	(\$4,957,657)	(\$4,511,884)	\$1,305,314	\$20,526	10.1
Percentage Change	(2.3%)	(10.2%)	(2.2%)	10.4%	0.0%	5.3%

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

➔ REMOVE CRIME PREVENTION INITIATIVE GRANT PROGRAM FUNDING INCREASE

JBC ACTION AS OF 3/16/20: The Committee initiated and approved an increase of \$500,000 General Fund to the Crime Prevention Initiative Grant program. This action was taken in relation to the approval of the Department’s R4 request item to eliminate the \$1,000,000 General Fund appropriation to the related Crime Prevention Initiative Small Business Lending program due to underutilization.

RECOMMENDATION: Staff recommends the Committee reverse its decision to increase the appropriation to the Crime Prevention Initiative Grant program by \$500,000.

ANALYSIS:

Key Considerations: Existing program; recommendation does not change the base appropriation.

Other Items of Note: House Bill 17-1326 established a grant program and a small business loan program designed to reduce crime and promote community development in the target communities of north Aurora and southeast Colorado Springs. The grant program has expended its \$3,000,000 appropriation each year, while the lending program has struggled to utilize its \$1,000,000 annual appropriation and has accumulated a large enough fund balance to make loans through its 2023 repeal date without further appropriation.

→ REMOVE R1 RURAL ECONOMIC DEVELOPMENT INITIATIVE FUNDING INCREASE

JBC ACTION AS OF 3/16/20: Consistent with staff recommendation, the Committee approved an ongoing increase of \$257,248 General Fund for the Rural Economic Development Initiative (REDI) grant program. The REDI program was established in FY 2015-16 through a Long Bill amendment to provide grants to local governments in rural districts for economic development activities.

RECOMMENDATION: Staff recommends the Committee reverse its previous decision to approve the \$257,248 General Fund increase.

ANALYSIS:

Key Considerations: Existing program; recommendation does not change the base appropriation of \$780,000.

Additional Background: Each REDI grant application must demonstrate that the project will leverage both local investment and existing assets, as well as create diversification roadmaps, collaborate with other agencies, and create new jobs. The State Demography Office estimates that REDI funding has helped create over 100 new permanent jobs in Colorado, as well as providing valuable public investments in those communities to enable additional private investment to occur. The average grant size was \$41,000 in FY 2018-19.

There is no separate statutory authorization for the program, however, S.B. 20-002 (Rural Economic Development Initiative Grant Program) is currently being considered in the House. The legislation would codify the existing program, but does not appropriate additional funds to the program in its current form. Senate Bill 20-002 specifies criteria that the Department is required to consider when evaluating grant applications and requires the Department to prioritize applications that would create new jobs. It also specifies the types of projects for which REDI grants may be awarded to eligible recipients and requires grant recipients to provide matching funds.

→ PARTIALLY REFINANCE FIREFIGHTER HEART AND CIRCULATORY MALFUNCTION BENEFITS APPROPRIATION WITH FUND BALANCE

JBC ACTION AS OF 3/16/20: Consistent with staff recommendation, the Committee approved an appropriation of \$867,873 General Fund, and continuation of the \$839,053 appropriation of reappropriated funds from the Firefighters Benefits Cash Fund.

RECOMMENDATION: Staff recommends refinancing \$250,000 of the General Fund appropriation with Firefighter Benefits Cash Fund balance. This would result in a corresponding increase in the reappropriated funds amount in the Firefighter Heart and Circulatory Malfunction Benefits line item for a total appropriation of \$617,873 General Fund and \$1,089,053 reappropriated funds.

ANALYSIS:

Key Considerations: Refinance with existing fund balance; no program impact.

Other Items of Note: The Firefighter Benefits Cash Fund has had an unchanged ending balance of \$400,000 since FY 2016-17 and projects the same through FY 2020-21. This fund is exempt from

reserve requirements per Section 24-75-402 (2)(e)(III), C.R.S. because it receives an annual transfer from the General Fund. However, the balance is approximately \$260,000 over the 16.5 percent target and the Department was unable to cite a specific reason that the balance has remained or should remain at this amount. This recommendation is intended to be a one-time spend down of cash funds; the program cannot sustain an ongoing General Fund reduction.

Additional Background: Pursuant to S.B. 14-172 (Firefighter Heart Circulatory Malfunction Benefits), any municipality, special district, fire authority, or county improvement district employing one or more firefighters is required to provide benefits for heart and circulatory malfunctions for full-time firefighters, as long as the state provides sufficient funding to cover the cost. The employer may purchase accident insurance, self-insure, or participate in a self-insurance pool or multi-employer health trust.

The act created the Firefighter Benefits Cash Fund, which consists of money that is annually appropriated from the General Fund; money in this fund is subject to annual appropriation to the Department for the purpose of reimbursing employers for the direct costs of maintaining accident insurance, self-insurance, or participation in a self-insurance pool or multiple employer health trust as required by Section 29-5-302, C.R.S. Thus, this cash fund is established solely for the purpose of paying benefits and not for the Department's costs of administering the program.

The bill specifies that "if, at any time, the funding provided for the benefit required by this section is insufficient to cover the cost of the benefit, then the requirements of this section to maintain the benefit shall become optional pursuant to section 29-1-304.5." If appropriations are insufficient, staff assumes the General Assembly will need to decide whether it wishes to provide additional funding or whether it wishes to make the benefit optional.

→ REFINANCE GENERAL FUND WITH INDIRECT COST RECOVERY FUND BALANCE

JBC ACTION AS OF 3/16/20: The Committee took staff's recommendation to approve the Department's indirect cost recovery plan to fund \$1,685,235 General Fund with indirect cost recoveries.

RECOMMENDATION: Staff recommends the Committee approve fund an additional \$140,000 General Fund with indirect cost recoveries within the Executive Director's Office.

ANALYSIS:

Additional Background: The approved indirect cost recovery plan as of March 16, 2020 would have resulted in an estimated fund balance of \$200,000 at the close of FY 2020-21. The use of an additional \$140,000 will deplete the balance to approximately \$60,000. Staff has applied the recommended refinancing to the Executive Director's Office, Legal Services line item.

→ REMOVE HOUSING ASSISTANCE FOR PERSON TRANSITIONING FROM THE CRIMINAL OR JUVENILE JUSTICE SYSTEM FUNDING INCREASE

JBC ACTION AS OF 3/16/20: During staff comebacks for DOLA Housing Appropriations Related to H.B. 20-1262, the Committee approved staff's recommendation to make a direct appropriation of \$500,000 General Fund to the Department's Housing Assistance for Persons Transitioning from the

Criminal or Juvenile Justice Systems line item in place of a General Fund appropriation to the Department of Corrections (DOC) that would be transferred to DOLA for this purpose. The Committee also approved staff's recommendation to increase the General Fund appropriation to \$1,000,000. The approved amount was \$500,000 more than the requested amount, but nearly equal to the FY 2019-20 appropriation when taking into account reversions from the community corrections program previously received in this line item.

RECOMMENDATION: Staff recommends reversing the decision to increase the appropriation by \$500,000 General Fund. The appropriation for the line item would then be \$500,000 General Fund, which is equivalent to the amount previously approved as a transfer from DOC.

ANALYSIS:

Key Considerations: Affects a population that is likely to be severely affected by the current crisis that is not receiving adequate support from federal or other sources. The COVID-19 pandemic has already resulted in the early release of jail inmates across the state, and created the potential for inmate releases from DOC pursuant to the [Governor's Executive Order D 2020 016 Temporarily Suspending Certain Regulatory Statutes Concerning Criminal Justice](#). The bulk of federal funds that DOLA will receive from the CARES Act through the Department of Housing and Urban Development will go toward aiding existing Housing Choice (Section 8) Voucher holders who have lost income and can no longer contribute toward rent costs, therefore not assisting the population targeted by this program.

Additional Background: This program serves individuals with a mental health disorder, a substance use disorder, or a co-occurring behavioral health disorder who are transitioning from DOC, the Division of Youth Services, a county jail, a mental health institute. Housing vouchers alone are not sufficient to improve outcomes of these populations; however, supportive housing models with specific support services are critical to the success of these individuals. The program focuses on rapid rehousing, which is a medium-term housing solution designed to help individuals and families that don't need intensive and ongoing supports quickly exit homelessness and return to permanent housing.

→ REMOVE R2 FIELD SERVICES STAFF INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved staff's recommendation for R2 Field Services staff increase for an ongoing increase of \$216,320 reappropriated funds transferred from the Energy Impact Grants line item to expand the Division of Local Government's (DLG) field services team by 2.7 FTE in FY 2020-21, annualizing to 3.0 FTE in FY 2021-22.

RECOMMENDATION: Staff recommends reversing its decision to fund the Department's R2 request for new Field Services positions.

ANALYSIS:

Key Considerations: Although this decision does not contribute toward General Fund savings for the purpose of balancing the budget, not hiring new employees is in keeping with the broader budgetary guidance. Additionally, reversing this decision item will leave more funds available for grants within the Local Government Mineral and Energy Impact Grants and Disbursements line item. Severance tax revenue is projected to decrease significantly due to turmoil in the global oil markets and the

COVID-19 pandemic; the amount of funding that will be available for grants will therefore be drastically less than previous years. *Additional detail for the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund will be provided in a separate document after Legislative Council Staff's May 12th revenue forecast.*

Additional Background: The field services team is currently unable to respond to all requests for assistance it receives due to the State's growing population, increasing frequency of natural disasters, and large service area that each staff member covers. Additional staff would include one regional manager, one regional assistant, and an administrative assistant. Currently, team members spend a significant amount of time commuting between regions, doing general administrative work, and processing contracts, which reduces the time available to directly assist communities. The additional staff would allow the team to create a ninth service region on the Western Slope by splitting up the Northwestern region, thereby decreasing the number of municipalities and special districts in the region and reducing the geographic area covered by each regional team. New staff would work out of existing space in the Grand Junction office and would not require additional leased space. Staff believes there is a demonstrated need for additional Field Services staff, but that this need is outweighed by the extremely negative outlook for severance tax and federal mineral lease revenue over the next two fiscal years.

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED			
FY 2020-21 Revenue	Net GF Impact	Other Funds	Total Funds
Divert transfer from UPTF to Housing Development Grant Fund	\$30,000,000	(\$30,000,000)	\$0

REDUCE GENERAL FUND EXPENDITURE - STATUTORY CHANGE REQUIRED			
FY 2020-21 Expenditure	Net GF Impact	Other Funds	Total Funds
Delay H.B. 19-1263 implementation	(\$1,866,208)	\$0	(\$1,866,208)
Delay H.B. 20-1019 prison population study	(250,000)	0	(250,000)

➔ DIVERT TRANSFER FROM UNCLAIMED PROPERTY TAX FUND REQUIRED BY H.B. 19-1322 (INCREASE SUPPLY OF AFFORDABLE HOUSING) TO GENERAL FUND

RECOMMENDATION: Staff recommends introducing legislation that would divert or eliminate a transfer of up to \$30 million from the Unclaimed Property Trust (UPTF) to the Housing Development Grant Fund to the General Fund instead.

ANALYSIS:

Key Considerations: New funding; the Department was not expecting to receive this funding in FY 2020-21 based on economic forecasts prior to the COVID-19 pandemic.

Other Items of Note: The Department of Treasury budget balancing document included an option to sponsor legislation to transfer an undetermined amount from the UPTF to the General Fund. The H.B. 19-1322 transfer would not occur until after the June 20, 2021 forecast. If a transfer is made sooner per the Department of Treasury recommendation, diverting the H.B. 19-1322 may no longer be necessary or feasible. The available balance in the UPTF was \$238,878,334 as of April 13, 2020.

Additional Background: House Bill 19-1322 (Expand Supply of Affordable Housing) created conditional transfers from the Unclaimed Property Trust Fund to the Housing Development Grant Fund for affordable housing projects. These transfers are contingent based on the balance in the UPTF as of June 1 and the Legislative Council Staff June 2021, 2022, and 2023 forecasts. For the fiscal year in which a relevant forecast is published, if revenue subject to TABOR is projected to fall below a “cutoff” amount equal to the projected Referendum C cap minus \$30 million dollars, a transfer will be made. The transfer is equal to the lesser of \$30 million, or the UPTF fund balance. Based on the March forecast, a transfer is expected for both FY 2020-21 and FY 2021-22 because revenue is expected to be below the cutoff. However, the June 2021 and June 2022 forecasts will determine the actual amount of this transfer. A forecast is not yet available for FY 2022-23.

→ DELAY IMPLEMENTATION OF COMMUNITY SUBSTANCE USE AND MENTAL HEALTH SERVICES GRANT PROGRAM

JBC ACTION AS OF 3/16/20: Consistent with staff recommendation, the Committee approved \$1,800,000 General Fund in the new Community Substance Use and Mental Health Services Grant Program line item, and \$66,208 General Fund for personal services and operating expenses in the Division of Local Government, (B) Field Services, Program Costs line item.

RECOMMENDATION: Staff recommends introducing legislation that would eliminate the requirement for the General Assembly to appropriate at least \$1.8 million General Fund generated from estimated savings from H.B. 19-1263 for the purpose of providing grants. Staff also recommends denying the \$66,208 appropriation for associated personal services and operating expenses.

ANALYSIS:

Key Considerations: New program in FY 2020-21; not yet implemented.

Additional Background: House Bill 19-1263 reclassifies several existing drug felonies as drug misdemeanors, reduces the fine penalties and jail terms for drug misdemeanors, and makes several other changes to sentencing for drug offenses. The bill creates a Community Substance Use and Mental Health Services Grant Program in DOLA to provide funds to counties that provide substance use or mental health treatment services in order to facilitate legal diversion programs or develop other strategies to reduce the jail and prison populations. To fund the grant program, the bill requires the General Assembly to appropriate at least \$1.8 million from the General Fund beginning in FY 2020-21. The fiscal note assumes the Department will hire 0.9 FTE to administer the program beginning in FY 2020-21; this position has not been hired yet.

➔ DELAY STUDY REQUIRED BY H.B. 20-1019 (PRISON POPULATION REDUCTION AND MANAGEMENT)

RECOMMENDATION: Staff recommends introducing legislation to amend the portions of H.B. 20-1019 that require the Department of Local Affairs to contract for the completion of a prison needs study and present the findings during the 2021 legislative session, such that the study is delayed until FY 2021-22.

ANALYSIS:

Key Considerations: New program; not yet fully implemented for FY 2020-21.

Other Items of Note: Although funding for the study is not appropriated until FY 2020-21, the Department has already identified a consultant and is set to have them begin the study on a temporary contract in the immediate future using funds from the Department of Corrections. If the study is postponed by one year it is possible the preferred consultant may not be available at that time.

Additional Background: House Bill 20-1019 requires the Department of Local Affairs’ Division of Local Government to contract with a nationally recognized research and consulting entity to study the future prison bed needs in Colorado, and present the findings during the 2021 legislative session. The bill appropriates \$250,000 General Fund to the Department in FY 2020-21 for the study.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

10.0-20.0 PERCENT REDUCTION SCENARIOS

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0-20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

The Department’s approved General Fund appropriations as of March 16, 2016 represented a 6.7 percent decrease relative to FY 2019-20. This decrease is primarily attributed to the annualization of H.B. 19-1239 (2020 Census Outreach), a decrease in payments to OIT, and request item R4 Crime Prevention Initiative unused funds adjustment. If all recommendations made in Section 1 of this document are approved, the Department will have a 10.2 percent General Fund decrease relative to FY 2019-2020. The following recommendations are made with the understanding that additional reductions in some Departments may be necessary help meet statewide targets.

INCREASE AVAILABLE GENERAL FUND – DEEPER CUTS			
FY 2020-21 Revenue	Net GF Impact	Other Funds	Total Funds
Transfer Moffat Tunnel Cash Fund balance	\$167,463	(\$167,463)	\$0
Divert funding from H.B. 19-1245 to General Fund	8,000,000	(8,000,000)	0

REDUCE GENERAL FUND EXPENDITURE – DEEPER CUTS			
FY 2020-21 Expenditure	Net GF Impact	Other Funds	Total Funds
Reduce appropriation to Peace Officers Mental Health Support Grant Program	(\$1,000,000)	\$0	(\$1,000,000)
Reduce appropriation to Defense Council on First Appearance Grant Program	(997,145)	0	(997,145)
Reduce appropriation to Crime Prevention Initiative Grant Program	(1,500,000)	0	(1,500,000)

→ TRANSFER PORTION OF MOFFAT TUNNEL CASH FUND BALANCE TO GENERAL FUND

RECOMMENDATION/OPTION: Introduce legislation that would allow a transfer of \$167,463, an amount equal to 50 percent of the projected June 30, 2020 fund balance, from the Moffat Tunnel Cash Fund to the General Fund.

Moffat Tunnel Cash Fund				
	FY 17-18	FY 18-19	FY 19-20	FY 20-21
	Actual	Actual	Estimated	Estimated
Beginning FY Balance	\$245,020	\$270,434	\$288,582	\$167,463
Projected Revenues	30,938	18,233	46,418	31,759
Expenditures	5,524	85	75	75
Ending FY Balance Without Transfer	\$270,434	\$288,582	\$334,925	\$199,147
Proposed Transfer	0	0	167,463	0
Ending FY Balance After Transfer	\$270,434	\$288,582	\$167,463	\$199,147
<i>Fee Impact:</i> None. Revenue for this fund is generated by leases for rights of way with Union Pacific Railroad and Century Link.				

ANALYSIS:

Key Considerations: One-time option. The fund should retain enough revenue to cover any potential Improvement District liabilities related to the Tunnel and any costs related to studies or other actions that need to occur prior to the expiration of the lease with Union Pacific Railroad in 2025 in order to protect the interests of the Improvement District and the State.

Additional Background: Under current law, lease payment revenue from the property is to be distributed to the nine Improvement District counties (Adams, Boulder, Denver, Eagle, Gilpin, Grand, Jefferson, Moffat, and Routt), after the Department has set aside sufficient revenue for administrative costs. In light of information provided in response to a 2017 request for information, the Committee added a Long Bill footnote to express the General Assembly's intent that the Department continue its practice of retaining lease payment revenues in the Moffat Tunnel Cash Fund and suspending distribution payments to Improvement District counties.

→ DIVERT FUNDING FROM H.B. 19-1245 (AFFORDABLE HOUSING FROM VENDOR FEE CHANGES) TO THE GENERAL FUND

RECOMMENDATION: Staff recommends introducing legislation that would eliminate the transfer of increased revenue from vendor fee changes associated with H.B. 19-1245 (Affordable Housing from Vendor Fee Changes) from the General Fund to the Housing Development Grant Fund in FY 2019-20 and 2020-21.

ANALYSIS:

Key Considerations: New funding; the Division of Housing (DoH) was expecting to receive its first transfer in June 2020. As of the February 2020 State Housing Board meeting, the anticipated funding from H.B. 19-1245 has been committed to projects conditional “upon the availability of funds”. The FY 2019-20 transfer was estimated at approximately \$8.0 million prior to the COVID-19 pandemic; the Division expects this amount to decrease by at least \$2 million based on an analysis of the drop in sales tax revenue during the last recession. The Division expects the FY 2020-21 transfer would occur in June 2021.

Additional Background: Beginning January 1, 2020, H.B. 19-1245 increases the “vendor fee” (an amount that a retailer is permitted to retain for its expenses incurred in collecting and remitting the state sales tax) from 3.33 percent to 4.0 percent, subject to a \$1,000 monthly cap. The legislation requires the State Treasurer to credit to the existing Housing Development Grant Fund (HDGF) an amount equal to the increase in sales taxes attributable to the vendor fee changes, minus the following specified amounts that will be retained in the General Fund:

- \$15,335,781 (\$15,000,000 to reinsurance program) for FY 2019-20;
- \$40,323,158 (\$40,000,000 to reinsurance program) for FY 2020-21; and
- \$985,335 for FY 2021-22 and subsequent fiscal years.

Legislative Council Staff’s March 2020 economic forecast estimated transfers to the HDGF at \$8.2 million in FY 2019-20, \$8.0 million in FY 2020-21, and \$51.3 million in FY 2021-22. However, the economic outlook has changed significantly in the past month. The amounts specified above must be retained for other purposes before DoH receives funds; therefore the impacts of the COVID-19 pandemic will cut into or eliminate affordable housing funds before cutting into funds for administrative costs and the reinsurance program.

→ REDUCE APPROPRIATION TO PEACE OFFICERS MENTAL HEALTH SUPPORT GRANT PROGRAM

JBC ACTION AS OF 3/16/20: Consistent with staff recommendation, the Committee approved an appropriation of \$2,000,000 General Fund into the Peace Officers Mental Health Support Fund, and a corresponding \$2,000,000 million appropriation out of this cash fund.

RECOMMENDATION/OPTION: Staff recommends reducing the General Fund and cash fund appropriation by \$1,000,000 for FY 2019-20.

If deeper cuts are required, the Committee could consider eliminating the appropriation entirely in FY 2020-21 for an additional \$1,000,000 General Fund savings.

ANALYSIS:

Key Considerations: There is 1.0 FTE associated with this program. Because funding for this program can be spent over two years, this position would still have contracts to manage within the program if grand funds were reduced or suspended.

Other Items of Note: The Department is authorized to use up to 5.0 percent of the money annually appropriated for the program (currently \$100,000) to pay the direct and indirect costs of administering the program. It may not be feasible for the Department to cut these costs by as much as the appropriation is reduced, which could cause the program to be out of compliance with the statutory limit.

Additional Background: House Bill 17-1215 established the Peace Officers Mental Health Support Grant Program to provide grants to county sheriffs' offices and municipal police departments for the purpose of helping these agencies engage mental health professionals who can provide:

- On-scene response services to support peace officers' handling of persons with mental health disorders; and
- Counseling services to peace officers.

County sheriffs' offices and municipal police departments that apply for grants are encouraged to do so, to the extent possible, in collaboration with the community mental health centers in their regions. The General Assembly appropriated \$2,000,000 General Fund for FY 2019-20 for this program. This amount is credited to the Peace Officers Mental Health Support Fund, so the Department receives a corresponding \$2,000,000 appropriation from reappropriated funds. The Department is authorized to use up to 5.0 percent of the money annually appropriated for the program (currently \$100,000) to pay the direct and indirect costs of administering the program.

Each fiscal year, \$1.9 million is budgeted for grant making in this program. At the end of the fiscal year, all unexpended and unencumbered money remains in the fund. Fiscal Year 2018-19 was the first funding cycle of the new grant program; 16 applications were completed and submitted to DOLA. The grant funds awarded totaled \$1,356,115, equating to 99 percent of the amount requested and 71 percent of the total funds available. In Fiscal Year 2019-2020, the Department saw a 32 percent increase in applicants for the second funding cycle. There were 21 applications received requesting \$2,040,141. The full amount requested was awarded to municipal and county law enforcement agencies.

→ REDUCE APPROPRIATION TO DEFENSE COUNCIL ON FIRST APPEARANCE GRANT PROGRAM

JBC ACTION AS OF 3/16/20: Consistent with staff recommendation, the Committee approved an appropriation of \$1,997,145 General Fund for the Defense Counsel on First Appearance Grant Program.

RECOMMENDATION/OPTION: Staff recommends reducing the appropriation by \$997,145 for FY 2020-21.

If deeper cuts are required, the Committee could consider eliminating the entire appropriation in FY 2020-21 for an additional \$1,000,000 of General Fund savings.

ANALYSIS:

Key Considerations: There is 1.0 FTE associated with this program, spread across two team members. One of the team members splits time with the Law Enforcement Community Services Grant Program, which is funded by cash collected through the civil forfeiture process. The Department stated that it is unclear whether these employees could be reassigned to other areas if funding for this grant program

is substantially reduced or suspended without knowing the scale of reductions being made to other programs.

Additional Background: House Bill 18-1353 established the Defense Counsel on First Appearance Grant Program to provide grants to reimburse local governments, in part or in full, for costs associated with the provision of defense counsel to defendants at their first appearances in municipal courts. This line item provides funding for the Program, including related administrative expenses.

Since the program began in July 2018, grant awards of approximately \$1.2 million, equating to 67 percent of available funds, were made to thirty Colorado Municipal Courts. The Department believes this program has been more successful in its first year than is typical with new grant programs.

→ REDUCE APPROPRIATION TO CRIME PREVENTION INITIATIVE GRANT PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved staff's recommendation for \$3,000,000 General Fund, and appropriated an additional \$500,000 General Fund to this program due to savings from the related Crime Prevention Initiative Small Business Lending program. The recommendation to eliminate the additional \$500,000 is discussed in Section 1.

RECOMMENDATION/OPTION: Staff recommends reducing the appropriation to the Crime Prevention Initiative Grant Program by \$1,500,000 for FY 2020-21.

If further cuts are required, the Committee could consider eliminating the appropriation for this program in FY 2020-21 for an additional \$1,500,000 General Fund savings.

ANALYSIS:

Key Considerations: The program has awarded the maximum amount of funding available each year since its inception.

Other Items of Note: The program is administered through a contract with the Denver Foundation. The Division is required to transfer up to 4.0 percent of the appropriation for the grant program annually to cover the community foundation's cost of managing the program.

Additional Background: House Bill 17-1326 established a grant program and a small business loan program designed to reduce crime and promote community development in the target communities of north Aurora and southeast Colorado Springs. The act included an appropriation clause that reduced General Fund appropriations to the Department of Corrections for FY 2017-18 by a total of \$5,865,182 General Fund based on the projected impact of various changes to parole and appropriated the same amount of General Fund to the Department of Local Affairs for several purposes.

The Division was required to issue a request for participation to select one or more community foundations to manage a grant program that supports:

- academic improvement programs;
- community-based services;
- community engagement programs;
- increasing safety and usability of common outdoor-spaces programs;
- technical assistance related to data collection, data analysis, and evaluation; and
- administrative costs of the foundation.

The grant program is subject to available appropriations; the General Assembly has appropriated \$3,000,000 General Fund to the program each year since FY 2017-18. The Division is required to transfer to the community foundation(s) up to 4.0 percent of the appropriation for the grant program to cover the foundation's costs of managing the program.

① LOCAL GOVERNMENT LIMITED GAMING IMPACT GRANTS INFORMATIONAL FUNDS

JBC ACTION AS OF 3/16/20: Consistent with staff's recommendation, the Committee approved an appropriation of \$5,127,850 from the Local Government Limited Gaming Impact Fund. This amount is included in the Long Bill for informational purposes only, as the Department is statutorily authorized to distribute money from this fund.

RECOMMENDATION: Staff is not recommending any changes at this time. Recommendations for statutory changes related to the distribution of limited gaming revenue across all beneficiaries will be explored in a separate document.

ANALYSIS:

Key Considerations: The COVID-19 pandemic has caused an unprecedented drop in limited gaming revenue. It is possible that the Limited Gaming Fund will be unable to meet the statewide distribution criteria required by statute, as the formulas do not account for a substantial decline from one year to the next. The Local Government Limited Gaming Impact Fund is one of many beneficiaries of this revenue, and receives a relatively small share of the total compared to other entities and programs. Staff will be exploring the possibility of altering statute to provide a pro rata distribution across beneficiaries.

Other Items of Note: Transfers from the Local Government Limited Gaming Impact Fund have been used for budget balancing purposes in past recessions. Due to the significant drop in limited gaming revenue and the fact that any pro rata amount of funds left in the Local Government Limited Gaming Impact Fund after statutory changes will help local governments cover direct expenses incurred in the prior year, staff is not recommending a cash fund transfer to the General Fund.

Additional Background: Historically, the Local Government Limited Gaming Impact Fund received \$5,000,000 of the 50 percent "state share" of limited gaming revenue. Two percent of this amount (\$100,000) was set aside for gambling addiction counseling under the authority of the Department of Human Services and the remaining 98 percent (\$4,900,000) was used to provide financial assistance to designated local governments for documented gaming impacts. Pursuant to S.B. 18-191, the portion of the state share of gaming revenues that is transferred to the Local Government Limited Gaming Impact Fund increases proportionally when the state share increases. If the state share does not increase, the transfer *remains the same as the prior year*.

The money available for grants is distributed under the authority of DOLA's executive director to eligible local governmental entities upon their application for grants to finance planning, construction, and maintenance of public facilities and the provision of public services related to the documented gaming impacts resulting from limited gaming permitted in Gilpin and Teller counties and on Indian lands. Categories of impacts include those to emergency medical and health care services, human services, jails, law enforcement, and legal services. A specific example cited in grant guidelines for

human services impacts is for “clients and their immediate family receiving assistance and was recently laid off from a casino due to no fault of their own”.

The geographic eligibility area for the program includes the counties of Gilpin and Teller as well as the eight counties contiguous to these two counties: Boulder, Clear Creek, Douglas, El Paso, Fremont, Grand, Jefferson, and Park. In addition, counties that contain tribal lands where limited stakes gaming occurs are also included within the geographic eligibility area. Tribal gaming counties include: Archuleta, La Plata, and Montezuma. The types of local governments eligible to receive assistance include: counties, municipalities (with the exception of the three gaming cities: Black Hawk, Central City and Cripple Creek), and special districts that provide emergency services. In addition, eligible local governments may apply on behalf of private nonprofit agencies that are impacted by gaming.

The grants provide financial assistance to eligible entities based on their direct gaming impacts from the previous calendar year. Operational impacts that receive grant funds are primarily those that would come from a local government’s General Fund. If funding for the Local Government Limited Gaming Impact Grants line item is reduced or diverted for other purposes, the burden of these costs will fall to local governments, many of which will already be struggling financially due to the COVID-19 pandemic. The program sees demand above available funding every year, and grantees therefore do not receive enough funding to wholly cover eligible costs. The Department estimates that on average, \$7 million is requested compared to approximately \$5 million available each year.

① LOCAL GOVERNMENT MINERAL AND ENERGY IMPACT GRANTS INFORMATIONAL FUNDS

JBC ACTION AS OF 3/16/20: Consistent with staff’s recommendation, the Committee approved an informational appropriation of \$123,000,000 in the Local Government Mineral and Energy impact Grants and Disbursements line item.

RECOMMENDATION: Staff’s recommendation is pending updates to the economic forecast on May 12th, and will be provided in a separate document. Staff will recommend an updated informational amount for this line item at this time, and will explore the possibility of transferring funds from the Local Government Severance Tax Fund and Local Government Mineral Impact Fund.

ANALYSIS:

Key Considerations: Turmoil in the global oil market coupled with a drop in demand due to the COVID-19 pandemic has significantly altered severance tax projections for the coming fiscal years. Legislative Council Staff’s March 2020 economic forecast estimates that severance tax revenues to DOLA will decline from \$127.6 million in FY 2018-19, to \$70.2 in FY 2019-20, down to \$23.0 million in FY 2020-21. This forecast was prepared at the start of the pandemic; updated projections may show even larger declines.

Additional Background: This grant program is intended to assist communities that are impacted by the growth and decline of the mineral and energy industries. The Local Government Severance Tax Fund and the Local Government Mineral Impact Fund serve as revenue sources for the program.

- Fifty percent of total gross receipts realized from the *state severance taxes* imposed on five types of extracted minerals and mineral fuels, including oil and natural gas, coal, metallic minerals,

molybdenum ore, and oil shale, are deposited in the Local Government Severance Tax Fund on a monthly basis. The tax applies for resources that are removed from both privately and publicly owned lands; however, the severance tax is not paid when resources are removed from Tribal lands.

- Forty percent of the State's share of private sector payments to the federal government for mineral and mineral fuel production on federal lands (referred to as *federal mineral lease revenues*) is deposited to the Local Government Mineral Impact Fund on a quarterly basis.

By statute, a portion of each program's funding is distributed directly back to the local jurisdictions based on the reported residence of mineral production employees, mining and well permits, and mineral production:

- 30 percent of severance tax revenues; and
- 50 percent of federal mineral lease revenues.

The remaining portion of these funds is distributed through discretionary grants to local jurisdictions.