COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2016-17 STAFF BUDGET BRIEFING

DEPARTMENT OF LOCAL AFFAIRS

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

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DEPARTMENT OF LOCAL AFFAIRS

Department Overview

The Department of Local Affairs (DOLA) is responsible for building community and local government capacity by providing training, technical, and financial assistance to localities. While current law creates a number of divisions[1], the Department currently consists of the following:

- The *Executive Director's Office* provides the comprehensive departmental management and administration, including strategic planning, policy management, budget, accounting, purchasing, and human resources administration and public information.

- The *Division of Property Taxation* and the Property Tax Administrator, under the supervision and control of the *State Board of Equalization*, have three primary responsibilities: (1) administering property tax laws, including issuing appraisal standards and training county assessors; (2) granting exemptions from taxation for charities, religious organizations, and other eligible entities; and (3) valuing multi-county companies doing business in Colorado, including railroads, pipelines, and other public utilities.

- The *Board of Assessment Appeals* is a quasi-judicial body which hears individual taxpayer appeals concerning the valuation of real and personal property, property tax abatements, and property tax exemptions.

- The *Division of Housing* administers state and federal low-income housing programs, and regulates the manufacture of factory-built residential and commercial buildings.

- The *Division of Local Governments* provides technical assistance to local government officials. This division also administers several state and federal programs to assist local governments in capital construction and community services, including: administering the federal Community Services Block Grant and the Community Development Block Grant; making state grants to communities negatively impacted by mineral extraction and limited gaming activities; distributing Conservation Trust Fund moneys (derived from lottery proceeds) for parks, recreation, and open space; and allocating the state contribution for volunteer firefighter pension plans.

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[1] Divisions, offices, and boards created in Sections 24-1-125, 39-2-101, 39-9-101, and 39-2-123, and Article 32 of Title 24,C.R.S., include: the Division of Local Governments; the Division of Planning; the Division of Commerce and Development; the Division of Housing; the Office of Rural Development; the Office of the Colorado Youth Conservation and Service Corps; the Office of Smart Growth; the Division of Property Taxation; the State Board of Equalization; and the Board of Assessment Appeals.

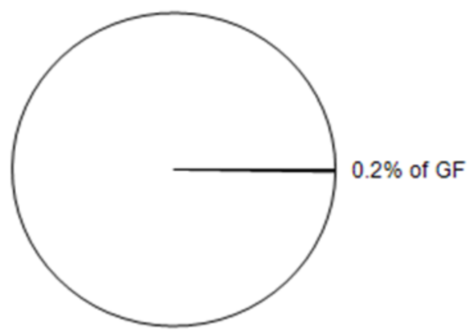
Department Budget: Recent Appropriations

Funding Source	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 *
General Fund	$17,710,455	$22,039,101	$23,626,224	$23,371,149
Cash Funds	213,224,629	209,046,453	209,230,174	209,267,377
Reappropriated Funds	8,630,903	9,412,579	10,487,107	11,624,134
Federal Funds	69,956,340	70,345,868	76,876,045	77,021,024
Total Funds	**$309,522,327**	**$310,844,001**	**$320,219,550**	**$321,283,684**
Full Time Equiv. Staff	164.3	168.4	171.5	172.4

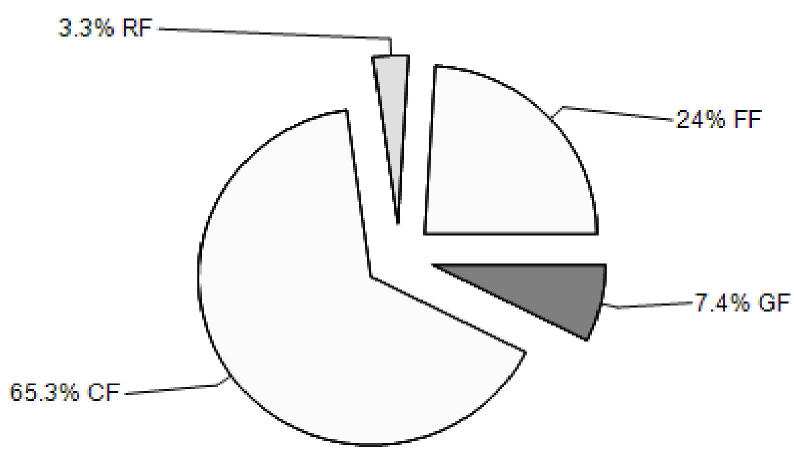
*Requested appropriation.

Department Budget: Graphic Overview

Department's Share of Statewide General Fund

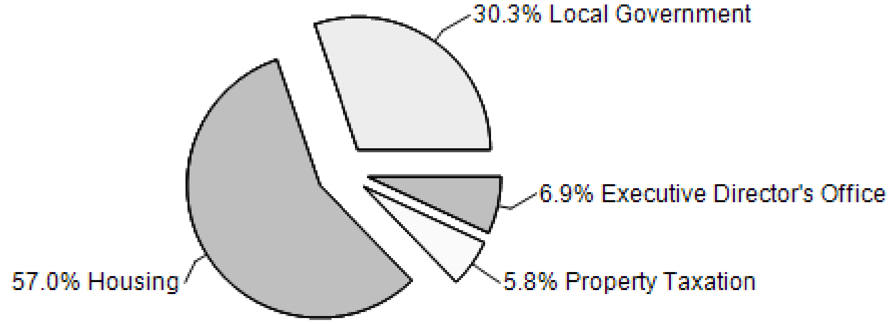


Department Funding Sources

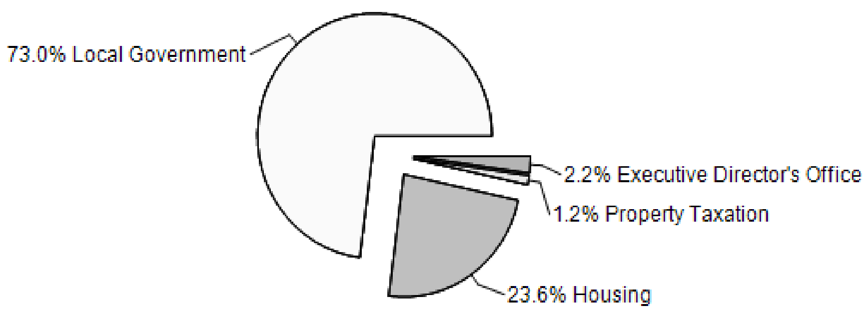


All charts are based on the FY 2015-16 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2015-16 appropriation.

General Factors Driving the Budget

Dedicated Funding Sources

The Department awards grants and oversees direct distributions to local governments for various programs with dedicated cash fund revenue sources. In the Long Bill, these amounts are shown for informational purposes only. The FY 2015-16 Long Bill appropriation for the Department reflects $204.9 million cash funds for these programs or 64.0 percent of the Department's overall budget. The programs include:

- Local Government Mineral and Energy Impact Grants and Disbursements – state severance tax revenues and federal mineral lease revenues that are distributed to local governments affected by mineral extraction activities through statutory formulas (for direct distributions) and grants;
- Conservation Trust Fund Disbursements – state lottery proceeds distributed to local entities on a formula basis for parks, recreation, and open space purposes; and
- Limited Gaming Impact Grants – limited gaming tax revenues distributed to communities impacted by gaming activities.

Program expenditures fluctuate with changes in the revenue available from these various dedicated funding sources. The following table summarizes recent actual and estimated revenues.

Major Constitutionally or Statutorily Dedicated Cash Revenues Administered by the Department of Local Affairs ($ millions)

Revenues	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Estimate	FY 2016-17 Estimate/Request
Severance Tax	$66.3	127.1	$142.1	$55.5	$86.5
Federal Mineral Lease	48.9	72.3	63.5	48.7	53.6
Conservation Trust Fund	54.3	52.1	51.2	51.2	51.2
Limited Gaming Fund	5.0	5.0	5.2	5.2	5.2
Totals	**$174.5**	**$256.5**	**$262.0**	**$160.6**	**$196.5**

As reflected in the table, severance tax and federal mineral lease revenue is particularly volatile. Oil, gas, and mineral prices and production volumes create windfall revenues in some years and revenue shortfalls in other years. Because severance tax and federal mineral lease revenues and expenditures are so difficult to project, spending estimates in the Long Bill are not typically adjusted from year to year, and the amount shown in the Long Bill for the combined spending from these two sources has been fixed at $150.0 million for multiple years.

Federal Funds

Federal funds comprise about one quarter ($76.9 million) of the Department of Local Affairs' FY 2015-16 appropriation. These federally-funded programs often do not require state matching funds and are provided at the discretion of federal authorities. Annual expenditures from some of the major ongoing federal grants administered by this department are summarized in the following table.

Annual Expenditures from Major Ongoing Federal Grants Administered by Department of Local Affairs ($ millions)/1					
	FY 2012-13 Actual	**FY 2013-14 Actual**	**FY 2014-15 Actual**	**FY 2015-16 Approp./2**	**FY 2016-17 Estimate/Req.**
Federal Department of Housing and Urban Development (HUD) rental subsidies	$45.2	$40.3	$43.6	$48.0	$48.0
HUD affordable housing development/3	8.1	6.5	5.5	7.5	7.5
HUD Community Development Block Grant/3	6.1	7.2	14.0	8.5	8.5
Health and Human Services Community Services Block Grant	6.4	5.4	5.6	6.0	6.0
HUD Emergency Shelter and Homeless Prevention Programs	1.0	2.2	1.5	1.8	1.8

/1 Amounts exclude portions used for administration and overhead.
/2 Reflects amounts shown for informational purposes in the Long Bill in FY 2015-16, except the Emergency Shelter and Homeless Prevention amount for FY 2015-16 which is increased due to updated award information.
/3 The portion of the Community Development Block Grant (CDBG) amount used for affordable housing development (one-third of the total grant) is included in the affordable housing development amount, rather than the CDBG amount. The CDBG amount does not include CDBG-DR (disaster recovery) amounts that are not reflected in the Long Bill.

Summary: FY 2015-16 Appropriation & FY 2016-17 Request

Department of Local Affairs	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	$319,746,653	$23,257,038	$209,158,832	$10,454,738	$76,876,045	169.7
Other legislation	472,897	369,186	71,342	32,369	0	1.8
TOTAL	**$320,219,550**	**$23,626,224**	**$209,230,174**	**$10,487,107**	**$76,876,045**	**171.5**
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	$320,219,550	23,626,224	$209,230,174	$10,487,107	$76,876,045	171.5
R1 Ft. Lyon Residential Community*	0	0	0	0	0	0.0
NP1 Annual fleet vehicle request	16,844	15,160	0	1,684	0	0.0
NP2 OIT Secure Colorado	5,640	0	0	5,640	0	0.0
Annualize prior year legislation	753,737	(304,232)	75,477	982,492	0	0.8
Centrally appropriated line items	334,960	6,715	28,322	153,618	146,305	0.0
Annualize prior year budget actions	(8,031)	(2,577)	(904)	(2,981)	(1,569)	0.1
Other technical adjustments	(39,016)	29,859	(65,692)	(3,426)	243	0.0
TOTAL	**$321,283,684**	**$23,371,149**	**$209,267,377**	**$11,624,134**	**$77,021,024**	**172.4**
Increase/(Decrease)	$1,064,134	($255,075)	$37,203	$1,137,027	$144,979	0.9
Percentage Change	0.3%	(1.1%)	0.0%	10.8%	0.2%	0.5%

*The request includes $1,765,786 from the Marijuana Tax Cash Fund and 1.0 FTE for the Fort Lyon Supportive Residential Community that is requested to be authorized in separate legislation.

R1 Fort Lyon Residential Community: The Department of Local Affairs requests an additional $1,7654,786 from the Marijuana Tax Cash Fund (MTCF) and 1.0 FTE to support the operation of the Fort Lyon Supportive Residential Community, pending a federal decision on whether the program is eligible or ineligible for federal financial support. The Community is a 250-bed transitional housing program for chronically homeless people with substance abuse issues. It is located on the historic Fort Lyon campus in rural Bent County. The Department requests that the Committee sponsor legislation to authorize this use of the MTCF. Such new legislation would include the requested appropriation, so the amount is not reflected in the table above.

NP1 Annual fleet request: The request includes the annual fleet vehicle change from the Department of Personnel.

NP2 OIT Secure Colorado: The request seeks an increase of $5,640 reappropriated funds for FY 2016-17 to cover the Department's share of the Office of Information Technology's implementation of advanced information security event analytics capabilities.

Annualize prior year legislation: The request includes adjustments related to prior year legislation. This includes an increase of $1,075,477 in cash and reappropriated funds and 1.0 FTE for H.B. 15-1367 (Retail Marijuana Taxes), and a reduction of $299,961 General Fund to eliminate one-time amounts for H.B. 15-033 (Strategic Planning Group on Aging), in addition to smaller adjustments related to S.B. 15-029 (Volunteer Firefighter Pension Plan Study) and H.B. 15-1225 (Federal Land Coordination).

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; workers' compensation; legal services; payment to risk management and property funds; Capitol complex leased space; payments to OIT; and CORE operations.

Annualize prior year budget actions: The request includes adjustments related to prior year budget actions.

Other technical adjustments: The request includes a General Fund increase of $68,875 and cash funds decrease of the same amount for the bi-annual Board of Assessment Appeals non-assessment year adjustment, a change to align an informational General Fund appropriation with the OSPB forecast, and statewide indirect cost adjustments.

Issue: Fort Lyon Supportive Residential Community

The Department of Local Affairs requests $1.8 million in Marijuana Tax Cash Funds, as well as ongoing support of $3.2 million General Fund, to maintain the Fort Lyon Supportive Residential Community in FY 2016-17. The program is unable to access federal support pending a determination by federal authorities of whether the facility is an "institution for mental disease".

SUMMARY:

- The Fort Lyon Supportive Residential Treatment facility has now been in operation for two years. At full capacity, the program will serve 250 chronically homeless individuals with addiction issues on a historic campus in rural Bent County.

- The project was authorized and funded by the General Assembly starting in FY 2013-14, despite objections voiced by members of the JBC, other legislators, and JBC staff that the project appeared to be an unlikely marriage of policy goals. It is designed to address both rural economic development needs in Bent County and the needs of homeless addicted individuals from around the State.

- The Department has requested continuation of the $3.2 million General Fund base funding for Ft. Lyon and an additional $1.8 million in Marijuana Tax Cash Funds to sustain the program in FY 2016-17 pending potential federal support.

- Some concerns about the project have been resolved in the last two years, but other issues are not settled. The most significant immediate question is whether or not the facility will be deemed an "institution for mental disease" (IMD) by federal authorities. If this occurs, residents would lose access to federal Medicaid as well as other federal supports. Another ongoing concern, asbestos, is the subject of a federal EPA Brownfields study. While it seems likely that both issues will be favorably resolved, the ongoing costs of maintaining this historic property will remain a challenge.

- Staff expects the program's facility and remote location to drive ongoing costs in excess of the costs for other programs that provide housing and support services for homeless people. The General Assembly may nonetheless decide that these additional costs are worthwhile based on: (1) the economic development benefits to Bent County; and (2) long term outcomes for people who have not been able to find sobriety and stability in other settings. However, to make this determination, the State will need ongoing data collection, monitoring, and a sound evaluation model.

RECOMMENDATION:

The JBC and General Assembly will be in a better position to determine the costs and long term viability of the Fort Lyon Supportive Residential Community once there is a final federal determination of whether the facility is an IMD and asbestos questions are addressed. Assuming these are favorably resolved, the Committee should insist on an **ongoing external evaluation** of the project's costs and benefits to the State when compared to other programs serving a similar population. This should include an analysis of how the program affects resident outcomes, and associated government costs, after residents leave Fort Lyon.

DISCUSSION:

Facility and Program History
The Fort Lyon Supportive Residential Community opened its doors on September 3, 2013. The program brings chronically homeless individuals with alcoholism and chemical dependency to a residential community in Bent County in the rural southeast of the state (3.5 hours from Denver). The program currently serves approximately 250 men and women recovering from addiction and homelessness. They live in a campus environment on a historic property where they may reside for up to two years.

The Fort Lyon program was authorized and funded by S.B. 13-210 (Concerning Employment Conditions for Correctional Officers) despite objections voiced by members of the JBC. The State previously operated Fort Lyon as a prison until 2011 when it was closed due to low state prison populations and high operating costs. The Fort Lyon Supportive Residential Community was a conceived as a way to respond to two goals: ongoing preservation and use of the Fort Lyon property and chronic homelessness statewide. Joint Budget Committee Staff noted at the time that the Department's cost-benefit analysis was thin and that there had been no analysis of alternatives that might provide more cost-effective responses to the statewide problem of homelessness.

Over the last two years, as the program has grown to its present size, there have been a variety of developments in the program plan, cost estimates, and legal considerations. Some previous obstacles appear to be resolved, while new ones have emerged. Some of the most critical current issues and questions are reviewed below.

Department of Local Affairs Request R1
The cost to operate Fort Lyon is projected to be $4,989,637 in FY 2016-17, which is similar to the approximately $5.0 million required in FY 2014-15 and FY 2015-16. For the first three years—FY 2013-14, FY 2014-15 and FY 2015-16, the State supported the facility with a combination of annual General Fund appropriations ($3.2 million in FY 2014-15 and FY 2015-16) and $5.0 million from the 2012 Mortgage Servicing Settlement. As the $5.0 million set aside from the Mortgage Settlement will be exhausted at the end of FY 2015-16, the Department requires another source of funds.

The Department requests that, for FY 2016-17, the General Assembly both continue the base General Fund support of $3,223,851 and authorize an additional $1,765,786 in Marijuana Tax Cash Fund (MTCF) funds and 1.0 FTE to cover the entire budget of the project. Further, the Department requests the General Assembly adopt a bill to specifically authorize use of MTCF moneys for this purpose. Under current law, Section 39-28.8-501 (2) (b) (C) authorizes use of the Marijuana tax cash fund (MTCF): "To treat people with any type of substance-abuse disorder, especially those with co-occurring disorders;"

however, the Department would not be using the funds to pay for "treatment" per se and thus wishes more explicit statutory authorization to use the funds for residential services at Fort Lyon.

The request indicates that 100 percent state funding is necessary while it waits for the Center for Medicare and Medicaid Services (CMS) to determine whether or not Ft. Lyon is an "Institution for Mental Disease" or IMD (discussed below). If Fort Lyon is determined not to be an IMD, as the Department expects, then the Department hopes to access Medicaid, Housing and Urban Development (HUD) program funding, veteran's administration assistance, and food stamps. The Department has also expressed intent to begin charging some residents as they progress through the program and have earnings.

If the Department is unable to secure additional funds from either state or federal sources, it indicates that it could only serve 79 clients, at which point the program might not be viable and it would need to consider closing the facility.

The IMD Exclusion

Is Fort Lyon an "institution for mental disease" and, thus, are people who reside their excluded from receiving Medicaid and other federal support?

When the Medicaid program was first created, Congress chose to carve out state mental hospital ("institution for mental disease"/IMD) costs from the program. This provision, established in Section 1905 (i) of the Social Security Act and related regulations, is known as the "IMD exclusion". This is the reason the State shoulders 100 percent of the costs for adults under age 65 who are treated at the state mental health institutes at Pueblo and Fort Logan, the state's two large congregate care facilities for people with mental illness.

Under the IMD exclusion, federal financial participation is precluded for any services for individuals ages 22 through 64 while they reside in an IMD. An IMD is defined as "a hospital, nursing facility or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases". "Mental diseases" is further defined to include alcoholism and chemical dependency syndromes, according to the State Medicaid Manual.

Fort Lyon is structured as a supportive residential community rather than a treatment facility. However, virtually all residents at Ft. Lyon suffer from alcoholism or chemical dependency and the majority also have a diagnosis of depression or another mental illness. There is also a federally qualified health care center (FQHC) on-site that serves the majority of residents. This has understandably prompted questions from federal authorities about whether the facility is an IMD.

The Colorado Department of Health Care Policy and Financing conducted a study to determine whether Ft. Lyon meets the definition of an IMD.[1] Its report, dated August 26, 2015, concludes that the facility is not an IMD because:

[1] Colorado Department of Health Care Policy and Financing, *Report on Whether the Fort Lyon Supportive Residential Community Meets the Definition of an Institution for Mental Disease*, August 26, 2015.

- The facility is not licensed or accredited as a psychiatric facility.
- The facility does not provide psychiatric/psychological care and treatment for mental diseases. The primary activities provided are transitional housing, vocational training, and educational support.
- All residents have self-reported chemical dependency; however the facility relies on lay counseling and peer counseling based on the Alcoholics Anonymous and other peer recovery models. Such programs are excluded from the IMD treatment definition.
- Ft. Lyon staff do not provide treatment. Most are not credentialed to provide behavioral health services and those that are engaged in overseeing general operations of the facility rather than providing individual treatment.

Federal authorities are currently reviewing the HCPF report. Staff understands that there will be meeting on this topic later this month and that the issue may be decided by the end of the year. As reflected in the R1 request, "until this determination is made, Fort Lyon is unable to access federal funds originally intended to fill the gap left by the full expenditure of Mortgage Settlement Dollars".

JBC staff is also concerned that **until a determination is made, the State runs the risk that federal authorities may ask to recoup federal funds expended for medical care for Fort Lyons clients.** Recoupment for FY 2013-14 and FY 2014-15 would cost the state in excess of $1.0 million, with the amount growing over time. In light of the HCPF findings, **staff does not believe this is a likely outcome, but it is a risk.**

Local Affairs Request for Information #2

In April 2015, the JBC submitted information requests to the Governor, including Department of Local Affairs Request for Information #2:

> Department of Local Affairs, Division of Housing, Community and Non-Profit Services, Fort Lyon Supportive Housing Program – The Department is requested to submit a report by November 1, 2015 on the Fort Lyon Supportive Housing program. The report should specifically address:
>
> - The overall effectiveness of the program, including an analysis of whether individuals discharged from Ft. Lyon are able to obtain and maintain stable housing and jobs, to remain sober, to avoid involvement in the criminal justice system, and any other measures the Department deems appropriate for evaluating the program's impacts.
>
> - Costs of maintaining the property over the long term, including costs that must be addressed within a 15-year window and additional investments anticipated to be required beyond that time-frame, including, but not limited to, the costs of demolishing empty buildings and any related asbestos abatement on the site.

- Whether Department and community housing resources are sufficient to successfully transition Ft. Lyon residents back to their local communities now and in the future. The report should particularly address whether the Department has been able to obtain new rental housing vouchers or has had sufficient turnover in its existing housing voucher resources to assist individuals who complete the program at Fort Lyon in obtaining community-based housing.

The Department submitted a report in response to the request. From staff's perspective, the response did not fully address the Committee's questions. However, the discussion below draws from this report, earlier materials submitted by the Department, and subsequent Department responses to provide as complete a picture as possible of the program's strengths and weaknesses as they are currently known.

Program Costs

Since the program was first contemplated, there have been changes that have both increased and decreased specific program cost components; however, overall, the cost per person calculation has increased from what was originally anticipated. The biggest factor in this is a decision to serve a maximum of 250, rather than 300 clients. There have also been revisions to increase estimated maintenance costs. The table below reflects the data staff has received to-date on the program's anticipated average annual costs after amortizing anticipated controlled maintenance costs over 15 years.

	Calculations/subtotals	FY 2016-17 Budget
Department of Local Affairs budget request (R1 Request)		
Coalition for the Homeless Contract for Program Services	2,586,733	
Bent County Facility Maintenance Contract, including energy improvements	2,110,512	
DOLA program oversight, program contingency	292,392	
		$4,989,637
Facility maintenance costs (DOLA RFI #2 Response)		
5 year controlled maintenance plan $4,135,000	3,935,000	
15 year property maintenance plan $7,521,500	7,521,500	
Subtotal	11,456,500	
Amortized over 15 years		763,767
Subtotal Annual Expense Excluding Health Care Costs		5,753,404
Cost per person @ 250 average daily placements		**$23,014**
Medicaid health care costs (HCPF/Report on IMD; DOLA placement data)		
Health care costs, per HCPF		
Total costs for clients served: 9-3-13 to 6-15-15. Total of 381 client IDs (A)	2,038,307	
Estimated total Ft. Lyon person-days served over this period (653 days * ADP 144.2) (B)	94,171	
Avg. Medicaid Medical costs per Ft. Lyon person-day [(A)/(B)=(C)]	$21.64	
Average annual costs per ADP at Ft. Lyon [C x 365 days=(D)]	$7,900	
Estimated annual medical costs for ADP of 250 [D x 250]		1,975,083
Estimated Annual Ft. Lyon Cost		7,728,487
Cost per person @ 250 average daily placements		**$30,914**

During the Department's FY 2015-16 budget hearing with the Committee (December 2014) it provided the following comparative data on the costs of other supportive housing programs.

These represented the costs of these programs as of December 2013 (two years ago). Staff assumes the costs below do not include Medicaid medical costs. **Based on the list below, staff would describe the Ft. Lyon cost structure of $23,014 per person *excluding* medical as on the upper end when compared to other supportive housing properties.**

Organization	Name of property	Number of Persons Housed	Cost per Person Housing & Services
Boulder Housing Partners	Permanent Housing Drive Inn Theater	10	$15,152
Volunteers of America	Irving Street Residence	57	$14,228
St Francis Center	Cornerstone	60	$18,443
St Francis Center	Anchor	13	$27,896
St Francis Center	Senior	20	$23,354
Colorado Coalition for the Homeless	Metro Denver Homeless Collaborative	37	$30,813
Colorado Coalition for the Homeless	Off Broadway Lofts	22	$10,610
Colorado Coalition for the Homeless	West End Flats	36	$15,377
Mental Health of Denver	Lowry Apartments	48	$18,517
Arapahoe House	Homeless Vets	4	$18,054
Empowerment	Women Reentry	17	$19,026

The Department's request argues that the program should be viewed as *saving* the State an average of $26,034 per resident per year, but this is not well supported. The Department based this calculation on a comparison between the direct costs to the Department per 250 people served ($19,825 per resident) versus costs discussed in a study in Silicon Valley that found the public cost of chronic homelessness, including medical care, to be $45,993 per person per year. As outlined above, if medical treatment is included (necessary for any "apples to apples" comparison) Fort Lyon costs are $30,914 per person. Furthermore, a review of the Silicon Valley study indicates that, at least in Silicon Valley, public costs only exceed the cost of providing housing for the top 5 percent of homeless service users. Service cost structures are likely to be different in Silicon Valley from Colorado as a whole. Nonetheless, if the broad findings of the study hold—that immediate cost "savings" only accrue for providing supportive housing to the top 5 percent of the homeless service users—Fort Lyon residents might or might not be in this "top five percent" category.[2]

[2] Daniel Flaming, Halil Toros, and Patrick Burns, *Home Not Found: the Cost of Homelessness in Silicon Valley*, Economic Roundtable, 2015.
http://destinationhomescc.org/wp-content/uploads/2015/05/er_homenotfound_report_6.pdf

Physical Plant Costs - Controlled Maintenance and Asbestos Mitigation
One of the most significant ongoing challenges facing Fort Lyon is the cost of maintaining the extensive physical plant. Fort Lyon is a beautiful historic property with handsome brick buildings and irrigated grounds. The largest buildings were constructed in the 1930s and used for a large federal Veterans Administration rehabilitation facility. Other buildings, including old officers' homes, date back to the 1860s and 70s, when the facility was constructed by the Army as a military fort. The facility was used by the Navy for tuberculous treatment and later the Veterans Administration for neuro psychiatric treatment and chronic care (1907-1956). In November 2001, the federal government transferred the facility to the State for the purpose of turning the facility into a prison. The Department of Corrections closed the prison in 2011.

While many of the buildings are in relatively good physical condition, the facility's age and isolation remains a challenge. Further, concerns about asbestos have dogged the facility.

<u>Age and Controlled Maintenance</u>. This year, the Committee requested that all departments submit an inventory of buildings that are 50 years or older and report on their condition. The Fort Lyon property is on the National Registry of Historic Places. **The Department reported that 87 of the 110 structures on campus are 50 years or older and that associated controlled maintenance costs are $19.0 million, as outlined in the table below.** In response to staff questions, the Department has also acknowledged that it has already tapped the State's Controlled Maintenance Emergency Fund for $99,931 to address failures in the fire alarm and elevator systems.

Summary of Fort Lyon Campus

Number of the 110 buildings that are 50 years or older	87
Property Value	$104,781,073
Square Foot of Campus	569,078
Controlled Maintenance Cost Estimate	$19,013,490
Controlled Maintenance Cost/ square foot	$33.41

Many of these buildings are not currently in use: the controlled maintenance costs associated with those that are currently use are smaller but still total over $11.0 million.

In response to Department RFI #2, the Department provided an assessment of controlled maintenance costs on November 2, 2015. It subsequently revised these figures to the amounts shown below. A spreadsheet reflecting these costs is available if desired.

5-year Controlled Maintenance Plan	$3,935,000
15-year Property Maintenance Plant (routine and periodic facility repair costs	<u>7,521,500</u>
Total	$11,456,500

These figures are well above the estimates included in the Department's December 2014 submission, that reflected a fifteen year major and minor maintenance cost of $8,527,296, including $2.7 million in one-time and $5.7 million in routine maintenance. Department staff have noted that not all this amount may ultimately be charged to the state, as Bent County may address some of the controlled maintenance.

Asbestos. These figures do not include asbestos clean-up, which is being separately addressed. The asbestos mitigation costs have been an ongoing question. According to news reports, a 2006 study by Gobbell Hays found "moderate to significant amounts" of asbestos-containing materials in most buildings and estimated clean-up costs at as high as $10 million.[3] Yet in December 2014, the Department estimated that remaining asbestos mitigation costs at Ft. Lyon would be as little as $117,000 to demolish ten structures.

The Department is now reexamining the issue. The U.S. Environmental Protection Agency and their contractor are in the process of a Targeted Brownfields Assessment of the Fort Lyon Campus. An application is being prepared for a Brownfields Grant requesting funds for cleanup. The Department expects to complete its Preservation Master Plan and have updated asbestos abatement costs by January 2016. **The Department believes that the U.S. EPA will ultimately cover costs associated with asbestos abatement at the property.**

Other Operating Costs. The annual payment to Bent County for maintenance of the facility is $2.1 million. The County has been able to make some very significant improvements in the facility's energy efficiency, following a contracted energy audit. Nonetheless, the utilities alone for the facility plus the annual cost of an energy improvements are nearly $900,000 per year. *If the only entity operating on the Ft. Lyon site is the Supportive Residential Community, the costs of maintaining the physical plant amounts to $704 per resident per month. As a result, the Department appears to be exploring whether there are other kinds of programs that could be located on the site that would make the cost-structure more reasonable.*

Program Outcomes

The information on program outcomes submitted in the Department's report was very limited, and an annual report from the Colorado Coalition for the Homeless that is likely to better address the Committee's questions will apparently not be available until the end of November. However, the Department did respond to staff follow up questions, which fill-out the data originally submitted.

Individuals Served and Length of Stay

The Department has not provided updated data on who was served in FY 2014-15. However, all clients have a substance abuse issue, and, according to an FY 2013-14 report, over 84 percent of the population in FY 2013-14 had two or more conditions, including mental illness (60 percent), a physical disability (50 percent) or chronic health condition (50 percent). According to the FY 2013-14 report, the average length of homelessness prior to entry was 46 months, 22 percent of residents were veterans, and 35 percent had experienced domestic violence.

[3] Alan Prendergast, The Poisoned Pen of Fort Lyon Prison, *Westword*, November 15, 2007. http://www.westword.com/news/the-poisoned-pen-of-fort-lyon-prison-5096253

The program served 364 individuals during FY 2014-15. The table below shows the average monthly placements, reflecting resident arrivals and departures. The Department has indicated that the intent is to serve 250 residents per day on average. However, the program has not thus far grown to that level, based on the first quarter of FY 2015-16.

FY 2013-14		**FY 2014-15**		**FY 2015-16**	
Month	**# of residents**	**Month**	**# of residents**	**Month**	**#of residents**
Jul	n/a	Jul	202	Jul	197
Aug	n/a	Aug	197	Aug	204
Sept	23	Sept	180	Sept	207
Oct	55	Oct	160	Oct	207
Nov	56	Nov	176	Nov[1]	214
Dec	68	Dec	190		
Jan	79	Jan	183		
Feb	93	Feb	177		
Mar	109	Mar	173		
Apr	151	Apr	182		
May	171	May	199		
Jun	176	Jun	195		

[1] First week of November

For the 363 residents who left in between September 1 2014 and August 31, 2015, the average length of stay was 228 days. About 20 percent stayed less than 60 days and 20 percent stayed over one year. *While those with a "successful" departure stayed longer (253 days on average) those who were "unsuccessful" also stayed an average of 196 days.*

<u>Program Impacts</u>

The majority of residents at Fort Lyon report that the program has a significant positive impact on their lives. The program can point to examples of residents who arrived at rock bottom and who report that they are now successful college students, artists, and entrepreneurs. Among other accomplishments, the program is opening a store front in Las Animas that sells products made by Ft. Lyon residents. Twenty-five alumni have chosen to settle locally in Las Animas or La Junta. **Still, the program's success rate is far from 100 percent. Without longer-term data and meaningful comparisons to other programs serving the same population, it is hard to know whether the results thus far represent remarkable success, poor, or average results.**

- **Met Self-identified Goals.** The program categorizes residents' program outcomes upon exist as successful or unsuccessful depending upon whether or not the resident met self-identified goals. By this measure, of the 363 who left the program in its second year of operation (Sept 1, 2014-Aug 31, 2015), 201 **(55.3 percent) were successfu**l and 162 (44.6 percent) were unsuccessful.

- **Housing.** One measure of the program's success is whether residents who completed the program were "housed" afterwards. As shown, during the second year of operation, for those staying over 90 days, **63 percent departed to a "housed" category**, which could include temporary housing with a family or fiend or a rental with or without a subsidy (the largest categories), while the "unhoused" other clients moved to an emergency shelter, motel, or place not meant for habitation.

Exit Outcome and Length of Stay						
Length of Residency	**Less than 90 days**		**90 Days or More**		**Total**	
	#	**%**	**#**	**%**	**#**	**%**
Housed	30	52%	65	63%	**95**	**59%**
Unhoused	28	48%	38	37%	**66**	**41%**
Total	**58**	100%	**103**	100%	**161**	100%

When the Fort Lyon program was originally presented to the General Assembly in 2013, it was compared to Harvest Farm, a Fort Collins Rescue Mission property that serves 73 men on a working farm in Wellington, Colorado. At that time, Harvest Farm's results were reported as:

- 2010: Successfully housed 73 percent after six months and 62 percent after one year
- 2011: Successfully housed 82 percent after six months and 76 percent after one year

Based on the experience thus far, Fort Lyon is not achieving results at the level of Harvest Farm. The program will be conducting interviews 30 days, six months, and 12 months post-exit. However, none of this data has been reported to-date.

- **Employment.** Of the 364 residents served in FY 2014-15, 43 (11.8 percent) obtained employment while in residence.

- **Education.** In FY 2014-15, 103 residents (28.3 percent) were enrolled in education, either GED or higher education.

- **Resident mental health and quality of life.** The program uses three validated tools to assess residents' depression, anxiety, and quality of life. Residents reported significant improvements on all three after six months in residence. Scores for anxiety and depression fell by over 50 percent, moving from average scores reflecting moderate depression and anxiety to mild depression/minimal anxiety. Scores for quality of life likewise improved by over 50 percent to a level only slightly below that of the general population.

Affordable Housing Priorities and Conditional Request for Housing Vouchers

In the FY 2015-16 Long Bill, the General Assembly expressed its intent that state affordable housing appropriations should be targeted to projects that can be reasonably expected to reduce other state costs. The Department has indicated that this is also one of its goals. However, its housing outcomes measures do not currently address state cost-savings. It appears to have credible information on the net savings from one program (Colorado Choice Transitions vouchers), but a request for increased funding for this program is identified as "conditioned" on additional state General Fund revenue.

SUMMARY:

- The demand for affordable housing far outstrips the State's capacity to address the problem. The FY 2015-16 Long Bill therefore specifies the General Assembly's intent to target state General Fund appropriations for affordable housing to projects that can be reasonably expected to reduce other state costs.

- In response to a related request for information, the Department indicated that state cost savings is one of the goals of its housing programs. However, this is not currently reflected in its outcomes measures.

  For affordable housing construction, the Department measures savings to households benefitting from the housing, local revenue and jobs resulting from affordable housing construction, tax revenue associated with construction, and funds leveraged for housing projects. *None of these directly addresses the extent to which General Fund appropriations for housing reduce other state costs*.

  For individuals served by state housing vouchers, the Department measures the number of vouchers issued and the number of individuals who obtain and maintain housing. The State estimates the Colorado Choice Transitions (CCT) program, which assists individuals with disabilities in leaving or avoiding institutionalization, saves $31,127 per person per year. It estimates higher savings for its mental health voucher program but does not appear to have sufficient data for a reliable calculation.

- The Department submitted a "conditional" budget request for $1,300,125 General Fund for FY 2016-17 to increase the number of Colorado Choice Transitions (CCT) housing vouchers by 150 in FY 2016-17. The Department indicates that it is largely driven by a need to correctly annualize an FY 2014-15 request previously approved in the Department of Health Care Policy and Financing (HCPF). Data provided in response to staff question suggests that **not** funding 75 additional vouchers through an FY 2015-16 supplemental would drive General Fund costs of $1.1 million in FY 2015-16 and the net impact of not adding a further 75 vouchers in FY 2016-17 could cost the state as much as $2.8 million General Fund. Calculations for both years must be further refined.

RECOMMENDATION:

The Committee should encourage the Department of Local Affairs to develop outcome measures that address the extent to which affordable housing projects supported by the General Fund are likely to result in cost savings elsewhere in the state budget.

The Committee should discuss with the Executive Branch why it has submitted a request for annualizing CCT vouchers as "conditional" based on sufficient General Fund if **not** funding the request will drive net state costs.

DISCUSSION:

Supply and Demand for Affordable Housing
In Colorado, as in much of the nation, there is an acute gap between the demand for affordable housing for low- and moderate-income people and the number of affordable units available.[4] The average rent in the state in the 3rd quarter of 2015 was $1,219 per month. At the $20,000 household income level and below, there were two households competing for each rental unit available at an affordable level ($500 per month).[5] The problem has grown over time because rents have been increasing far more rapidly than wages and is particularly acute due to the state's tight housing market.[6] The result is an increase in the number of low income households that are "rent burdened" (spending more than 30 percent or even 50 percent of their income on housing), as well as homeless.

Some 164,600 low-income Colorado households—about 8.3 percent of all Colorado households—paid more than half of their cash income toward rent in 2013. About 75 percent of these households had earnings of less than $20,000 per year. Of the total, about one-third were elderly or disabled, and about 35 percent were families with children.[7] Households who pay so much of their income in rent are at risk of homelessness. According to a statewide point in time survey conducted in January 2014, there were 10,028 homeless men, women, and children in Colorado, including 1,621 chronically homeless individuals.[8]

The federal government currently supports about 32,000 rental housing vouchers, and, based on preliminary estimates by the Piton foundation, there are approximately 100,000 rent restricted

[4] "Affordable" housing is typically defined as housing that requires no more than 30 percent of a household's income. "Low income" households are typically defined in housing literature as those with incomes at or below 80 percent of the area median income (household incomes below about $47,000 in Colorado).
[5] As of 2013. Dr. Elliot Eisenberg, *Driving a Vibrant Economy: Housing's Role in Colorado's Economic Success*, 2014, (http://www.piton.org/sites/default/files/Economic%20Impacts%20Study_%20Online%20Version.docx_.pdf)
[6] The Colorado apartment vacancy rate during the third quarter of 2015 was 4.8 percent, reflecting an easing but still tight market, and the rate in some areas remains as low as 2.4 percent.
[7] Center on Budget and Policy Priorities, Federal Rental Assistance Facts, Colorado, 8/31/2015 (same source, updated, as cited in Department FY 2015-16 request).
[8] U.S. Department of Housing and Urban Development, 2007-2014 Point-in-Time Estimates by State. https://www.hudexchange.info/resource/4074/2014-ahar-part-1-pit-estimates-of-homelessness/

units statewide.[9] However, this falls far short of the demand, given the number of rent-burdened households outlined above.

The Department anticipates that the "gap financing" it provides through affordable housing construction grants and loans can help to address creation of about 4,120 units per year, *i.e.*, **it may be able to address less than 4 percent of the need.**

In light of the above, staff believes state funding must be carefully targeted to achieve critical state goals, starting with providing housing assistance where this is the most cost-effective way to reduce the need for other kinds of public support services.

State Role and Support for Affordable Housing
The Colorado Department of Local Affairs, Division of Housing, is charged with studying housing conditions in the state, providing technical assistance and other support services for local governments, housing authorities and other public and private entities to promote the development of adequate and energy efficient housing. It's responsible for administering state and federal affordable housing grant, loan, and rental-assistance programs.

While the Division of Housing plays a significant role in providing and coordinating statewide services, many of the resources for supporting affordable housing programs are distributed by federal authorities directly to local governments, and other resources are administered by the Colorado Housing Finance Authority (CHFA).

A major player in affordable housing is the federal government which, in Colorado, supports approximately 32,000 rental vouchers, about $13 million annually in low income housing tax credits, and over $50 million in annual block grants that may be used to support affordable housing as well as other community needs. These resources are distributed statewide. Some of these resources (about 6,500 vouchers and $12 million in federal block grants, as well as tax free private activity bonds) are administered by the Division; however, low income housing tax credits and some tax-free bonds are administered by CHFA, and other block grant amounts and rental vouchers are administered by local governments.

Like the federal government, the State of Colorado also provides tax credits, housing construction grants and loans, and rental vouchers to support affordable housing. The major initiatives are outlined below.

<u>Colorado Housing Tax Credits</u>: H.B. 14-1017 authorized the Colorado Housing and Finance Authority (CHFA) to issue $30 million of state income tax credits in 2015 and 2016 to support affordable Housing. Like federal low-income housing tax credits, these tax credits reduce construction costs and thus make construction of units that rent below market rate more feasible. The credits are issued for construction or rehabilitation of qualified developments subject to a restrictive covenant requiring the buildings be maintained and operated for qualified purposes (low income housing) for a period of at least 15 years.

[9] Personal communication, Jenifer Newcomer, Director of Research, Piton Foundation, 2/5/2015.

<u>Colorado Housing Investment Fund/Mortgage Settlement Custodial Funds</u>: The Colorado Housing Investment Fund, a revolving loan fund with continuous appropriations authority, has been allocated $36.2 million in custodial funds from the settlement between states and the five largest mortgage servicing companies 2012.

<u>Colorado Housing Development Grants and Rental Assistance Appropriations</u>: The Long Bill includes General Fund grants for Affordable Housing Grants and Loans ($8.2 million) and state housing vouchers ($1.4 million)

FY 2015-16 General Assembly Actions and Department Response

In FY 2015-16, the General Assembly maintained the FY 2014-15 appropriation of $8,200,000 General Fund for affordable housing grants and loans and $1,360,813 General Fund for rental assistance vouchers. It also added Long Bill footnote #57, which reads as follows:

<u>57</u> Department of Local Affairs, Division of Housing -- It is the intent of the General Assembly that the Department target state General Fund appropriations for affordable housing to projects and clients that can be reasonably expected to reduce other state costs.

Further, it submitted Joint Budget Committee Department of Local Affairs Request for Information #1, requesting that the Department submit a report on its affordable housing programs that addresses the following:

- The State's priorities for affordable housing construction and rental assistance programs.
- How the projects approved by the State for funding align with these priorities.
- The per-unit costs of these projects identifying specifically (1) state funds; and (2) other funds.
- To the extent feasible, the resulting financial benefits to the State from the types of units funded. The Department is requested to particularly focus this analysis on reductions in state outlays for services; e.g., Medicaid-funded hospitalizations for chronically homeless or disabled individuals.

The Department's response to the Committee's RFI indicates that:

> "It is the intent of both the General Assembly and the Department that the appropriations are targeted towards individuals and projects that not only ensure low-income Coloradans secure stable and safe housing, but in doing so, create a reduction in state costs."

The response addresses the two major components of state support for housing: assistance for housing construction; and rental assistance programs. The following material is drawn directly from the Department's response.

Housing Construction Assistance

For FY 2014-15, $8.2 million in Housing Development Grants (HDG) and $2.3 million in revolving loan funds from the Housing Investment Trust were awarded through a competitive grant process. These funds provided gap financing for projects to build or rehabilitate 967 affordable units in locations throughout the State.

Rental units supported by the Department serve households that earn at or below 60 percent of the Area Median Income (AMI). In the Denver metropolitan area, a household earning 60 percent of AMI in 2015 has an income of $47,940. As a condition of funding, the Division establishes maximum rents for these units which are based on approximately 30 percent of the specific AMI level for the unit ("affordable rents"). Homeownership projects funded serve households that earn at or below 80 percent AMI. Projects are typically required to remain affordable for 30 years.

For assessing housing construction in FY 2014-15, the Department used five outcomes metrics that are summarized in the table below from the report and explained below.

Table 1. Housing Development Summary Outcomes: Affordable Rental and For-Sale Housing

Project Type	Total Units*	Household Savings (over one year)	Local Income (over one year)	Tax Revenue (over one year)	Jobs Created (over one year)	Funds Leveraged
Rental New Construction	373	$1,086,857	$51,264,747	$9,477,184	876	$84,753,217
Rental Acquisition / Rehabilitation	619	$2,644,536	$44,971,588	$7,417,477	495	$65,808,269
Homeownership	56	$5,957,148	$17,024,000	$3,416,000	235	$13,300,496
Total Revolved and Appropriated Funds	**1,048**	**$9,688,541**	**$113,260,335**	**$20,310,661**	**1,606**	**$163,861,982**

* Of the 1,048 total units developed, 967 are affordable and 81 are market-rate units. The Division of Housing did not fund 100% of the development costs of projects funded by HDG and HITF because of the nearly $164 million in leveraged funds in these projects. Outcomes are reported for all units in each project because the projects either would not have been able to move forward without funding from the Division or would have moved forward with less affordability (i.e., higher AMIs).

Household savings per year are calculated based on the difference between the market rate rent for each affordable unit constructed and the affordable rent at which the unit is provided. The savings provided to low-income tenants decreases their rent burden and risk of homelessness and ensures that more of their household income can be used for other household necessities.

Local income per year reflects the local economic impact of constructing or rehabilitating the new units. This is calculated using data from two recent housing studies that aggregated the income that results directly and indirectly from residential construction in Colorado.[10] The Division used the per unit figures from these studies for these calculations. The Department's calculations reflect local income per new affordable rental unit at an average of $137,439 per year, per rehabilitated unit at $72,752 per year and per homeownership unit at $304,000 per year. The calculated income includes direct and "induced" local spending in the construction phase.

Tax revenue per year from the new construction is also calculated from the two recent housing studies cited above to identify estimated per unit tax revenue for the 1,048 units constructed. The Department uses these studies to identify tax revenue of $25,408 per new rental unit constructed, $11,983 per rental unit rehabilitated, and $61,000 per homeownership unit.

Jobs created associated with the new construction is also calculated from the two housing studies cited above and is based on 2.35 jobs per unit for rental new construction, 0.8 jobs per unit for rental rehabilitation, and 4.19 construction jobs per unit for homeownership new construction.

Funds leveraged is based on the public and private funds accessed to complete each of the housing projects funded. This includes bank financing, private activity bonds, local contributions, fee waivers, charitable donations, and tax credit equity. On average, the Department's funds leveraged $227,220 per new construction unit, $106,314 per rental acquisition/rehabilitation unit, and $237,509 per homeownership unit. For construction projects, the leverage ratio ranged from 4:1 to 46:1 for projects financed in FY 2014-15.

Types of projects funded: The Department provided a list and description of the projects financed in the last year, including 22 construction projects and several other housing projects for activities such as down payment assistance, emergency shelter construction, and a fair housing study. Projects were located throughout the State and included low-income senior housing, housing for people with disabilities, domestic violence and emergency shelter, housing for homeless adults and teens, and for low- and very-low income families. A few projects were targeted to the upper-end of low income, i.e., for-sale units for people at 70-80 percent area median income with restrictions on appreciation and resale.

State Housing Voucher Program

The State provides housing rental assistance and supportive services to individuals exiting psychiatric hospitalization or nursing homes who would otherwise be discharged to homelessness. This includes two types of vouchers:

- Mental health vouchers
- Colorado Choice Transitions vouchers

[10] Dr. Elliot Eisenberg, *Driving a Vibrant Economy: Housing's Role in Colorado's Economic Success*, 2014, (http://www.piton.org/sites/default/files/Economic%20Impacts%20Study_%20Online%20Version.docx_.pdf) and the 2015 National Association of Home Builders' study, *The Economic Impact of Homebuilding in a Typical State: Income, Jobs and Taxes Generated.*

Mental Health Vouchers: The State funds 134 vouchers for people with mental illness at a cost of $7,260 annually per voucher, based on a partnership between the Colorado Department of Human Services and the Department of Local Affairs. The outcomes include the number of vouchers issued and the number of individuals who obtain and maintain housing, and ultimately do not return to institutionalization or homelessness. Currently, 134 individuals use the mental health vouchers. The Department reports that measuring the exact cost savings that result from moving the individuals into housing is challenging due to HIPAA laws protecting health information. In lieu of this, the Department cites a 2015 study on the cost of homelessness in Silicon Valley as a source for costs that may be avoided by providing this housing.[11] It cites a cost of $45,993 per person for the chronically homeless versus the $7,260 for the voucher program to estimate savings of $5,190,222 associated with the vouchers. It notes that saving may be much greater. The *mental health vouchers may lead to net state savings; however, the particular figures cited by the Department are not "apples to apples": most and possibly all individuals in this program access Medicaid mental and physical health services <u>in addition to</u> their housing voucher.* A meta-analysis of existing studies by the Washington State Institute for Public Policy found that, in general, providing permanent supportive housing to chronically homeless single adults has a 0% probably of benefits outweighing costs.[12] While this may differ for sub-populations, it suggests that net cost savings should not be assumed.

Colorado Choice Transitions Vouchers: The FY 2015-16 budget funded 75 vouchers at a rate of $6,005 for people with disabilities. The vouchers are used for people who either (a) successfully find new homes and move out of institutions; or (b) are prevented from entering an institution. The vouchers were first approved in FY 2014-15, based on an analysis arguing that the vouchers would be cost effective. The cost of providing community living waivers for services plus a housing subsidy and food stamps is reported to be $25,170. The cost of providing skilled nursing care in 2013 was $56,297. Thus, providing a housing subsidy to help people move out of institutions is expected to result in an average cost savings of $31,127 per person per year.

Conditional Request/Technical Error: Colorado Choice Transitions Rental Vouchers
The Governor submitted an additional group of budget requests identified as "conditional" in the event there were additional resources to support the budget. The request is for $1,300,125 General Fund for FY 2016-17 to fund 150 additional housing choice vouchers for the Colorado Choice Transitions (CCT) program.

The request indicates that, when first approved as part of a Department of Health Care Policy and Financing (HCPF) decision item in FY 2014-15, the Colorado Choice Transitions Rental Vouchers were identified as requiring annualization in subsequent years to ramp up additional vouchers, i.e., the decision item was for 75 vouchers in FY 2014-15, 150 in FY 2015-16 and 225 in FY 2016-17. The decision item was approved by the Joint Budget Committee; however, the Department of Local Affairs failed to include annualization of $468,375 for an additional 75 vouchers in its FY 2015-16 request, so this amount was not included.

[11] Daniel Flaming, Halil Toros, and Patrick Burns, *Home Not Found: the Cost of Homelessness in Silicon Valley*, Economic Roundtable, 2015.
[12] http://www.wsipp.wa.gov/BenefitCost/Program/284

Staff believes this occurred in part because the original request placed the vouchers in HCPF, while JBC action placed the vouchers in DOLA. However, staff also notes that while this FY 2015-16 annualization was inadvertently omitted, the JBC then voted in FY 2015-16 *not* to approve a separate request for additional housing vouchers in the Department of Local Affairs. Further, the Department reverted $112,526 of the FY 2014-15 appropriation for these vouchers due to delays in completing placements.

Regardless, the Department has not requested FY 2016-17 funding for the CCT vouchers as an annualization or as a critical budget item for FY 2016-17. Instead, it has requested this item as "conditional", based on adequate revenue. The request includes three components:

- An increase in the cost for the original 75 vouchers from $6,005 to $7,780, based on the increase in the cost of rental housing. ($133,125)
- The additional 75 vouchers and related costs inadvertently omitted from the FY 2015-16 budget at the new increased rate of $7,780. ($583,800)
- A further 75 vouchers for FY 2016-17 at the new rate of $7,780. ($583,800)

The overall CCT request, when originally included in the HCPF FY 2014-15 budget request, was expected to provide net General Fund savings of $1,260,951 in FY 2015-16. The calculation included program demonstration costs in HCPF, reduced HCPF facility expenditures of $12.1 million, and an enhanced federal match rate for the program, in addition to the housing assistance payments.

The DOLA conditional request raises questions about whether failure to fund this proposal is likely to drive General Fund costs in the Department of Health Care Policy and Financing budget in FY 2015-16 and FY 2016-17.

Staff requested additional information from the Department of Health Care Policy and Financing about the program's impact. Consistent with its original request for CCT, HCPF assumes:

- 75 percent of all individuals who access CCT will require housing vouchers in order to leave their institutional setting.
- All 75 vouchers originally funded in FY 2014-15 for the program are now committed to the individuals who entered the program in FY 2014-15 and are therefore not available to help transition additional clients in FY 2015-16 or FY 2016-17.
- Therefore, the program will only serve 25 percent of those originally intended if the additional vouchers are not funded in FY 2015-16 and FY 2016-17.

The table below reflects the projected impact on the HCPF budget in FY 2015-16 and FY 2016-17. As shown, HCPF assumes increased costs of $3.2 million in FY 2015-16 and $4.8 million in FY 2016-17 without the additional waivers. The Department would also forgo a federal bonus (the "rebalancing fund" amounts) provided for each person deinstitutionalized.

The program seeks to serve 100 clients each year who may receive the special CCT services for one year. In the subsequent years, clients are assumed to continue to receive both "regular" community waiver services and, for 75 percent, supportive housing services.

The difference between FY 2015-16 and FY 2016-17 shown below does not reflect the cumulative costs and savings of the program over time but rather anticipated changes in actual enrollment in the program over time in HCPF. Thus, the lower FY 2015-16 figures simply reflect some challenges in program enrollment and administration in the initial period. The Department believes it has addressed these problems (assuming housing vouchers are provided), so the FY 2016-17 figures reflect the estimated costs and savings of the program when fully utilized at a rate of 100 clients per year.

The ongoing savings for clients enrolled in the program should, in theory, be greater than the amounts shown below and cumulative over time. Costs for initial CCT services that assist with deinstitutionalization would be eliminated as would nursing home costs, while Medicaid waiver and housing assistance costs would continue.

FY 2015-16 Colorado Choice Transitions (CCT) Budget Impact

COLORADO CHOICE TRANSITIONS	Original	Without Vouchers	Difference
Estimated Average Monthly Enrollment	64	16	(48)
Estimated Demonstration Service Total Cost	$385,576	$96,392	($289,184)
Estimated Qualified Service Total Cost	$1,296,085	$340,125	($955,960)
Estimated Long-Term Home Health Total Cost	$401,624	$100,405	($301,219)
Estimated Total Expenditures For CCT	**$2,083,295**	**$536,922**	**($1,546,373)**
Estimated Rebalancing Fund Total	*$420,418*	*$109,130*	*($311,288)*
Estimated Number of Completed Transitions (1)	50	13	(37)
Estimated Non CCT HCBS Service Costs Total (MSP)	$569,148	$145,935	($423,213)
Estimated Non CCT HCBS Service Costs Total (DIDD)	$777,263	$211,981	($565,282)
Estimated Nursing Facility Total Cost Avoided	($6,863,642)	($1,715,910)	$5,147,732
Estimated ICF-IID Total Cost Avoided	($1,062,390)	($354,130)	$708,260
Total Cost (Avoidance)/Increase	($7,926,032)	($2,070,040)	$5,855,992
Estimated Total Budget Impact	**($4,496,326)**	**($1,175,202)**	**$3,321,124**
Estimated Rebalancing Fund Balance	*$420,418*	*$109,130*	*($311,288)*

FY 2016-17 Colorado Choice Transitions Budget Impact

COLORADO CHOICE TRANSITIONS	Original	Without Vouchers	Difference
Estimated Average Monthly Enrollment	97	25	(72)
Estimated Demonstration Service Total Cost	$597,028	$153,868	($443,160)
Estimated Qualified Service Total Cost	$1,999,610	$534,699	($1,464,911)
Estimated Long-Term Home Health Total Cost	$621,859	$160,273	($461,586)
Estimated Total Expenditures For CCT	**$3,218,497**	**$848,840**	**($2,369,657)**
Estimated Rebalancing Fund Total	*$649,159*	*$172,142*	*($477,017)*
Estimated Number of Completed Transitions (1)	64	16	(48)
Estimated Non CCT HCBS Service Costs Total (MSP)	$745,438	$178,905	($566,533)
Estimated Non CCT HCBS Service Costs Total (DIDD)	$999,928	$285,694	($714,234)
Estimated Nursing Facility Total Cost Avoided	($9,922,599)	($2,545,930)	$7,376,669
Estimated ICF-IID Total Cost Avoided	($1,630,875)	($543,625)	$1,087,250
Total Cost (Avoidance)/Increase	($11,553,474)	($3,089,555)	$8,463,919
Estimated Total Budget Impact	**($6,589,611)**	**($1,776,116)**	**$4,813,495**
Estimated Rebalancing Fund Balance	*$649,159*	*$172,142*	*($477,017)*

As the HCPF amounts do not take the requested costs of the new housing placements into account or address the federal versus state share of costs, the calculations below reflect an estimate of the net additional General Fund cost associated with adding or not adding 75 addition housing assistance voucher slots in each year. As shown, the data provided suggests that the Committee should expect a net additional cost of $1.1 million General Fund for FY 2015-16 if additional vouchers are not funded. For FY 2016-17, if the program increases CCT participation as HCPF anticipates, the estimated cost associated with not adding a ***further*** 75 vouchers might be as high as $2.8 million. Staff anticipates that these figures will be further refined.

Combined HCPF and DOLA impacts		
FY 2015-16		
Assumed additional cost in HCPF budget if do not fund additional DOLA vouchers		$3,321,124
Estimated General Fund portion of net HCPF impact		1,660,562
Offset: cost of additional 75 General Fund vouchers that must be funded in DOLA		(583,500)
Net additional General Fund cost if do not add DOLA housing vouchers		**1,077,062**
FY 2016-17		
Assumed additional cost in HCPF budget if do not fund additional DOLA vouchers		$6,794,262
Estimated General Fund portion of net HCPF impact		3,397,131
Offset: cost of additional 75 General Fund vouchers that must be funded in DOLA*		(583,500)
Net additional General Fund cost if do not add DOLA housing vouchers		**2,813,631**

Issue: Local Government Severance and Federal Mineral Lease Funding

Fifty percent of all severance tax revenues and over 40 percent of the state's share of federal mineral lease revenues are distributed by the Department of Local Affairs to local governments via direct distributions and grants. FY 2015-16 receipts to the Local Government Severance Tax Fund and Local Government Mineral Impact Fund are, in total, projected to fall from $199.4 million in FY 2014-15 to $104.2 million in FY 2015-16. Most of the impact of this decline will be felt by local governments in FY 2016-17. The General Assembly has in the past transferred energy impact grant funds to the General Fund to balance the budget.

SUMMARY:

- Fifty percent of all severance tax revenues and over 40 percent of the state's share of federal mineral lease revenues are administered by the Department of Local Affairs. This revenue is distributed to local governments via direct distributions and grants.

- During the last recession, the General Assembly suspended virtually all mineral and energy impact grants and transferred over $270 million to the General Fund. In FY 2014-15, $8.2 million in severance tax that would otherwise have been deposited in the Local Government Severance Tax Fund was deposited to the General Fund, and an FY 2015-16 request would transfer an additional $1.8 million.

- Due to the recent decline in oil and gas drilling revenue, total FY 2015-16 revenue to the Local Government Severance Tax Fund and Local Government Mineral Impact Fund (combined) is projected to fall by nearly 50 percent from its FY 2014-15 level (from $199.4 million to $104.2 million) and to climb only modestly in FY 2016-17. Due to the time lag between when revenue is received and disbursed, local governments will feel most of the impact of the FY 2015-16 decline in FY 2016-17.

- Grant funding could be further reduced or eliminated if needed for balancing purposes. Based on information currently available, staff anticipates that a transfer of $50 to $70 million could be feasible in FY 2015-16 and/or FY 2016-17 if the General Assembly chose to suspend local government grants and redirect funds to other state needs.

- Grant moneys are used primarily for local government public infrastructure projects, including roads and government buildings, as well as some local government services. Funds are also used for special executive initiatives such as broadband development. Grant funding from this source typically represents a small percentage of local government revenue, though this varies by year and region.

- Although funds are to be allocated to communities socially or economically impacted by mineral extraction, the Department identifies the entire state as mineral impacted to some degree. The allocation of grant awards between FY 2008-09 and FY 2014-15 does not have a statistically significant relationship to each community's FY 2015-16 energy impact score.

RECOMMENDATION:

Staff has no recommendation at this time on whether the Committee should transfer local government severance or mineral impact moneys to the General Fund but notes that this is an option, as it has been in the past, for helping to balance the budget.

To align statute with current practice, staff recommends that the Committee sponsor legislation to more clearly authorize the use of moneys from the Local Government Severance Tax Fund to support administration of the Department of Local Affairs.

DISCUSSION:

Local Government Mineral and Energy Impact Funds
The Department of Local Affairs is responsible for distributing state revenues associated with mineral extraction to local governments. This includes moneys from two major funding streams:

- 50 percent of state **severance tax** revenue, levied pursuant to 39-29-101, et. seq., C.R.S., on oil, gas, and metallic minerals, based on the value of material extracted from privately and publicly owned lands; and

- 40 percent of most **federal mineral lease (FML)** revenues, the state's share of rents and royalties from private sector mineral extraction on federal lands located in the state. The Department administers 40 percent of "non-bonus" revenues, the largest source of FML funds, and a 50 percent share of "bonus" revenues (initial payments from private entities for the right to extract oil, gas, or minerals on a parcel of land) that may be used when the regular revenue stream declines.

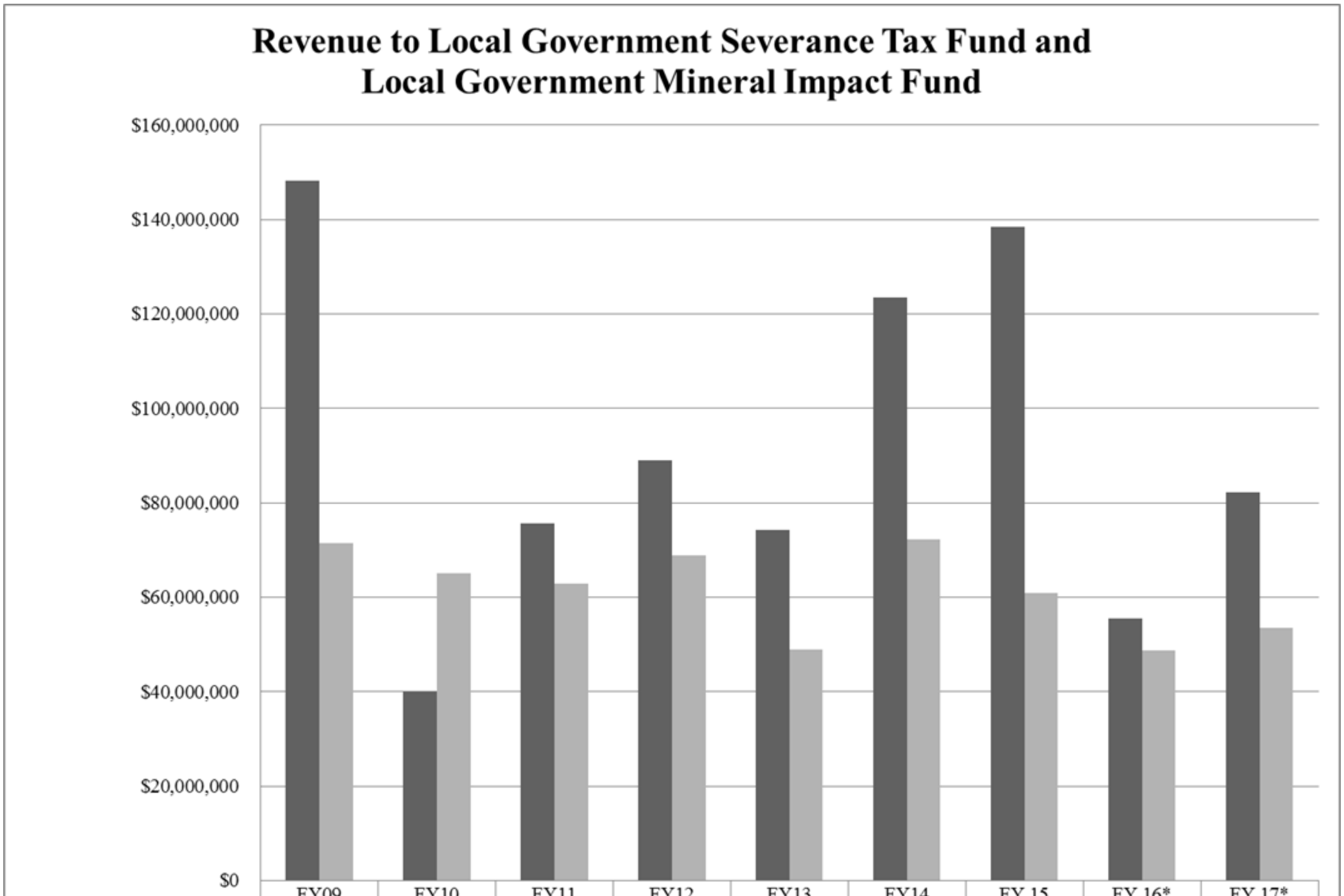
This funding is distributed through two mechanisms:

- **Direct distributions** to mineral-impacted local governments via two formulas (one for severance tax and one for mineral impact funds). This includes 30 percent of Local Government Severance Tax revenues and 50 percent of Local Government Mineral Impact revenues.

- **Grants to local governments** for infrastructure and other needs. This includes approximately 70 percent of Local Government Severance Tax revenues and 50 percent of Local Government Mineral Impact revenues.

Flow charts in Appendix A detail the statutory distribution of severance tax and FML funds.

Revenue from severance tax and FML funds is extremely variable due primarily to the volatility of oil and gas prices. This volatility is exacerbated in the case of severance taxes by the ad valorum property tax credit, which drives severance tax peaks higher and valleys lower than they would otherwise be. The chart below shows recent-year receipts to local government severance and mineral impact funds and projected revenue based on the Office of State Planning and Budgeting September 2015 forecast.



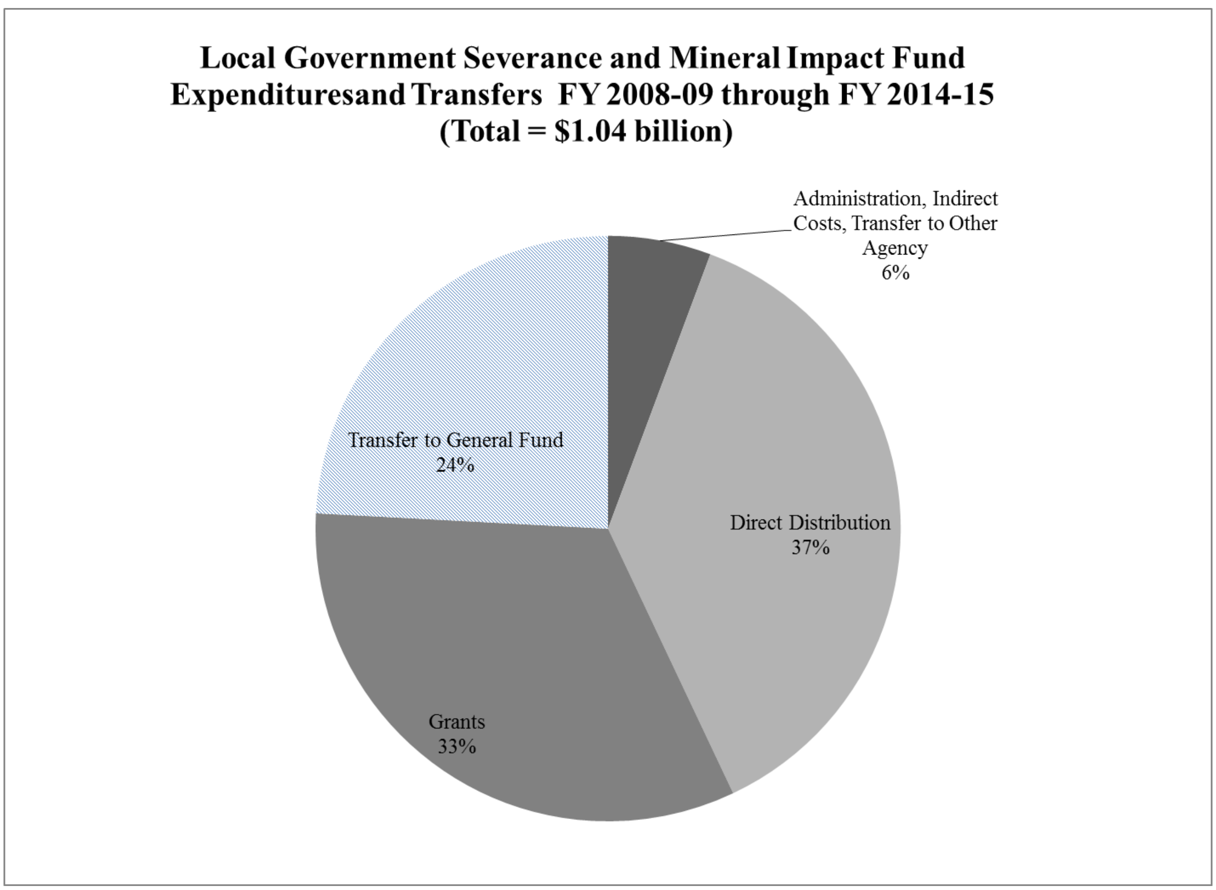
	FY09	FY10	FY11	FY12	FY13	FY14	FY 15	FY 16*	FY 17*
LG Severance Tax Fund	$148,219,042	$39,880,100	$75,692,638	$88,959,566	$74,317,840	$123,457,181	$138,419,350	$55,502,476	82,186,938
LG Mineral Impact Fund	$71,469,494	$65,075,082	$62,806,520	$68,789,934	$48,939,666	$72,298,604	$60,954,811	$48,739,233	53,560,108

*Projection, based on Office of State Planning and Budgeting September 2015 forecast

In general, local government severance and FML allocations are directed by the General Assembly through statutory changes, rather than through Long Bill appropriations. **From FY2008-09 through FY 2011-12, the General Assembly transferred local government severance and mineral impact funds to the General Fund. Associated with this, from FY 2008-09 through FY 2010-11, the Department stopped providing new grants. New grants were again authorized starting in December 2012.**

Local Government Severance and Mineral Impact Fund Transfers to the General Fund				
	From Local Government Severance Tax Fund	From Local Government Mineral Impact Fund	From Local Government Permanent Fund	Total Transfers to General Fund
FY 2008-09	$ (7,500,000)	(15,248,358)	0	$ (22,748,358)
FY 2009-10	(50,327,796)	(22,600,000)	(14,305,697)	$ (87,233,493)
FY 2010-11	(70,000,000)	(15,000,000)	(4,800,000)	$ (89,800,000)
FY 2011-12	(41,000,000)	(30,000,000)	0	$ (71,000,000)
Total	**$(168,827,796)**	**$ (82,848,358)**	**$ (19,105,697)**	**$ (270,781,851)**

In addition to the transfers shown above, for FY 2014-15, the General Assembly adopted legislation to transfer to the General Fund an additional $20.0 million in severance tax. This included $10.0 million that *would have gone* to the Local Government Severance Tax fund if not for the bill. Because of the way the bill was drafted, only $16.2 million ($8.1 million for the Local Government Severance Tax Fund) actually transferred to the General Fund. The chart below shows how Local Government Severance and Mineral Impact Funds were used from FY 2008-09 through FY 2014-15.



FY 2015-16 and FY 2016-17 Planned Use of Funds and Balancing Options

The table below summarizes the Department's planned use of local government severance tax and mineral impact funds for FY 2015-16 and FY 2016-17. Grant amounts shown below reflect proposed new awards, rather than expenditures of existing awards. The mismatch between revenue and expenditures reflects timing issues:

- Direct distributions are based on actual receipts in the prior year, i.e., FY 2015-16 direct distributions are based on FY 2014-15 receipts.

- The Department does not award grants until moneys are actually received; however, it does not wait for a full year's receipts. The anticipated FY 2015-16 grants are based on three award cycles (August, December, and April). The August cycle is based on funds received in the prior year (FY 2014-15 for FY 2015-16).

Local Government Severance and Mineral Impact Fund Program	**FY 2015-16**	**FY 2016-17**
Projected Revenue (New Tax + Interest Income)		
Local Government Severance Tax Fund (50.0 percent severance tax revenue)	$55,502,476	$82,186,938
Local Government Mineral Impact Fund (40.0 percent state share of FML revenue)	48,739,233	53,560,108
Total	**$104,241,709**	**$135,747,046**
Projected Use of Funds		
Administration	7,145,220	7,145,220
Indirect costs and transfers to CDOT	3,612,552	362,552
Direct Distributions (in August; prior year payable)	-	-
Severance Tax Direct Distribution	42,047,432	16,650,743
Mineral Impact Direct Distribution	31,237,224	25,087,698
Grants	-	-
Grants	87,696,794	70,265,528
Special Grants - Executive Initiatives	24,939,863	12,969,931
Severance Tax transfer to General Fund (proposed)	1,886,634	-
Total	**$198,565,719**	**$132,481,672**

- The Executive Request currently reflects **a $1.9 million severance tax transfer to the General Fund from the Local Government Severance Tax Fund** to make up for the difference between the $10.0 million originally anticipated to be transferred at the end of FY 2014-15 from this source and the amount that was ultimately available as the law was written.

- The table shows a large decline in projected outlays from FY 2015-16 to FY 2016-17, but this largely reflects the revenue decline from FY 2014-15 to FY 2015-16. Combined revenue to the Local Government Severance Tax Fund and Local Government Mineral Impact Fund was $195.8 million in FY 2013-14 and $199.4 million in FY 2014-15. **Combined revenue is projected to fall by nearly 50 percent in FY 2015-16 to $104.2 million. However, local governments will not feel the full impact of this until FY 2016-17.** This is due to the lag in distributing funds: (1) direct distribution amounts are based on actual revenues in the prior year; and (2) grant funds are based on a combination of prior year and current year revenue.

The Department awarded $35 million in grants in its August 2015 grant cycle, and it expects to award $35.0 million plus special initiative amounts in the December 2015 and April 2016 grant cycles. Award cycles will likely fall to $20.0 to $25.0 million per cycle in FY 2016-17.

- As always, if the General Assembly requires additional funds for balancing, local government severance and mineral impact grant funds remain a source, despite overall declining trends in these revenues. As grant funds are allocated in cycles throughout the year, much of the FY 2015-16 revenue has not yet been received or committed and thus could be used to assist with balancing. The table below reflects the statutory share allocated for grant programs, administration, and other required transfers (excluding direct distributions).

DOLA Local Government Grant Program Statutory Allocations
(all DOLA administered funds except direct distributions)

	FY 2014-15	FY 2015-16*	FY 2016-17*
FML	$28,580,624	$24,657,773	$27,077,773
Severance	59,205,836	36,924,494	61,648,329
Total	**87,786,460**	**61,582,267**	**88,726,102**

*OSPB Projected Allocations (Sept. 2015 Forecast).

- Based on the calculations above, as well as the projections shown in the preceding table from the Department, staff assumes that $50 to $70 million in funds otherwise available for grants could be transferred in FY 2015-16 and/or FY 2016-17 if necessary to address other state needs.

  With respect to federal mineral lease moneys, federal law at Section 30 U.S.C 191 authorizes the General Assembly to direct federal impact moneys for the state and its subdivisions for planning, construction and maintenance of public facilities, and provision of public service, with priority given to those subdivisions that are socially or economically impacted by the development of minerals. However, this has not in the past deterred the General Assembly from transferring some of these moneys to the General Fund to support public services.

How are Grant Funds Awarded and Used?

Statute requires that funds be distributed to impacted governments "for the planning, construction, and maintenance of public facilities and for the provision of public services". Priority is given to schools and local governments socially or economically impacted by the mineral extraction industry on federal lands. (Sections 39-29-110 and 34-63-102 (1) (b), C.R.S.). Although there are two separate sources of funds, the Department integrates them for purposes of the grant program. Eligible recipients are government entities: municipalities, counties, school districts, and most special districts.

Pursuant to statute, the Executive Director of the Department of Local Affairs determines the allocation of grants for purposes consistent with statute. For administrative purposes, the Department divides grants into three tiers:

Tier I: Grants up to $200,000 which are reviewed and approved by Department staff;
Tier II: Grants from $200,000 to $2,000,000 reviewed by the nine-member Energy Impact Advisory Committee;
Tier III: Grants for multi-jurisdictional projects in the $1,000,000 to $10,000,000 range.

The Energy Impact Assistance Advisory Committee is created in statute to review the existing and potential impacts of mineral and energy extraction and processing on various parts of the state and to make recommendations to the Executive Director about the distribution of grant funds. The Committee's membership, pursuant to statute, is comprised of the Executive Director of the Department of Local Affairs, the executive directors (or alternates) of the Departments of Transportation, Natural Resources, and Public Health and Environment, the Commissioner of Education, and seven Governor-appointed residents from impacted areas.

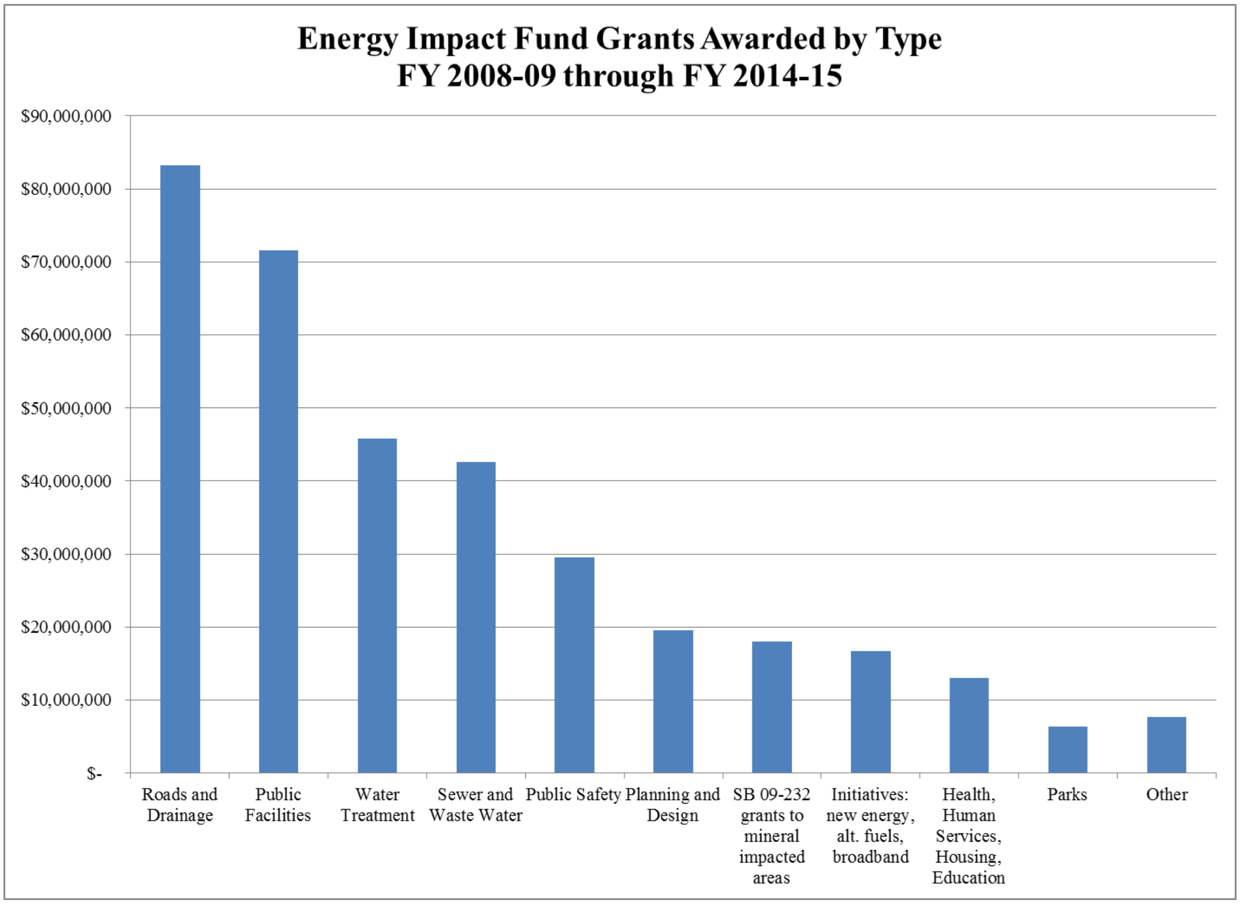
Tier II grants and (when available) tier III grants are reviewed and scored by the Energy Impact Advisory Committee during three grant cycles each year.

According to guidelines for the program, the Committee bases its decision on the following criteria:

- Energy/mineral relationship: The degree to which the applicant is socially or economically impacted by the development, processing, or energy conversion of fuels or mineral including both current and historic impacts.
- Demonstration of need, i.e., the problem is clearly identified
- Readiness to go: project can be initiated within six months following the grant award.
- Local commitment, as evidenced by local government match of not less than 50 percent of the total project cost, including cash and in-kind
- Ability to pay, based on the local government's financial status
- Measurable outcomes benefiting the entire community
- Relationship to community goals, i.e., the project addresses an identified community need outlined in community planning documents.

In addition to grants, this funding structure is also used to authorize loans for potable water and wastewater treatment facilities pursuant to Section 39-29-110, C.R.S.

As reflected in the chart below, energy impact funds are used most heavily for construction of roads and public facilities, as well as for loans and grants for water and sewer systems.



"Special Initiatives"

One of the ways the Executive has used Energy and Mineral Impact funds is to further special initiatives of the Executive branch that do not have other sources of support. There are currently two such initiatives noticed on the Department's website:

- ***Broadband Planning Grants***: $20 million was set aside for this program to support efforts of local governments to improve broadband service to constituents. The Department is supporting regional planning grants and "middle mile" infrastructure, i.e., connectivity from a backbone to a community.

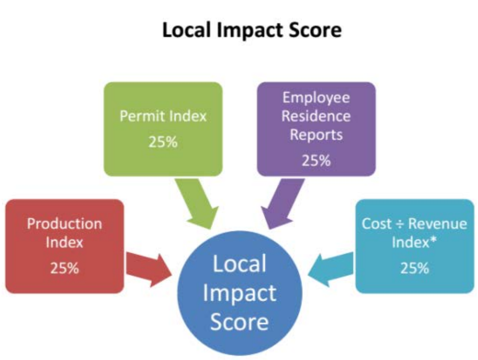
- A***lternative Fuels Funding Program*** (2014-2017): $20 million was set aside for this program, developed in conjunction with the Department of Transportation, the Colorado Energy Office, and the Regional Air Quality Council. It provides grants of up to $2 million per project to support local governments in purchasing alternative fuel vehicles and developing fueling stations for alternative fuel vehicles (primarily compressed natural gas/CNG).

The Department's budget schedules for FY 2015-16 and FY 2016-17 reflect a $25 million set-aside for FY 2015-16 and a $13 million set aside for FY 2016-17. However, ***the specific initiatives planned are not detailed in the budget request.***

What is an "energy impacted community"?
Statute indicates that there should be a relationship between grants of energy impact funds and communities impacted by extraction industries. The Energy Impact Advisory Committee must "give priority and preference to those public schools and political subdivisions socially or economically impacted by the development processing or energy conversion of fuels and minerals leased under the federal "Mineral Lands Leasing Actor February 25, 1920, as amended" when recommending distributions from the Local Government Limited Impact Fund. For funds from the Local Government Severance Tax Fund, "the committee shall recommend distributions to those political subdivisions socially or economically impacted by the development processing or energy conversion of minerals and mineral fuels subject to [severance tax] taxation." [Section 34-63-102 (5) (b) (I), C.R.S.]

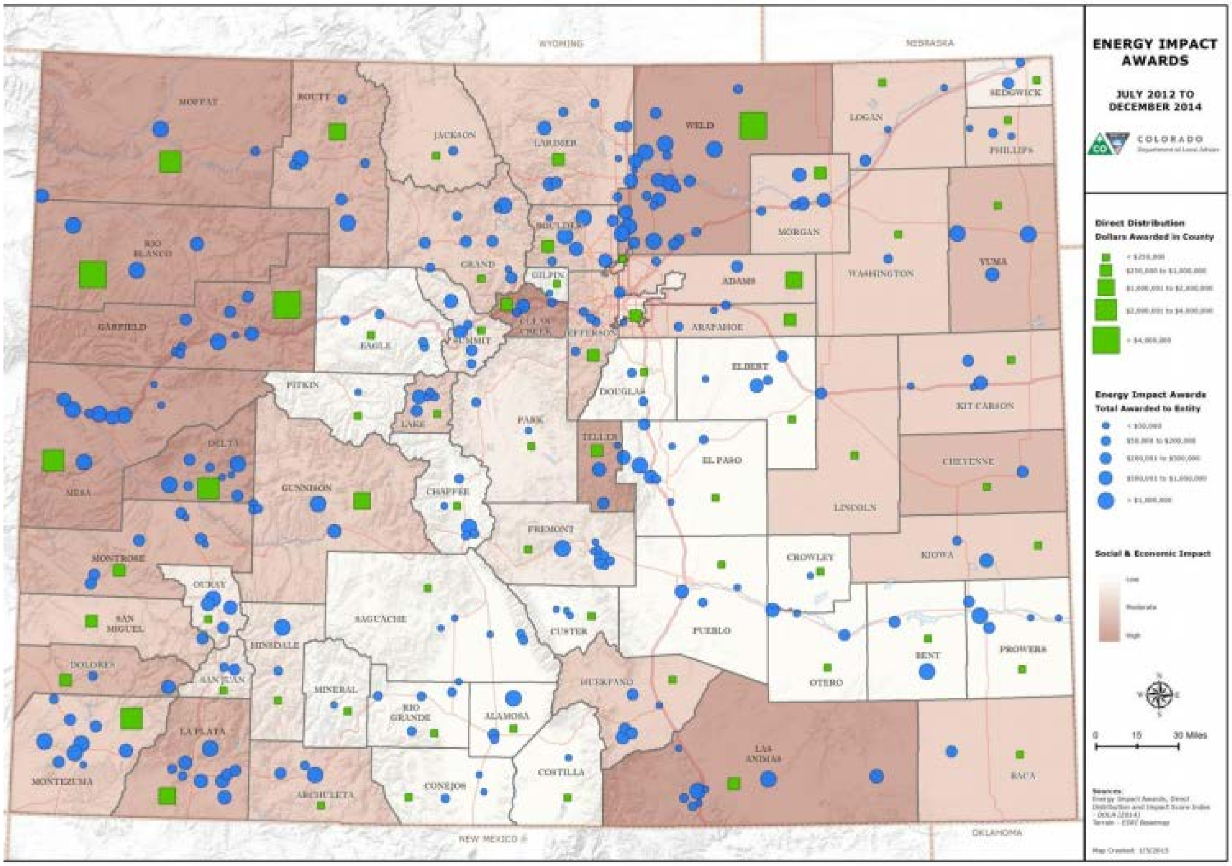
Which communities should be eligible for energy and mineral impact funding? This has been an ongoing subject of debate. The General Assembly most recently visited the issue in 2008 in response to the findings of a legislative audit report and legislative interim committees, as well as in response to then-anticipated increases in revenues from drilling on the Roan Plateau. House Bill 08-1083 modified the direct distribution formula for severance tax funds, and S.B. 08-218 modified local government federal mineral lease allocation formulas.

In response to critical state audit findings and statutory changes, the Department instituted new guidelines and procedures for its grant program in FY 2008-09. One component of this was a new "energy impact score" which is applied to all communities and used in assessing grant applications.



The energy impact score includes four components. Three of these are also used in direct distributions: production index, permit index, and employee residence reports. A fourth component, a cost/revenue index, compares industry impacts with the local revenue from mineral and energy production including property taxes from production sites and severance and mineral impact direct distributions.

The charts below compare energy impact scores and grant allocations for the last several years. A notable result of the energy impact score is that **the Department has identified all communities in the State as energy impacted to some extent.** As the score is currently calculated, no county has a score lower than 3 (range is from 3-10). The chart below shades counties based on their score and reflects where direct distributions (squares) and grants (circles) were awarded between July 2012 and December 2014.



Staff ran a regression **analysis** to explore whether there is a relationship between the amount awarded per capita to a county in energy impact grants for FY 2008-09 through FY 2014-15 and the county's energy impact score as of FY 2015-16. Based on this analysis, **staff found essentially no relationship between FY 2015-16 energy impact scores and where grants are awarded.** The awards, energy impact scores, and per capita data used are included in an attachment.

The General Assembly may view this as a concern—or not. As noted in a 2007 SAO audit of the Department's Energy and Mineral Impact Grant program:

> "The statutes are broadly constructed and provide flexibility in the allocation and use of the funds. For example, funds must go to socially and economically impacted areas; however, "socially and economically impacted" is not defined. Additionally, the statutes do not require that funds be used to mitigate these impacts." (Energy and Mineral Impact Grants, Department of Local Affairs Performance Audit, October 2007)

Significance of Funding in Context of Local Budgets

To better understand the significance of the grant funding available from this source for local governments, staff requested data from the Department on city and county revenue statewide.

County	Energy and Mineral Impact Awards FY 2008-09 through FY 2014-15	FY 2015-16 Impact Score	City and County Revenue FY 2010-11	County Population FY 2010-11	City & County Revenue per capita FY 2010-11	Average Annual Impact Award (Total awards/7)	Average annual Impact Award per FY 2010-11 capita	Avg. Annual Impact Award as Percent FY 2010-11 City & County Revenue
Adams	$5,579,174	7.00	$680,071,964	451,926	$1,505	$797,025	$1.76	0.12%
Alamosa	$3,315,513	3.00	$31,259,216	15,679	$1,994	$473,645	$30.21	1.52%
Arapahoe	$290,050	6.00	$754,190,384	585,552	$1,288	$41,436	$0.07	0.01%
Archuleta	$5,709,911	6.00	$25,179,455	12,007	$2,097	$815,702	$67.94	3.24%
Baca	$673,750	6.00	$8,164,860	3,797	$2,150	$96,250	$25.35	1.18%
Bent	$4,263,263	5.00	$11,343,225	6,306	$1,799	$609,038	$96.58	5.37%
Boulder	$9,215,213	7.00	$627,513,801	300,217	$2,090	$1,316,459	$4.39	0.21%
Chaffee	$6,652,957	4.00	$27,858,840	18,009	$1,547	$950,422	$52.77	3.41%
Cheyenne	$714,982	5.00	$5,948,564	1,866	$3,188	$102,140	$54.74	1.72%
Clear Creek	$2,464,783	9.00	$33,893,986	9,069	$3,737	$352,112	$38.83	1.04%
Conejos	$1,560,917	3.00	$12,236,612	8,288	$1,476	$222,988	$26.90	1.82%
Costilla	$1,238,484	3.00	$10,886,521	3,647	$2,985	$176,926	$48.51	1.63%
Crowley	$167,200	3.00	$5,645,318	5,819	$970	$23,886	$4.10	0.42%
Custer	$232,150	3.00	$6,811,134	4,224	$1,612	$33,164	$7.85	0.49%
Delta	$12,343,662	9.00	$35,622,147	30,380	$1,173	$1,763,380	$58.04	4.95%
Denver	$1,698,000	5.00	$1,536,335,000	620,807	$2,475	$242,571	$0.39	0.02%
Dolores	$1,174,355	8.00	$7,541,940	2,022	$3,730	$167,765	$82.97	2.22%
Douglas	$398,000	3.00	$341,136,873	292,462	$1,166	$56,857	$0.19	0.02%
Eagle	$3,479,332	3.00	$166,358,751	51,643	$3,221	$497,047	$9.62	0.30%
El Paso	$5,850,345	4.00	$581,835,542	638,095	$912	$835,764	$1.31	0.14%
Elbert	$1,552,716	5.00	$22,306,346	23,215	$961	$221,817	$9.55	0.99%
Fremont	$4,615,919	6.00	$40,058,442	47,390	$845	$659,417	$13.91	1.65%
Garfield	$25,684,587	9.00	$156,822,766	56,069	$2,797	$3,669,227	$65.44	2.34%
Grand	$6,572,692	5.00	$50,250,997	14,559	$3,452	$938,956	$64.49	1.87%
Gunnison	$3,046,389	6.00	$46,651,433	15,395	$3,030	$435,198	$28.27	0.93%
Hinsdale	$1,866,235	6.00	$4,206,259	824	$5,105	$266,605	$323.55	6.34%
Huerfano	$3,065,839	6.00	$11,771,716	6,499	$1,811	$437,977	$67.39	3.72%
Jackson	$746,000	6.00	$4,059,168	1,374	$2,954	$106,571	$77.56	2.63%
Jefferson	$1,195,726	7.00	$675,720,228	539,680	$1,252	$170,818	$0.32	0.03%
Kiowa	$1,557,773	6.00	$5,134,652	1,442	$3,561	$222,539	$154.33	4.33%
Kit Carson	$2,886,780	7.00	$15,751,184	8,181	$1,925	$412,397	$50.41	2.62%
La Plata	$17,766,830	6.00	$103,127,869	7,384	$13,966	$2,538,119	$343.73	2.46%
Lake	$3,205,411	8.00	$14,787,389	51,886	$285	$457,916	$8.83	3.10%
Larimer	$7,926,850	6.00	$531,069,961	305,066	$1,741	$1,132,407	$3.71	0.21%
Las Animas	$14,979,034	9.00	$28,245,737	15,042	$1,878	$2,139,862	$142.26	7.58%
Lincoln	$511,700	8.00	$13,864,487	5,406	$2,565	$73,100	$13.52	0.53%
Logan	$1,837,081	6.00	$33,854,589	22,263	$1,521	$262,440	$11.79	0.78%
Mesa	$36,354,467	9.00	$231,486,146	148,061	$1,563	$5,193,495	$35.08	2.24%
Mineral	$788,000	4.00	$4,283,313	708	$6,050	$112,571	$159.00	2.63%
Moffat	$6,629,999	10.00	$39,033,120	13,407	$2,911	$947,143	$70.65	2.43%

County	Energy and Mineral Impact Awards FY 2008-09 through FY 2014-15	FY 2015-16 Impact Score	City and County Revenue FY 2010-11	County Population FY 2010-11	City & County Revenue per capita FY 2010-11	Average Annual Impact Award (Total awards/7)	Average annual Impact Award per FY 2010-11 capita	Avg. Annual Impact Award as Percent FY 2010-11 City & County Revenue
Montezuma	$9,778,049	7.00	$43,484,251	25,453	$1,708	$1,396,864	$54.88	3.21%
Montrose	$7,496,837	8.00	$63,790,846	40,923	$1,559	$1,070,977	$26.17	1.68%
Morgan	$3,891,069	7.00	$43,399,885	28,449	$1,526	$555,867	$19.54	1.28%
Otero	$2,163,061	3.00	$29,552,292	18,833	$1,569	$309,009	$16.41	1.05%
Ouray	$3,864,475	5.00	$11,750,685	4,423	$2,657	$552,068	$124.82	4.70%
Park	$1,372,278	6.00	$23,011,560	16,094	$1,430	$196,040	$12.18	0.85%
Phillips	$534,288	6.00	$8,163,728	4,375	$1,866	$76,327	$17.45	0.93%
Pitkin	$756,549	3.00	$140,740,931	17,131	$8,216	$108,078	$6.31	0.08%
Prowers	$2,343,782	5.00	$25,283,680	12,456	$2,030	$334,826	$26.88	1.32%
Pueblo	$5,275,350	3.00	$212,434,473	160,269	$1,325	$753,621	$4.70	0.35%
Rio Blanco	$18,373,381	10.00	$43,381,735	6,740	$6,436	$2,624,769	$389.43	6.05%
Rio Grande	$3,414,778	3.00	$17,689,737	11,910	$1,485	$487,825	$40.96	2.76%
Routt	$7,123,729	9.00	$68,322,923	23,237	$2,940	$1,017,676	$43.80	1.49%
Saguache	$1,063,030	4.00	$13,123,935	6,199	$2,117	$151,861	$24.50	1.16%
San Juan	$1,298,983	5.00	$4,565,543	695	$6,569	$185,569	$267.01	4.06%
San Miguel	$2,016,210	6.00	$49,029,025	7,487	$6,549	$288,030	$38.47	0.59%
Sedgwick	$400,000	4.00	$6,575,692	2,368	$2,777	$57,143	$24.13	0.87%
Summit	$3,207,593	5.00	$123,898,204	27,941	$4,434	$458,228	$16.40	0.37%
Teller	$5,208,307	9.00	$38,585,825	23,293	$1,657	$744,044	$31.94	1.93%
Washington	$197,570	8.00	$11,356,868	4,784	$2,374	$28,224	$5.90	0.25%
Weld	$51,856,519	9.00	$370,239,812	258,675	$1,431	$7,408,074	$28.64	2.00%
Yuma	$5,045,002	8.00	$22,349,583	10,125	$2,207	$720,715	$71.18	3.22%
Grand Total*	**$354,286,590**		**$8,313,051,149**			**$50,612,370**		**0.6%**

*Includes statewide and special districts not included above

The Department collects data on local government budgets and organizes the information in a standardized state compendium. Although the data is never current (only data through FY 2010-11 is presently available), this provides a mechanism for comparing local budgets and grants provided. The data does not include special district revenue, e.g., water and sanitation districts, which are often a large component of local finance and often the grantee for energy impact funds.

Between FY 2008-09 and FY 2014-15, the Department awarded $354,286,590 in grant funds or, on average, $50,612,370 per year. Total revenue to municipal and county governments statewide from all sources—property tax, sales, and intergovernmental transfers--in FY 2010-11 was $8,313,051,149.

- **The $50.6 million in average annual grants from FY 2008-09 to FY 2014-15 represents 0.6 percent of total annual county and municipal budgets in FY 2010-11.**

- **The significance ranges by locality from 0 percent in Broomfield and Gilpin Counties, which received no funding, to 7.6 percent in Las Animas County.**

- **Energy impact scores do not explain grant funding results to a degree that's statistically significant. In line with this, counties that received a large amount of grant funding per capita do not necessarily have high FY 2015-16 impact scores.**

Use of Mineral Impact Funds for Department Administration
Mineral impact funding is in most respects driven by statute, rather than by appropriations. The FY 2015-16 Long Bill, like the Long Bill for multiple years, has included $150.0 million for local government mineral and energy impact grants and disbursements shown for informational purposes only (includes an "(I)" notation). Because revenue from this source is so variable and difficult to project, appropriating the funds would present major challenges.

The one arena in which the Long Bill directs use of Mineral Impact funds is in Department administration. In FY 2015-16, $7,111,748 of the Department of Local Affairs appropriation for personnel and administration is reappropriated funds from the Local Government Mineral and Energy Impact Fund line item. This reflects decisions by the General Assembly that date back to at least FY 2002-03 to support many department activities with these funds, rather than using the General Fund.

The Department does not have a rationale for the share of mineral impact funds that supports administration other than past practice and legislative decisions. The current fund mix represents the accumulation of prior year decisions by the General Assembly, and neither JBC staff nor department staff have been able to locate copies of historic budget request documents that describe the basis for the current funding structure with sufficient detail that it could be recreated from the base. The Department's new budget director is currently examining this issue. Should this analysis prove fruitful, staff will have additional information during the figure setting presentation.

Staff notes, however, that whatever the results of this analysis, the Committee may wish to consider more explicitly authorizing the use of Local Government Severance Tax Funds to support Department activities. The General Assembly has chosen to use energy and mineral impact funds in this way for more than a decade. The Local Government Mineral Impact statute explicitly addresses this issue, requiring that any Federal Mineral Lease moneys used by a state department, with some exceptions, be (re) appropriated for that purpose by the General Assembly. The Local Government Severance Tax statute, in contrast is entirely silent on this issue. The General Assembly has therefore relied entirely on the flexibility afforded the Executive Director of the Department of Local Affairs, as advised by the Energy Impact Assistance Advisory Committee, and its own power of appropriation to determine that support for Department administration is an appropriate use of grant funds and award local government energy impact grant funds for this purpose.

Statutes concerning the Local Government Mineral Impact Fund specify that:

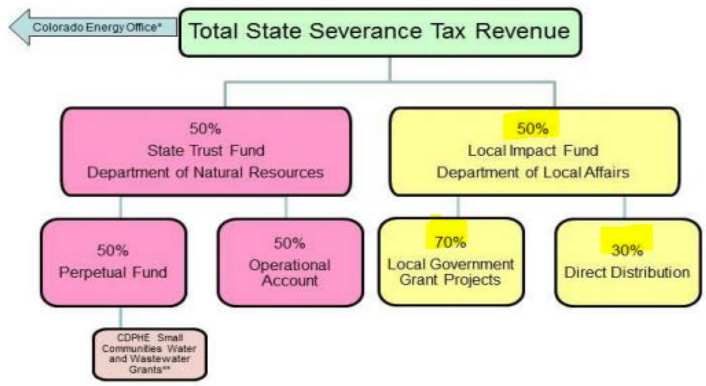
> "No state agency or office shall expend any moneys received from the local government mineral impact fund unless such expenditures is authorized by the legislative appropriation separate from the provision of this section…[exception in case of declared emergency]" Section 34-63-102 (7), C.R.S.

Statutes concerning the Local Government Severance Tax Fund merely state that the Executive Director of the Department of Local Affairs shall distribute any moneys and make loans from the Fund in accordance with the purposes and priorities provided in subsection 39-29-110 (1) (b) (I), C.R.S.. That subsection reads as follows:

> "Seventy percent of the funds from the local government severance tax fund shall be distributed to those political subdivisions politically or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to taxation under this article and used for the planning, construction, and maintenance of public facilities, and for the provision of public services…." Section 39-29-110 (1) (b) (I)

While further direction is provided regarding entities that may receive grants and loans, there appears to be no specific mention of related administrative costs for the Department of Local Affairs, even though the General Assembly has been appropriating moneys from this source for this purpose for many years.

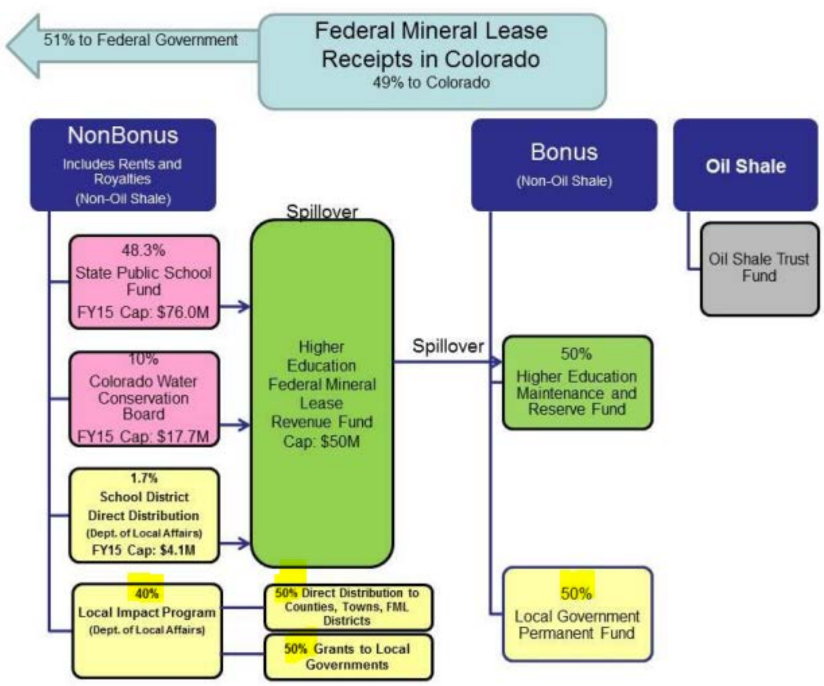
Appendix A: Severance Tax and Federal Mineral Lease Flow Charts
Allocation of State Severance Tax Revenue
(Section 39-29-108, C.R.S.)



*Annual $1.5 million from total gross receipts to Innovative Energy Fund through July 2016.
** Up to $10 million after $50 million to Perpetual Fund (CRS 39-29-109(2)(a)(III)).

Allocation of Federal Mineral Lease Receipts

(Section 34-63-102, C.R.S.)



Appendix B: Local Government Severance Tax and Mineral Impact Direct Distribution Formulas

Legislation adopted during the 2008 session modified formulas for direct distribution of both severance and FML revenue. Current statute requires direct distributions to local governments "economically and socially impacted by mineral production" comprised of:

- 30 percent of the local government share of severance tax funds; and
- 50 percent of the local government share of FML revenue mineral impact funds

Severance tax direct distributions to counties (Section 39-29-110 (1), C.R.S.) are based on:

- The proportion of residents in the county employed in mines, crude oil, natural, or oil and gas operations as reported in Colorado Employee Residence Reports, to the total employed statewide;
- The proportion of mine and well permits issued in a county to the total issued in the state.
- The proportion of mineral production within a county to the total production in the State.

At least 30 percent must be allocated to each factor pursuant to statute. The Executive Director of the Department may determine the allocation for the final 10 percent in consultation with the nine-member Energy and Mineral Impact Assistance Advisory Committee.

Mineral Lease direct distributions to counties 34-63-102 (5.4), C.R.S. are based on :

- The proportion of residents in the county employed in mineral extraction as reported in the Colorado Employee Residence Reports to the total employed statewide; and
- The county's proportion of the total federal mineral lease revenue generated in the state

The Executive Director of the Department set a weight of 35 percent for employee residence and 65 percent for the county proportion of federal revenue for the August 2014 direct distribution.

Sub county distributions: Statute further directs both severance tax and FML sub county allocations (i.e., the portion of funding to a county that goes to the county versus municipalities within the county). For both funding streams, this is based roughly equally on three factors:

- The proportion of residents in unincorporated areas or municipalities employed in mines, oil and gas production or oil and gas operations (as reported in resident reports) to the total employee residents in the county
- The proportion of the population of unincorporated areas or municipalities to the total county population
- The proportion of road miles in unincorporated areas or municipalities to the total road miles in the county.

Informational Issue: State Auditor's Audit of Local Government Limited Gaming Impact Grants

The State Auditor's Office completed an audit of the Local Government Limited Gaming Impact program in August 2015. This program received $4.9 million of the $111.5 million in FY 2014-15 state limited gaming tax revenue. The audit identified concerns with program documentation, process and transparency. While these concerns are being addressed, the audit findings could raise additional questions about the program's structure.

SUMMARY:

- The Local Government Limited Gaming Impact Program receives $4.9 million of the over $111 million in state revenues from limited gaming. These program funds grants to communities that are negatively impacted by limited gaming in Central City, Black Hawk, and Cripple Creek, and in areas affected by Indian casinos in the southwest of the State.

- An August 2015 audit of the Local Government Limited Gaming Impact Program raised concerns about program administration. The audit found that the Department awarded grants even when there was no documented gaming impact, that a statutory advisory committee's recommendations had "little influence" on award decisions, that the Department reimbursed counties for unallowable activities, and that advisory committee meetings were not properly noticed or documented.

- The Department concurred with audit recommendations and has taken various steps to address audit concerns, including requiring additional documentation on gaming impacts and improving the transparency of the award process.

- While the audit findings related to documentation, process and transparency, staff believes the findings raise additional questions. These include: Does the current system, even with recent improvements, fairly document gaming costs? Is this a reasonable expectation? If the General Assembly wishes to continue to direct moneys to gaming-impacted communities, are there ways to do this that might be less resource intensive for both impacted communities and the State? To what extent should this program take revenues to local government into account when determining allocations? Are there more compelling demands for some of this state money in a tight budget year?

DISCUSSION:

The Office of the State Auditor (OSA) completed an audit of Limited Gaming Impact Grants in August 2015.[13] The audit examined the two statutory components of this program: Local

[13] Colorado Office of the State Auditor, Department of Local Affairs and Department of Human Services Gaming Impact Grants, August 2015.
.http://www.leg.state.co.us/OSA/coauditor1.nsf/UID/4BF73634CC08F4C587257EA500689E46/$file/1419P+Gaming+Impact+Grants,+Performance+Audit,++August+2015.pdf?OpenElement

Gaming Impact Grants, administered by the Department of Local Affairs ($4.9 million statutory appropriation); and the Gambling Addiction Program, administered by the Department of Human Services ($100,000 per year). This issue addresses the program administered by the Department of Local Affairs.

Gaming Revenue Overview
Article XVIII, Section 9 of the Colorado Constitution authorized limited gaming in Central City, Black Hawk, and Cripple Creek effective October 1, 1991. The Constitution dictates the following:

- Up to a maximum of 40 percent of the adjusted gross proceeds of limited gaming shall be paid by each licensee, in addition to any applicable license fees, shall be paid to the State and deposited in the Limited Gaming Fund.[14]
- Costs for administering the gaming act shall be taken from the Fund by the Limited Gaming Commission, not conditioned on any appropriation by the General Assembly.
- The balance remaining in the Limited Gaming Fund after administrative costs and a reserve are deducted are allocated as follows for amounts generated under the original 1991 statutory gaming limitations:
    - **50.0 percent to the state General Fund or such other fund as the General Assembly provides;**
    - 28.0 percent to the State Historical Fund;
    - 12.0 percent to the governing bodies of Gilpin county and Teller county in proportion to revenues generated; and
    - 10.0 percent to the governing bodies of the Cities of Central, Black Hawk, and Cripple Creek in proportion to gaming revenues generated in each.

  For additional amounts generated under revised limits effective 2008 (allowed bets of up to $100, added table games and increased hours), allocations to city and county governments remain the same, but the balance (78.0 percent) is directed to community colleges. The total distribution under the "extended gaming" formula was 10.2 percent of total distributions in FY 2014-15.

The table below summarizes the state use of limited gaming funds in FY 2014-15, including the $43,671,425 (44.9 percent of the total) representing the share allocated to "the state General Fund or such other fund as the General Assembly provides".

Via statute, the General Assembly has allocated much of the share available for distribution to the General Fund to other specialized funds and programs. **This includes the $5.0 million per year to be allocated to the Local Government Limited Gaming Fund and the Gambling Addiction Account. It also includes funds allocated to various economic development and tourism-related activities.** The chart below shows the total FY 2014-15 allocations that result from Constitutional and statutory provisions.

[14] Current gaming tax rates adjust based on the amount of revenue but provide for a maximum of 20 percent for adjusted gross proceeds above $13.0 million.

FY 2014-15 Limited Gaming Revenue State Administrative Expenses and Statutory and Constitutional Distributions	**Original + Amend 50**
Administrative Expenses (off the top; determined by Dept/Commission)	$13,981,725
Distributions - Dictated by Constitution	
Colorado Historical Society	24,455,998
City of Black Hawk	7,436,400
City of Central	779,572
City of Cripple Creek	1,505,862
Gilpin County	9,859,168
Teller County	1,807,033
Community College System	7,702,884
Subtotal: Dictated by Constitution	53,546,917
Balance to General Fund or Other Fund Designated by General Assembly	
Creative Industries Cash Fund	2,000,000
Local Government Limited Gaming Impact Fund (inc. Gambling Addiction)	5,000,000
Colorado Travel and Tourism Promotion Fund	15,000,000
Colorado Office of Film, TV, and Media Operational CF	500,000
Innovative Higher Education Research Fund	2,100,000
Advanced Industries Acceleration Cash Fund	5,500,000
General Fund	13,571,425
Subtotal: to GF or other designated	43,671,425
Total Expenses/Distributions	**$111,200,067**

Source: Department of Revenue

Gaming Impact Grants

This program was created in 1997 within the Department of Local Affairs. Pursuant to Section 12-47.1-1601, C.R.S.:

- The program is designed to address "the documented expenses, costs, and other impacts incurred directly as a result of limited gaming permitted in Gilpin and Teller Counties and on Tribal lands."
- The program is available in the counties of Archuleta, Boulder, Clear Creek, Douglas, El Paso, Fremont, Gilpin, Grand, Jefferson, La Plata, Montezuma, Park and Teller, as well as the municipalities and special districts providing emergency services in these counties, except that the program does not serve the cities of Black Hawk, Central City, and Cripple Creek.
- Grants are for: finance, planning, construction, and maintenance of public facilities and public services related to the documented gaming impacts.

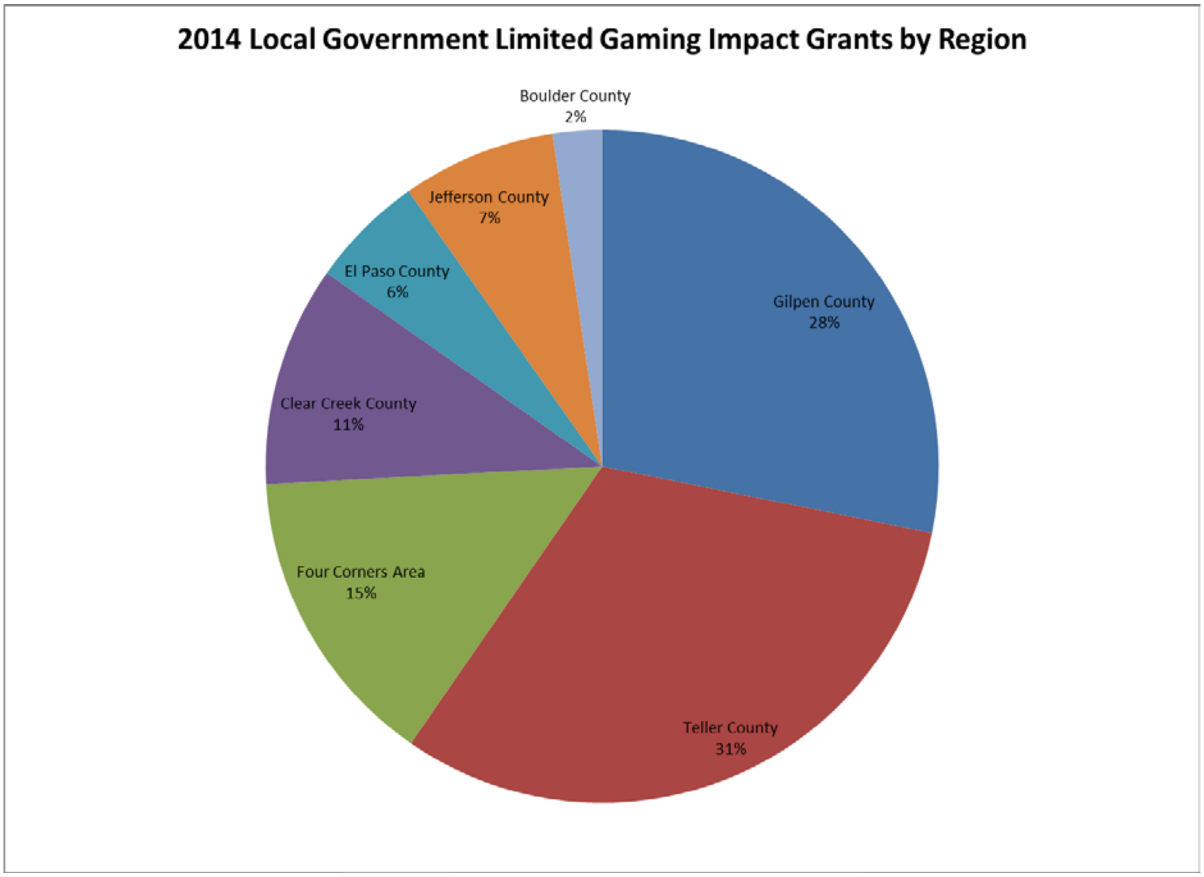
- The Limited Gaming Impact Advisory Committee, which comprises 13 members including two members of the General Assembly (currently Senator Grantham and Representative Becker), is responsible for overseeing the program and making grant recommendations. DOLA's Executive Director makes final grant award decisions.

According to the audit, in CY 2014, there were 43 applications for funding, of which 40 received awards totaling $4.9 million. The following table, from the Audit Report, summarizes grants awarded by category. For a full list of grants, see the appendix.

LOCAL GOVERNMENT LIMITED GAMING IMPACT PROGRAM AWARDS FOR GRANTS OPERATING IN CALENDAR YEAR 2014			
GRANT PURPOSE	NUMBER OF GRANTS	TOTAL AMOUNT AWARDED	
Human Services[1]	14	$	1,208,700
Law Enforcement	9	$	1,129,800
Fire & Ambulance Services	7	$	644,900
Jail Operations	5	$	1,060,700
District Attorney Operations	5	$	880,800
TOTAL	40	$	4,924,900

SOURCE: Office of the State Auditor's analysis of DOLA's grants data.
[1] Includes services provided by nonprofit organizations for child care, health care and hospice, victim services, and Court Appointed Special Advocates (CASA).

The chart below shows how the funds were allocated on a regional basis (includes cities, fire protection districts, and other special districts within the identified regions, as well as county governments).



As shown:

- Gilpin county, other governments and non-profits within the county receive $1.4 million (28 percent) of all Local Government Limited Gaming Impact Grants in 2014. This is in addition to Gilpin County's direct allocation of gaming tax revenue in FY 2014-15 of $9.9 million.

- Teller County, other governments and non-profits within the county, received $1.6 million (31 percent) of all Local Government Limited Gaming Impact Grants in 2014. This is in addition to Teller County's direct allocation of gaming tax revenue in FY 2014-15 of $1.8 million.

- Counties, cities, and special districts in the four corners area, where two Indian casinos operate, received $716,000 or 15 percent of the total. The casinos in this region are not subject to the state's limited gaming tax and do not receive any direct allocation from the Limited Gaming Fund.

- Clear Creek County received $522,000 or 11 percent of the total. Clear Creek has no casinos within its boundaries and thus receives no direct gaming allocation.

Limited Gaming Impact Grant Regional Funding and Background Data for Context					
	Gaming Impact Grants Awarded in County/Region 2014	**Constitutional Gaming Revenue Allocations (excludes cities)**	**Total FY 2010-11 City & County Revenue Excluding Black Hawk, Central, Cripple Creek**	**County Population 2011**	**City & County Per Capita Revenue excluding Black Hawk, Central, Cripple Creek FY 2010-11**
Teller County	$1,549,258	$1,807,033	$30,275,542	23,293	$1,300
Gilpen County	1,387,131	9,859,168	18,010,127	5,448	$3,306
La Plata, Montezuma, Archuleta	715,658	0	171,791,575	44,844	$3,831
Clear Creek County	521,581	0	33,893,986	9,069	$3,737
El Paso County	270,621	0	581,835,542	638,095	$912
Jefferson County	364,065	0	675,720,228	539,680	$1,252
Boulder County	116,580	0	627,513,801	300,217	$2,090

Audit Findings: The OSA examined a stratified random sample of 16 of the 40 Local Government Limited Gaming Impact Grant Awards.

For about one-third of the grants sampled, DOLA awarded the grant even though there was either no documented gaming impact or the applicant used questionable methods to determine gaming impacts. Specifically, the audit found that:

- two applicants were granted awards a total of $236,000 without having any documented gaming impact; and
- three applicants were granted a total of $289,111 using questionable methods. For example, if a client answered "yes" to questions such as "Do you ever enjoy going to a casino for entertainment on the weekend?", "Does your boyfriend (husband, grandparent, etc.) ever go to Cripple Creek for fun?", "Have you ever worked in a casino?", the organization would identify services to the individual as gaming-related.

The Local Gaming Impact Program Advisory Committee's recommendations had "little influence" on DOLA's grant award decisions, despite the statutory provisions dictating the Committee's role.

- The Department made decisions inconsistent with Committee scoring for four applications reviewed, and there was no documentation explaining the basis for the differences. "During DOLA interviews the auditors learned that grant decisions were primarily based on the Executive Director's and staff's anecdotal knowledge of gaming impacts and the presumption that counties have gaming impacts because of their proximity to casino gaming." Senior management indicated that amounts were not based on Committee scores.

- "DOLA's current grant process…appears to be designed to significantly limit the Committee's role and input." (1) The Committee had not established a standard method for documenting, measuring, assessing and reporting gaming impacts; (2) the Committee reviewed only summaries of applications provided by staff; and (3) Committee recommendations were not forwarded directly to the Executive Director but were rather averaged with staff recommendations before they were forwarded.

DOLA reimbursed counties for unallowable expenses totaling over one-third of expenses sampled. In particular, the Department failed to confirm that reimbursements were for expenses related to gaming impacts. For example, one grantee stated in all four reimbursement requests that it could not document its gaming impacts but was nonetheless reimbursed. The auditors found that funds disbursed to five of the 16 grantees sampled, representing $514,587 or 35 percent of the $1.48 million reviewed, were unallowable payments. The audit found that DOLA also paid reimbursements without supervisory approval. The audit found that DOLA had not established criteria to target grant monitoring, did not appear to have reviewed requests thoroughly, and did not appear to consider grant monitoring a priority.

Committee meetings and activities were not documented, and the Committee was not complying with open meetings laws. DOLA reports that it publishes a notice of annual grant reviewing hearings on its website, but there was no hard record of this. The Committee does not take minutes of its hearings or meetings, even though this was previously recommended in a January 2000 performance audit of Limited Gaming. The Committee also has no written rules or bylaws.

Actions to Address the Audit Findings: The Department agreed with all audit recommendations and committed to addressing most of the recommendations for the annual grant cycle that began fall 2015. The Department's website reflects significant changes:

- meetings have been noticed; and
- a large collection of new forms asks applicants to calculate gaming impacts for the various types of services.

As described in the instructions overview:

> Reports will measure service increases related to gaming by one of two methods: (a) the existing unit cost to the current number of gaming service responses or (b) the existing unit cost and service level compared against a base level (i.e. the base level is the level of service activity prior to the initiation of the gaming industry).

Separate forms are provided for community development, emergency medical services, fire protection, jails, judicial system, non-profit human service agencies, public safety/law enforcement, county road and bridge, county social services, water quality management.

Staff reviewed the summary of recent applications presented to the Advisory Committee.

- While data requirements have been enhanced, it appears that the applicants for 2015 grants are largely the same applicants and beneficiaries as applied in prior years.
- Some of the ties to gaming impacts still appear to staff to be somewhat tenuous. For example, to demonstrate ties to gaming, human services programs that provide services such as home health and hospice may document if a person is employed in the gaming industry is a member of a household where someone is employed in the gaming industry, or "ever" worked in the gaming industry.

Staff Observations
The Department appears to be making progress in implementing the audit recommendations. However, the audit findings and Department response beg larger questions:

- **Does the current system, even with recent improvements, fairly document gaming costs? Is this even a reasonable expectation?** Local agencies currently maintain records to attempt to count the portion of their work that is "gaming related". There are numerous national studies documenting the negative impacts of gambling addiction.[15] However, other impacts from gaming have been far more difficult to document. In 2001, the U.S. General Accounting Office, reviewing its own research and a National Gambling Impact Study, found that the data was insufficient to reach conclusive findings about the impact of gaming on crime. Another study has noted that such impacts seem to differ by locality.[16] Based on a review of the gaming impact program applications, localities seem to have relatively little difficultly tying certain issues to gaming, e.g., additional traffic or DUI stops for people traveling to or from gaming. Yet some other relationships, e.g. to community hospice needs, seem harder to demonstrate.

- **If the General Assembly wishes to continue to direct moneys to gaming-impacted communities, are there ways to do this that might be less resource intensive for both impacted communities and the State?** For example, if the Department/Advisory Committee/partner agencies believe they are able to calculate the most significant negative impacts of gaming, could or should these impacts be built into a gaming distribution formula to affected counties, municipalities and appropriate special districts (such as emergency services districts)? Alternatively, if it wishes to retain the current competitive grant structure, should it attempt to develop a gaming "impact score" to inform grant-making? According to the Department, there are currently nine FTE who devote a portion of their time to this program.

- **To what extent should this program take revenues to local government into account when determining allocations?** As previously noted, Gilpin county receives a constitutional direct distribution of $9.9 million from gaming. Teller County also receives a direct distribution, but one that is far smaller ($1.8 million). There has been an ongoing debate since the program's inception about whether the program should take into consideration the revenues, as well as the costs, of gaming. In the program's current statutory incarnation, the cities of Black Hawk, Central, and Cripple Creek are excluded, presumably due to their direct revenues from gaming, but the counties in which these cities are located may access this grant program without regard to their gaming revenue streams.

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[15] A recent Massachusetts study found about 1.7 percent of the Massachusetts population to be "problem gamblers", with 7.5% "at risk". The study noted that these are consistent with national prevalence rates. Volberg et. al., Gambling and Problem Gambling in Massachusetts: Results of a Baseline Survey, May 28, 2015, School of Public Health and Health Sciences, University of Massachusetts Amherst.
http://www.umass.edu/seigma/sites/default/files/SEIGMA%20Baseline%20Survey%20Report_Final.pdf
[16] U.S. General Accounting Office, Impact of Gambling: Economic Effects more Measurable than Social Effects, April 2000. http://www.gao.gov/assets/230/229051.pdf; Grant Stitt, Effects of Casino Gambling on Crime and Quality of Life in New Casino Jurisdictions, April 5, 2001, https://www.ncjrs.gov/pdffiles1/nij/grants/187679.pdf.

Statute indicates that the program is to address the "documented expenses, costs and other impacts incurred directly as a result of limited gaming…" while making no mention of offsetting gaming revenues.

- **Are there more compelling demands for some of this state money in a tight budget year?** Some of the programs funded through this grants process appear to be a "stretch" with respect to the link between the services and the gaming industry. Statewide, the largest share General Fund money is already disbursed to local government entities, including school districts and county social service agencies. The General Assembly previously transferred funds from this program to the General Fund in FY 2002-03 and FY 2003-04 and again in FY 2008-09 and FY 2009-10 in response to state revenue shortfalls. This remains an option for FY 2016-17 if needed.

LOCAL GOVERNMENT LIMITED GAMING IMPACT PROGRAM APPLICATIONS AND AWARDS FOR GRANTS OPERATING IN CALENDAR YEAR 2014					
	Applicant/County	Proposed Project and Gaming-Related Impact Reported by Applicant	Advisory Committee Average Score	Grant Amount Requested by Applicant	Grant Amount Awarded
1	Gilpin County	District Attorney's office operations for gaming-related prosecutions.	33.3	$ 485,231	$ 420,700
2	Teller County	Jail operations for gaming-related incarcerations.	24.4	$ 602,303	$ 318,560
3	Gilpin County	Jail personnel for gaming-related incarcerations.	27.1	$ 1,192,632	$ 288,071
4	City of Golden	Fire department operations for gaming-related emergency calls.	27.9	$ 471,840	$ 273,500
5	Mountain Family Health Center, Gilpin County	Health center treating individuals impacted by gaming.	36.4	$ 232,977	$ 232,977
6	Teller County	District Attorney's office operations for gaming-related prosecutions.	26.2	$ 228,535	$ 228,535
7	City of Victor	Law enforcement for gaming-related crimes.	29.8	$ 224,288	$ 224,288
8	Teller County	Law enforcement patrols for gaming-related crimes.	28.7	$ 222,740	$ 222,740
9	Clear Creek County	Jail operations for gaming-related incarcerations.	27.9	$ 207,100	$ 207,100
10	Community of Caring, Teller County	Community service center operations for individuals impacted by gaming.	30.4	$ 198,250	$ 198,250
11	La Plata County	Jail personnel for gaming-related incarcerations.	25.8	$ 185,018	$ 185,018
12	Southwest Teller County Hospital District	Emergency medical personnel and operations for gaming-related emergency calls.	35.7	$ 150,000	$ 150,000
13	La Plata County	Law enforcement patrols for gaming-related crimes.	21.7	$ 185,018	$ 150,000
14	Gilpin County	Law enforcement dispatch personnel for gaming-related emergency calls.	29.8	$ 316,846	$ 147,811
15	Town of Ignacio	Law enforcement personnel for gaming-related crimes.	30.0	$ 133,400	$ 133,400
16	Clear Creek County	Law enforcement patrols for gaming-related crimes.	27.4	$ 199,080	$ 130,000
17	Nederland Teen Center, Boulder County	Teen resource center for teenagers impacted by gaming.	33.3	$ 116,680	$ 116,580
18	Eagle's Nest Early Learning Center, Gilpin County	Child care services for families impacted by gaming.	33.9	$ 114,900	$ 114,900

LOCAL GOVERNMENT LIMITED GAMING IMPACT PROGRAM APPLICATIONS AND AWARDS FOR GRANTS OPERATING IN CALENDAR YEAR 2014					
	Applicant/County	Proposed Project and Gaming-Related Impact Reported by Applicant	Advisory Committee Average Score	Grant Amount Requested by Applicant	Grant Amount Awarded
19	El Paso County	District Attorney's office operations for gaming-related prosecutions.	17.3	$ 211,457	$ 106,000
20	CASA, El Paso County	Court Appointed Special Advocates for children impacted by gaming.	30.5	$ 103,887	$ 103,887
21	La Plata County	District Attorney's office operations for gaming-related prosecutions.	25.4	$ 80,281	$ 80,281
22	Gilpin County Ambulance Authority	Emergency medical operations for gaming-related emergency calls.	34.6	$ 287,178	$ 78,178
23	Montezuma County	Law enforcement for gaming-related crimes.	28.7	$ 81,000	$ 75,000
24	CASA, Teller County	Court Appointed Special Advocates for children impacted by gaming.	31.0	$ 68,644	$ 68,644
25	Jefferson County	Jail expenses for gaming-related incarcerations.	28.9	$ 61,910	$ 61,910
26	TESSA, El Paso County	Victims services for individuals impacted by gaming-related crimes.	31.9	$ 60,734	$ 60,734
27	Prospect Homecare Hospice, Teller County	Hospice services for families impacted by gaming.	32.7	$ 60,000	$ 60,000
28	Peak Vista Community Health Centers, Teller County	Health centers treating individuals impacted by gaming.	33.8	$ 57,506	$ 57,506
29	Clear Creek County Advocates	Victims services for individuals impacted by gaming-related crimes.	34.3	$ 56,892	$ $56,892
30	RE-1 School District, Gilpin County	School counseling services for children impacted by gaming.	33.3	$ 53,047	$ 50,674
31	Ute Pass Regional Ambulance District	Emergency medical equipment for gaming-related emergency calls.	32.5	$ 95,512	$ 50,000
32	Clear Creek County	District Attorney's office operations for gaming-related prosecutions.	31.8	$ 45,279	$ 45,279
33	Home Health and Hospice, Clear Creek County	Hospice services for families impacted by gaming.	34.9	$ 42,070	$ 42,070
34	Cortez Fire Protection District	Emergency rescue equipment for gaming-related emergency calls.	24.8	$ 41,959	$ 41,959

LOCAL GOVERNMENT LIMITED GAMING IMPACT PROGRAM APPLICATIONS AND AWARDS FOR GRANTS OPERATING IN CALENDAR YEAR 2014							
	APPLICANT/COUNTY	PROPOSED PROJECT AND GAMING-RELATED IMPACT REPORTED BY APPLICANT	ADVISORY COMMITTEE AVERAGE SCORE	GRANT AMOUNT REQUESTED BY APPLICANT		GRANT AMOUNT AWARDED	
35	ROCK HOUSE, CLEAR CREEK COUNTY	Youth mentoring outreach for children impacted by gaming.	32.8	$	40,240	$	40,240
36	TIMBERLINE FIRE PROTECTION DISTRICT	Emergency roadway safety operations for roads impacted by gaming traffic.	30.4	$	50,395	$	35,900
37	CITY OF GOLDEN	Law enforcement patrols for gaming-related crimes.	30.4	$	28,655	$	28,655
38	GILPIN COUNTY	Victims services for individuals impacted by gaming-related crimes.	32.0	$	31,312	$	17,920
39	DIVIDE FIRE PROTECTION DISTRICT	Emergency medical equipment for gaming-related emergency calls.	29.9	$	22,846	$	15,356
40	TESSA, TELLER COUNTY	Victims services for individuals impacted by gaming-related crimes.	31.9	$	5,379	$	5,379
41	NEDERLAND FIRE PROTECTION DISTRICT	Emergency rescue equipment for gaming-related emergency calls.	29.5	$	2,312	$	0
42	GILPIN COUNTY	Law enforcement personnel for gaming-related crimes.	25.7	$	30,992	$	0
43	GILPIN COUNTY	Digitizing property records to decrease gaming-related wear on hardcopy records.	19.1	$	15,378	$	0

SOURCE: Office of the State Auditor's analysis of the Department of Local Affairs' grant applications and awards data.

Appendix A: Number Pages

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

DEPARTMENT OF LOCAL AFFAIRS
Irv Halter, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

This division is responsible for the management and administration of the Department, including accounting, budgeting, human resources, as well as other miscellaneous functions statutorily assigned to the Department, including administration of the Moffat Tunnel Improvement District.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Personal Services	1,269,251	1,294,248	1,352,635	1,381,026	
FTE	14.2	15.0	14.2	14.2	
Reappropriated Funds	1,269,251	1,294,248	1,352,635	1,381,026	
Health, Life, and Dental	1,078,804	1,131,931	1,549,935	1,429,520 *	
General Fund	0	214,400	355,607	308,802	
Cash Funds	175,120	238,318	263,718	262,556	
Reappropriated Funds	686,938	425,281	603,918	533,197	
Federal Funds	216,746	253,932	326,692	324,965	
Short-term Disability	18,241	19,552	24,391	21,653	
General Fund	4,790	4,268	4,967	4,014	
Cash Funds	2,937	1,241	3,716	3,378	
Reappropriated Funds	7,096	9,984	10,933	9,515	
Federal Funds	3,418	4,059	4,775	4,746	
S.B. 04-257 Amortization Equalization Disbursement	338,143	396,523	490,915	560,808	
General Fund	49,034	78,859	99,965	103,946	
Cash Funds	55,388	58,913	74,766	87,633	
Reappropriated Funds	173,898	183,715	220,084	246,315	
Federal Funds	59,823	75,036	96,100	122,914	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	305,324	379,315	474,179	554,966	
General Fund	80,937	73,930	96,557	102,863	
Cash Funds	50,003	62,805	72,217	86,720	
Reappropriated Funds	121,457	172,438	212,581	243,749	
Federal Funds	52,927	70,142	92,824	121,634	
Salary Survey	258,966	278,297	125,247	9,579	
General Fund	0	57,596	26,613	1,261	
Cash Funds	37,333	46,268	18,601	4,909	
Reappropriated Funds	166,672	124,014	56,133	1,266	
Federal Funds	54,961	50,419	23,900	2,143	
Merit Pay	157,336	110,908	118,923	0	
General Fund	0	21,928	23,130	0	
Cash Funds	22,235	21,557	17,705	0	
Reappropriated Funds	102,593	47,144	54,456	0	
Federal Funds	32,508	20,279	23,632	0	
Workers' Compensation	92,873	94,854	88,191	115,190	
General Fund	85,849	87,680	81,521	106,478	
Cash Funds	3,148	3,215	2,989	3,904	
Reappropriated Funds	3,876	3,959	3,681	4,808	
Operating Expenses	132,888	132,888	132,888	132,888	
Reappropriated Funds	132,888	132,888	132,888	132,888	
Federal Funds	0	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Legal Services	150,379	153,830	171,958	176,916	
General Fund	148,246	153,830	154,583	156,459	
Cash Funds	165	0	9,722	12,711	
Reappropriated Funds	1,968	0	2,142	2,167	
Federal Funds	0	0	5,511	5,579	
Payment to Risk Management and Property Funds	37,588	30,090	33,952	46,113	
General Fund	34,989	28,009	31,604	42,924	
Cash Funds	2,321	1,858	2,096	2,847	
Reappropriated Funds	278	223	252	342	
Vehicle Lease Payments	76,981	79,365	81,927	98,771	
General Fund	72,369	71,363	73,667	88,827	
Reappropriated Funds	4,612	8,002	8,260	9,944	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	69,666	80,469	80,469	80,469	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	2,246	13,049	13,049	13,049	
Reappropriated Funds	37,507	37,507	37,507	37,507	
Federal Funds	0	0	0	0	
Leased Space	55,245	55,456	65,000	65,000	
General Fund	22,376	22,376	22,376	22,376	
Reappropriated Funds	32,869	33,080	42,624	42,624	
Federal Funds	0	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Capitol Complex Leased Space	543,948	463,750	648,536	555,112	
General Fund	201,822	160,480	224,425	192,096	
Cash Funds	33,089	28,001	39,158	33,517	
Reappropriated Funds	309,037	241,965	338,378	289,633	
Federal Funds	0	33,304	46,575	39,866	
CORE Operations	157,503	691,023	399,621	476,562	
General Fund	104,883	391,735	205,893	205,893	
Reappropriated Funds	52,620	204,431	149,511	226,452	
Federal Funds	0	94,857	44,217	44,217	
Moffat Tunnel Improvement District	27	36	137,444	137,444	
Cash Funds	27	36	137,444	137,444	
Payments to OIT	0	1,046,932	1,140,081	1,442,481 *	
General Fund	0	189,934	205,571	253,873	
Cash Funds	0	5,712	6,139	32,057	
Reappropriated Funds	0	478,370	523,637	654,882	
Federal Funds	0	372,916	404,734	501,669	
Purchase of Services from Computer Center	565,158	0	0	0	
General Fund	70,185	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	494,973	0	0	0	
Federal Funds	0	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Multiuse Network Payments	104,480	0	0	0	
General Fund	56,217	0	0	0	
Cash Funds	6,816	0	0	0	
Reappropriated Funds	41,447	0	0	0	
Federal Funds	0	0	0	0	
Management and Administration of OIT	43,277	0	0	0	
General Fund	30,364	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	12,913	0	0	0	
Federal Funds	0	0	0	0	
Information Technology Security	7,425	0	0	0	
General Fund	1,584	0	0	0	
Cash Funds	74	0	0	0	
Reappropriated Funds	5,767	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (1) Executive Director's Office	5,463,503	6,439,467	7,116,292	7,284,498	2.4%
FTE	14.2	15.0	14.2	14.2	0.0%
General Fund	993,558	1,586,301	1,636,392	1,619,725	(1.0%)
Cash Funds	390,902	480,973	661,320	680,725	2.9%
Reappropriated Funds	3,658,660	3,397,249	3,749,620	3,816,315	1.8%
Federal Funds	420,383	974,944	1,068,960	1,167,733	9.2%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(2) PROPERTY TAXATION

This section provides funding for the Division of Property Taxation, the State Board of Equalization, and the Board of Assessment Appeals.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Division of Property Taxation	2,635,454	2,685,668	2,773,709	2,820,045	
FTE	30.2	31.9	36.7	36.7	
General Fund	945,981	949,492	973,045	990,902	
Cash Funds	853,525	866,265	913,318	926,873	
Reappropriated Funds	835,948	869,911	887,346	902,270	
State Board of Equalization	12,856	9,971	12,856	12,856	
General Fund	12,856	9,971	12,856	12,856	
Board of Assessment Appeals	555,028	574,302	606,314	619,580 *	
FTE	13.0	13.4	13.2	13.2	
General Fund	350,212	446,862	394,380	473,663	
Cash Funds	149,197	75,247	150,000	82,762	
Reappropriated Funds	55,619	52,193	61,934	63,155	
Indirect Cost Assessment	337,883	357,244	381,041	383,863 *	
Cash Funds	169,766	189,628	201,086	202,212	
Reappropriated Funds	168,117	167,616	179,955	181,651	
TOTAL - (2) Property Taxation	3,541,221	3,627,185	3,773,920	3,836,344	1.7%
FTE	43.2	45.3	49.9	49.9	0.0%
General Fund	1,309,049	1,406,325	1,380,281	1,477,421	7.0%
Cash Funds	1,172,488	1,131,140	1,264,404	1,211,847	(4.2%)
Reappropriated Funds	1,059,684	1,089,720	1,129,235	1,147,076	1.6%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(3) DIVISION OF HOUSING

The Division provides financial and technical assistance to help communities provide affordable housing, it administers state and federal affordable housing programs, and it regulates the manufacture of factory-built residential and commercial buildings.Cash fund include certification and registration fees paid by the producers and installers of manufactured homes, among other sources. Reappropriated funds are from severance tax and federal mineral lease tax revenues transferred from the Division of Local Government.

(A) Community and Non-Profit Services

(i) Administration

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Personal Services	2,474,603	1,501,879	2,355,340	2,387,844	
FTE	36.9	23.7	25.6	25.6	
General Fund	364,006	327,476	341,264	348,495	
Cash Funds	90,478	15,375	16,107	17,169	
Reappropriated Funds	149,909	0	96,590	100,746	
Federal Funds	1,870,210	1,159,028	1,901,379	1,921,434	
Operating Expenses	25,903	325,908	375,437	375,437	
General Fund	25,903	36,278	36,278	36,278	
Cash Funds	0	2,500	2,500	2,500	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	287,130	336,659	336,659	
Private Activity Bond Allocation Committee	2,078	0	0	0	
General Fund	0	0	0	0	
Cash Funds	2,078	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
SUBTOTAL -	2,502,584	1,827,787	2,730,777	2,763,281	1.2%
FTE	36.9	23.7	25.6	25.6	0.0%
General Fund	389,909	363,754	377,542	384,773	1.9%
Cash Funds	92,556	17,875	18,607	19,669	5.7%
Reappropriated Funds	149,909	0	96,590	100,746	4.3%
Federal Funds	1,870,210	1,446,158	2,238,038	2,258,093	0.9%
(ii) Community Services					
Low Income Rental Subsidies	40,765,615	44,803,726	49,392,635	49,392,635	
General Fund	444,861	1,248,287	1,360,813	1,360,813	
Federal Funds	40,320,754	43,555,439	48,031,822	48,031,822	
Homeless Prevention Programs	0	1,641,208	1,688,618	1,688,618	
Cash Funds	0	109,197	110,000	110,000	
Federal Funds	0	1,532,011	1,578,618	1,578,618	
Emergency Shelter Program	2,199,152	0	0	0	
General Fund	0	0	0	0	
Federal Funds	2,199,152	0	0	0	
SUBTOTAL -	42,964,767	46,444,934	51,081,253	51,081,253	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	444,861	1,248,287	1,360,813	1,360,813	0.0%
Cash Funds	0	109,197	110,000	110,000	0.0%
Federal Funds	42,519,906	45,087,450	49,610,440	49,610,440	0.0%
(iii) Fort Lyon Supportive Housing Program					
Program Costs	2,788,851	3,223,851	3,223,851	3,223,851 *	
General Fund	2,788,851	3,223,851	3,223,851	3,223,851	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
SUBTOTAL -	2,788,851	3,223,851	3,223,851	3,223,851	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	2,788,851	3,223,851	3,223,851	3,223,851	0.0%
SUBTOTAL - (A) Community and Non-Profit Services	48,256,202	51,496,572	57,035,881	57,068,385	0.1%
FTE	36.9	23.7	25.6	25.6	0.0%
General Fund	3,623,621	4,835,892	4,962,206	4,969,437	0.1%
Cash Funds	92,556	127,072	128,607	129,669	0.8%
Reappropriated Funds	149,909	0	96,590	100,746	4.3%
Federal Funds	44,390,116	46,533,608	51,848,478	51,868,533	0.0%

(B) Field Services

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Affordable Housing Program Costs	0	1,605,950	1,509,280	1,535,007	
FTE	0.0	20.9	19.9	19.9	
General Fund	0	284,432	294,035	299,952	
Cash Funds	0	783,757	75,361	75,361	
Reappropriated Funds	0	256,272	291,185	294,586	
Federal Funds	0	281,489	848,699	865,108	
Affordable Housing Grants and Loans	0	13,720,876	15,672,633	15,672,633	
General Fund	0	8,200,000	8,200,000	8,200,000	
Federal Funds	0	5,520,876	7,472,633	7,472,633	
Manufactured Buildings Program	643,544	0	724,138	733,697	
FTE	7.3	0.0	7.3	7.3	
General Fund	0	0	0	0	
Cash Funds	643,544	0	724,138	733,697	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Colorado Affordable Housing Construction Grants and Loans	4,291,866	0	0	0	
General Fund	4,200,000	0	0	0	
Cash Funds	91,866	0	0	0	
Federal Affordable Housing Construction Grants and Loans	8,130,816	0	0	0	
Federal Funds	8,130,816	0	0	0	
SUBTOTAL - (B) Field Services	13,066,226	15,326,826	17,906,051	17,941,337	0.2%
FTE	7.3	20.9	27.2	27.2	0.0%
General Fund	4,200,000	8,484,432	8,494,035	8,499,952	0.1%
Cash Funds	735,410	783,757	799,499	809,058	1.2%
Reappropriated Funds	0	256,272	291,185	294,586	1.2%
Federal Funds	8,130,816	5,802,365	8,321,332	8,337,741	0.2%
(C) Indirect Cost Assessments					
Indirect Cost Assessments	581,550	212,096	693,797	695,798 *	
Cash Funds	182,297	146,264	216,150	217,361	
Reappropriated Funds	61,813	29,916	64,729	65,339	
Federal Funds	337,440	35,916	412,918	413,098	
SUBTOTAL - (C) Indirect Cost Assessments	581,550	212,096	693,797	695,798	0.3%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	182,297	146,264	216,150	217,361	0.6%
Reappropriated Funds	61,813	29,916	64,729	65,339	0.9%
Federal Funds	337,440	35,916	412,918	413,098	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (3) Division of Housing	61,903,978	67,035,494	75,635,729	75,705,520	0.1%
FTE	44.2	44.6	52.8	52.8	0.0%
General Fund	7,823,621	13,320,324	13,456,241	13,469,389	0.1%
Cash Funds	1,010,263	1,057,093	1,144,256	1,156,088	1.0%
Reappropriated Funds	211,722	286,188	452,504	460,671	1.8%
Federal Funds	52,858,372	52,371,889	60,582,728	60,619,372	0.1%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(4) DIVISION OF LOCAL GOVERNMENT

This division provides information and training for local governments in budget development, purchasing, demographics, land use planning, and regulatory issues; and it manages federal and state funding programs to support infrastructure and local services development. Cash funds are predominantly from the Local Government Severance Tax Fund, Local Government Mineral Impact Fund, and the State Lottery.

(A) Local Government and Community Services

(i) Administration

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Personal Services	1,160,054	1,374,427	1,494,809	1,539,267	
FTE	16.5	19.1	18.6	19.0	
General Fund	245,057	436,959	326,344	348,046	
Reappropriated Funds	914,997	937,468	1,024,434	1,043,865	
Federal Funds	0	0	144,031	147,356	
Operating Expenses	67,242	66,494	137,004	182,586	
General Fund	42,178	42,178	47,831	93,413	
Reappropriated Funds	25,064	24,316	25,146	25,146	
Federal Funds	0	0	64,027	64,027	
SUBTOTAL -	1,227,296	1,440,921	1,631,813	1,721,853	5.5%
FTE	16.5	19.1	18.6	19.0	2.2%
General Fund	287,235	479,137	374,175	441,459	18.0%
Reappropriated Funds	940,061	961,784	1,049,580	1,069,011	1.9%
Federal Funds	0	0	208,058	211,383	1.6%

(ii) Local Government Services

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Local Utility Management Assistance	149,657	157,921	162,173	171,762	
FTE	1.9	2.0	2.0	2.0	
Cash Funds	149,657	157,921	162,173	171,762	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Conservation Trust Fund Disbursements	51,928,606	51,166,726	50,000,000	50,000,000	
FTE	2.0	1.8	2.0	2.0	
Cash Funds	51,928,606	51,166,726	50,000,000	50,000,000	
Volunteer Firefighter Retirement Plans	4,096,705	4,170,673	4,670,000	4,618,935 *	
General Fund	0	0	440,000	440,000	
General Fund Exempt	4,096,705	4,170,673	4,230,000	4,178,935	
Volunteer Firefighter Death and Disability Insurance	21,065	21,065	30,000	30,000	
General Fund	0	0	8,935	8,935	
General Fund Exempt	21,065	21,065	21,065	21,065	
Firefighter Heart and Circulatory Malfunction Benefits	0	797,640	1,903,273	1,903,273	
FTE	0.0	0.3	0.5	0.5	
General Fund	0	51,128	964,220	964,220	
Cash Funds	0	746,512	0	0	
Reappropriated Funds	0	0	939,053	939,053	
Environmental Protection Agency Water/Sewer File Project	54,596	58,156	54,636	54,636	
FTE	0.4	0.5	0.5	0.5	
Federal Funds	54,596	58,156	54,636	54,636	
SUBTOTAL -	56,250,629	56,372,181	56,820,082	56,778,606	(0.1%)
FTE	4.3	4.6	5.0	5.0	0.0%
General Fund	0	51,128	1,413,155	1,413,155	0.0%
General Fund Exempt	4,117,770	4,191,738	4,251,065	4,200,000	(1.2%)
Cash Funds	52,078,263	52,071,159	50,162,173	50,171,762	0.0%
Reappropriated Funds	0	0	939,053	939,053	0.0%
Federal Funds	54,596	58,156	54,636	54,636	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(iii) Community Services					
Community Services Block Grant	5,421,838	5,625,726	6,000,000	6,000,000	
Federal Funds	5,421,838	5,625,726	6,000,000	6,000,000	
SUBTOTAL -	5,421,838	5,625,726	6,000,000	6,000,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Federal Funds	5,421,838	5,625,726	6,000,000	6,000,000	0.0%
SUBTOTAL - (A) Local Government and Community Services	62,899,763	63,438,828	64,451,895	64,500,459	0.1%
FTE	20.8	23.7	23.6	24.0	1.7%
General Fund	287,235	530,265	1,787,330	1,854,614	3.8%
General Fund Exempt	4,117,770	4,191,738	4,251,065	4,200,000	(1.2%)
Cash Funds	52,078,263	52,071,159	50,162,173	50,171,762	0.0%
Reappropriated Funds	940,061	961,784	1,988,633	2,008,064	1.0%
Federal Funds	5,476,434	5,683,882	6,262,694	6,266,019	0.1%
(B) Field Services					
Program Costs	2,519,633	2,590,548	2,919,007	2,943,757	
FTE	28.0	25.5	28.4	28.2	
General Fund	203,839	533,886	0	0	
Cash Funds	104,796	103,982	109,027	109,027	
Reappropriated Funds	1,945,825	1,952,680	2,492,826	2,511,402	
Federal Funds	265,173	0	317,154	323,328	
Community Development Block Grant	8,547,606	14,030,415	8,500,000	8,500,000	
Federal Funds	8,547,606	14,030,415	8,500,000	8,500,000	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Local Government Mineral and Energy Impact Grants and Disbursements	115,191,372	130,466,720	150,000,000	150,000,000	
Cash Funds	115,191,372	130,466,720	150,000,000	150,000,000	
Local Government Limited Gaming Impact Grants	5,763,240	4,141,322	4,900,000	4,900,000	
Cash Funds	5,763,240	4,141,322	4,900,000	4,900,000	
Local Government Geothermal Energy Impact Grants	0	0	50,000	50,000	
Cash Funds	0	0	50,000	50,000	
Other Local Government Grants	0	4,863	104,000	104,000	
General Fund	0	0	0	0	
Cash Funds	0	1,053	100,000	100,000	
Reappropriated Funds	0	3,810	4,000	4,000	
Rural Economic Development Initiative Grants	0	0	750,000	750,000	
General Fund	0	0	750,000	750,000	
Search and Rescue Program	404,736	430,778	618,420	618,420	
FTE	1.2	1.2	1.3	1.3	
Cash Funds	404,736	430,778	618,420	618,420	
Strategic Planning Group on Coloradans Age 50 and Over	0	0	364,915	0	
FTE	0.0	0.0	0.3	0.0	
General Fund	0	0	364,915	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Local Government Marijuana Impact Grant Program	0	0	69,452	1,117,540	
FTE	0.0	0.0	1.0	2.0	
Cash Funds	0	0	69,452	117,540	
Reappropriated Funds	0	0	0	1,000,000	
Colorado Heritage Communities Grants	7,954	0	0	0	
Cash Funds	7,954	0	0	0	
Local Government Permanent Fund	4,304,072	0	0	0	
Cash Funds	4,304,072	0	0	0	
SUBTOTAL - (B) Field Services	136,738,613	151,664,646	168,275,794	168,983,717	0.4%
FTE	29.2	26.7	31.0	31.5	1.6%
General Fund	203,839	533,886	1,114,915	750,000	(32.7%)
Cash Funds	125,776,170	135,143,855	155,846,899	155,894,987	0.0%
Reappropriated Funds	1,945,825	1,956,490	2,496,826	3,515,402	40.8%
Federal Funds	8,812,779	14,030,415	8,817,154	8,823,328	0.1%

(C) Indirect Cost Assessments

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Indirect Cost Assessments	943,316	832,535	965,920	973,146 *	
Cash Funds	147,595	155,871	151,122	151,968	
Reappropriated Funds	795,721	676,664	670,289	676,606	
Federal Funds	0	0	144,509	144,572	
SUBTOTAL - (C) Indirect Cost Assessments	943,316	832,535	965,920	973,146	0.7%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	147,595	155,871	151,122	151,968	0.6%
Reappropriated Funds	795,721	676,664	670,289	676,606	0.9%
Federal Funds	0	0	144,509	144,572	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (4) Division of Local Government	200,581,692	215,936,009	233,693,609	234,457,322	0.3%
FTE	50.0	50.4	54.6	55.5	1.6%
General Fund	491,074	1,064,151	2,902,245	2,604,614	(10.3%)
General Fund Exempt	4,117,770	4,191,738	4,251,065	4,200,000	(1.2%)
Cash Funds	178,002,028	187,370,885	206,160,194	206,218,717	0.0%
Reappropriated Funds	3,681,607	3,594,938	5,155,748	6,200,072	20.3%
Federal Funds	14,289,213	19,714,297	15,224,357	15,233,919	0.1%
TOTAL - Department of Local Affairs	271,490,394	293,038,155	320,219,550	321,283,684	0.3%
FTE	151.6	155.3	171.5	172.4	0.5%
General Fund	10,617,302	17,377,101	19,375,159	19,171,149	(1.1%)
General Fund Exempt	4,117,770	4,191,738	4,251,065	4,200,000	(1.2%)
Cash Funds	180,575,681	190,040,091	209,230,174	209,267,377	0.0%
Reappropriated Funds	8,611,673	8,368,095	10,487,107	11,624,134	10.8%
Federal Funds	67,567,968	73,061,130	76,876,045	77,021,024	0.2%

Appendix B: Recent Legislation Affecting Department Budget

2014 Session Bills

S.B. 14-106 (Appropriations from the Local Government Permanent Fund): Changes current statute to allow the Department of Local Affairs to request a backfill when anticipated revenues from federal mineral leasing activities are projected to be at least ten percent less than the amount deposited in the previous fiscal year based on the December revenue forecast instead of the March forecast. Appropriates $4.3 million from the Local Government Permanent Fund to be distributed to local divisions of government consistent with regular distributions.

S.B. 14-172 (Firefighter Heart Circulatory Malfunction Benefits): Requires any municipality, special district, fire authority, or county improvement district (employer) employing one or more firefighters 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. Employers may also provide similar insurance for volunteer firefighters. The bill establishes the amounts of minimum benefit payments, which must increase proportionally and concurrently with any benefit increases provided by the Fire and Police Pension Association (FPPA).

H.B. 14-1017 (Expand Availability of Affordable Housing): Modifies provisions of the Colorado Home Investment Trust Fund (CHIF) and Housing Development Grant Fund (HDGF) and restores an income tax credit to owners of qualified low-income housing developments. For the *CHIF:* Allows the CHIF to receive moneys from federal grants as well as donations, expands eligible grantees to for-profit companies, eliminates the requirement that loans be used for development or redevelopment of low- or moderate income housing, and requires DOH to give priority to owners of property damaged by a natural disaster, provides for continuous appropriation to the DOH of which no more than 3 percent may be used for administration, allows the DOH to charge a fee on loans to cover administration. For the *HDGF:* Allows the fund to receive moneys from federal grants, as well as donations, and interest. Allows the DOH to transfer 20 percent of the fund balance, as of July 1, to the CHIF. Allows no more than 3.0 percent of moneys be used for administrative costs; and requires the DOH to give priority to loans or grants to owners of property damaged by a natural disaster. *Income tax credit:* Authorizes the Colorado Housing and Finance Authority (CHFA) to issue $30 million of state income tax credits in 2015 and 2016 and requires CHFA to provide a report on the number of housing developments that received the credit. This provision was anticipated to reduce General Fund revenue by $1.5 million in FY 2015-16, $4.75 million in FY 2016-17, and $7.0 million in FY 2017-18.

2015 Session Bills

S.B. 15-029 (Volunteer Firefighter Pension Plan Study): Requires the Office of the State Auditor (OSA), with the concurrence of the Fire and Police Pension Association (FPPA) and the Department of Local Affairs (Department), to retain a nationally recognized law firm and, if necessary, an actuary to conduct a study of various issues related to the state's volunteer firefighter pension plan system. Requires the OSA, the FPPA, and the Department to work collectively to develop recommendations for the legislature regarding changes to the system of volunteer firefighter pension plans, based on the results of the report. Requires the Police Officers' and Firefighters' Pension Reform Commission to review the results on the report and to determine whether to propose legislation relating to the funding and structure of volunteer firefighter pension plans in the state. Provides the following FY 2015-16 appropriations: $100,000 General Fund to the Legislative Department for allocation to the OSA; $4,271 General Fund to the Department of Local Affairs; and $848 reappropriated funds to the Governor's Office for information technology services for the Department of Local Affairs.

S.B. 15-112 (Building Regulation Fund): The Building Regulation Fund (Fund) supports programs to inspect and regulate manufactured buildings. In 2009, the General Assembly transferred $1,101,349 from the Fund to the General Fund to address statewide revenue shortfalls. Repays $500,000 of this amount through two transfers from the General Fund to the Fund:

- On April 1, 2015, transfers $300,000 from the General Fund to the Fund.
- On July 1, 2016, transfers $200,000 from the General Fund to the Fund.
- Waives the limit on uncommitted reserves in the Fund for FY 2014-15.

S.B. 15-244 (Transfers related to Federal Mineral Lease Recoupment): Enacts statutory transfers from the General Fund for three consecutive fiscal years, from FY 2015-16 to FY 2017-18, to backfill state cash funds for local public entities that will be reduced by the recoupment of federal mineral lease (FML) revenue previously received from oil and gas leases on the Roan Plateau. Due to a recently-settled lawsuit, businesses with drilling rights on the Plateau are vacating some mineral leases in return for reimbursement of their initial up-front FML "bonus" payments. To adjust for a total FML reduction of $23,366,598 over three years, the State Treasurer will annually transfer $7,788,866 from the General Fund to the Public School Fund. This will trigger further transfers from the Public School Fund to the Local Government Mineral Impact Fund and Colorado Water Conservation Board Construction Fund (CWCB Fund). These further transfers are made from FML funds rather than General Fund, but are based on ensuring allocation of the initial $7.8 million General Fund transfer consistent with each fund's usual statutory share of FML revenue.

Transfers under SB 15-244, for each fiscal year between FY 2015-16 and FY 2017-18. (Following statutory nonbonus FML distributions in Section 34-63-102, C.R.S.)				
Original source	**First transfer**	**Final Transfer / Residual**	**%**	**Recipient Purpose**
General Fund	$7,788,866 to the Public	$3,115,546 to the Local Government Mineral Impact Fund.	40.0	For the Local Impact Program in DOLA.

Transfers under SB 15-244, for each fiscal year between FY 2015-16 and FY 2017-18. (Following statutory nonbonus FML distributions in Section 34-63-102, C.R.S.)				
Original source	**First transfer**	**Final Transfer / Residual**	**%**	**Recipient Purpose**
	School Fund	778,887 to the CWCB Fund	10.0	For use in water projects.
		132,411 to the Local Government Mineral Impact Fund	1.7	For use by DOLA in school district direct distributions.
		3,762,022 residual in the Public School Fund	48.3	Payments to support public schools.
		Total Transfer $7,788,866		

S.B. 15-255 (Deposit Severance Tax Revenues In General Fund): Diverts up to the first $20.0 million in gross severance tax revenues collected after the effective date to the General Fund in FY 2014-15. Pursuant to Section 39-28-108 (2) (2) (I), C.R.S., the Department of Natural Resources and the Department of Local Affairs each receive 50.0 percent of total severance tax revenues. The diversion thus potentially reduced revenue to the Local Government Severance Tax Fund by up to $10.0 million in FY 2014-15. Actual severance tax revenue was ultimately lower than anticipated. As a result, $16,226,732 was diverted of which $8,113,366 would otherwise have gone to the Department of Local Affairs.

S.B. 15-288 (Compensation Paid to Elected Officials): Increases statutory salaries for county commissioners, sheriffs, treasurers, assessors, clerks, coroners, and surveyors by 30.0 percent, effective January 2016. Requires the Director of Research of the Legislative Council to periodically adjust the salaries of these elected county officials for inflation, and post the adjusted salary amounts on the General Assembly's web site.

H.B. 15-1033 (Strategic Planning Group on Aging): Creates a Strategic Action Planning Group on Aging (Group) to study and produce a comprehensive strategic action plan on aging in Colorado. The 23-member Group, appointed by the Governor, will examine the impacts of the aging demographic shift through the year 2030 on the economy, state and local budgets, and health care and transportation needs, among other issues. The bill outlines various requirements for representation on the Group and its activities. Requires the Group to provide oral updates to the Joint Budget Committee during the 2016 and 2017 legislative sessions, to submit its written strategic plan with final recommendations by November 30, 2016, and to submit two updates to the strategic plan, one by November 1, 2018 and one by November 1, 2020. The Group is repealed September 1, 2022, pending sunset review. Creates the Strategic Action Plan on Aging Cash Fund, which is continuously appropriated to the Group and consists of moneys appropriated by the General Assembly and gifts, grants or donations. Provides an appropriation of $365,915 General Fund and 0.3 FTE to the Department of Local Affairs for FY 2015-16 for allocation to the Division of Local Government to support the Group.

H.B. 15-1225 (Federal Land Coordination): Requires the executive branch to provide technical and financial support to local governments that are affected by federal land management. Specifically, requires the Governor to provide technical support in cooperation with the executive directors of the Department of Local Affairs, the Department of Natural Resources, and the Commissioner of the Department of Agriculture. Support includes sharing information with federal land managers, developing local land use plans, hiring consultants, and entering into memoranda of understanding or other cooperation with federal agencies. The Governor is also authorized, but not required, to establish an advisory committee that provides technical assistance related to specific federal land management decision-making processes. Authorizes the use of the Local Government Mineral Impact Fund and the Local Government Severance Tax Fund for planning, analysis, public engagement, collaboration with federal land managers, and other local government activity related to federal land management. For three years, grant funding of $1.0 million per year will be available to counties for these activities or for similar or related activities by local governments. For FY 2015-16, appropriates $32,369 reappropriated funds and 0.5 FTE to the Department of Local Affairs from amounts initially appropriated to the Department for local government mineral and energy impact grants and disbursements.

H.B. 15-1367 (Retail Marijuana Taxes): Refers a ballot issue to voters on November 3, 2015, asking whether the state may retain and spend revenue collected from the Proposition AA excise and special sales taxes on retail marijuana in FY 2014-15. Creates a $58.0 million Proposition AA Refund Account (Refund Account) in the General Fund. Independent of whether the voters approve the ballot issue, the bill creates a Local Government Retail Marijuana Impact Grant Program in the Department of Local Affairs and makes various other changes to law regarding marijuana taxes and expenditure of related revenue. Among other appropriations, appropriates $71,342 cash funds from the Marijuana Tax Cash Fund and 1.0 FTE to the Department of Local Affairs for FY 2015-16, regardless of whether the ballot initiative is adopted. If the ballot initiative is adopted, appropriates an additional $1,000,000 for FY 2015-16 to the Department of Local Affairs from the Refund Account.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

57 Department of Local Affairs, Division of Housing -- It is the intent of the General Assembly that the Department target state General Fund appropriations for affordable housing to projects and clients that can be reasonably expected to reduce other state costs.

Comment: This footnote expresses legislative intent. The Department's efforts to comply are discussed below pursuant to a request for information #1.

Requests for Information

1. Department of Local Affairs, Division of Housing – The Department is requested to submit a report by November 1, 2015 on its affordable housing programs. The report should specifically address:

   - The State's priorities for affordable housing construction and rental assistance programs.
   - How the projects approved by the State for funding align with these priorities.
   - The per-unit costs of these projects identifying specifically (1) state funds; and (2) other funds.
   - To the extent feasible, the resulting financial benefits to the State from the types of units funded. The Department is requested to particularly focus this analysis on reductions in state outlays for services: e.g., Medicaid-funded hospitalizations for chronically homeless or disabled individuals.

Comment: The Department submitted its response as requested by November 1, 2015. The response is discussed in detail in a staff briefing issue in this packet.

2. Department of Local Affairs, Division of Housing, Community and Non-Profit Services, Fort Lyon Supportive Housing Program – The Department is requested to submit a report by November 1, 2015 on the Fort Lyon Supportive Housing program. The report should specifically address:

   - The overall effectiveness of the program, including an analysis of whether individuals discharged from Ft. Lyon are able to obtain and maintain stable housing and jobs, to remain sober, to avoid involvement in the criminal justice system, and any other measures the Department deems appropriate for evaluating the program's impacts.

   - Costs of maintaining the property over the long term, including costs that must be addressed within a 15-year window and additional investments anticipated to be required beyond that time-frame, including, but not limited to, the costs of demolishing empty buildings and any related asbestos abatement on the site.

- Whether Department and community housing resources are sufficient to successfully transition Ft. Lyon residents back to their local communities now and in the future. The report should particularly address whether the Department has been able to obtain new rental housing vouchers or has had sufficient turnover in its existing housing voucher resources to assist individuals who complete the program at Fort Lyon in obtaining community-based housing.

Comment: The Department submitted its response as requested on November 1, 2015. The response is discussed in detail in a staff briefing issue in this packet.

3. Department of Local Affairs, Division of Local Government – The Department is requested to submit a report by November 1, 2015 on the Main Street program. The report should specifically address the rationale for the program, what grant requests have been received and acted upon, whether they support impacted communities, and why use of Local Government Severance and Mineral Impact Funds to support the program does not violate federal law or state statute.

Comment: The Department submitted its response as requested by November 1, 2015. The response notes the following:

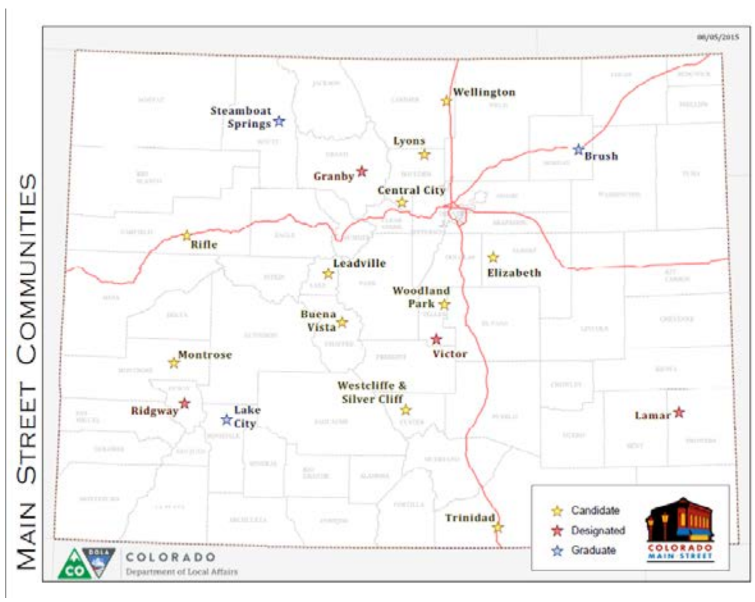
Rationale: This program focuses on asset-based economic development and historic preservation in historic commercial downtowns. Downtowns are the most visible indicator and driver of the overall economic and social health of a community, and communities have requested DOLA provide technical and financial assistance in their work to revitalize their downtowns. The program applies a nationally proven methodology to achieve success as measured through jobs created and public and private dollars invested. The program is consistent with DOLA's mission to strengthen Colorado communities.

Grants: The program served 14 communities in FY 2014-15 and added 7 in July 2015. The program provides mini-grants to Main Street communities, and the maximum amount depends on the community's tier that year: candidate, designated, or graduate. The table below reflects awards in 2014 and 2015. The program's goal is to expand to 35 communities by 2020.

Community	Tier	Amount Awarded:	
		2014	2015
Buena Vista*	Candidate	-	$5,000
Cliffs (Westcliffe, Silver Cliff)	Candidate	$5,000	$5,000
Lyons	Candidate	$5,000	$5,000
Rifle	Candidate	$5,000	$5,000
Montrose	Candidate	$5,000	$5,000
Trinidad	Candidate	$5,000	$5,000
Woodland Park*	Candidate	-	$5,000
Granby	Designated	$7,000	$7,000
Lamar	Designated	$7,000	$7,000

Ridgway	Designated	$7,000	$7,000
Victor	Designated	$7,000	$7,000
Brush	Graduate	$10,000	$10,000
Lake City	Graduate	$10,000	$10,000
Steamboat Springs	Graduate	$10,000	$10,000
Total		**$83,000**	**$93,000**

Relationship to communities impacted by energy and mineral extraction: Main Street communities are located throughout the State, as reflected in the chart below. The energy impact program severance tax statute allows for discretionary funding of grants by the DOLA executive director. These grants support impacted communities. No Federal Mineral Lease funds are used by the Department for Main Street grants.



Appendix D: Department Annual Performance Report

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of Local Affairs by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2014-15 report dated October 2015 can be found at the following link:

https://drive.google.com/file/d/0B_om-XLNWzsXYnRqcnRtaWhjTG8/view

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of Local Affairs is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2015-16 plan dated June 25, 2015 can be found at the following link:

https://drive.google.com/file/d/0BzIopKKDzSSTMkR6SVFVQ3FBaG9vbmxoYkloSkhib0NFWTdZ/view