COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2015-16 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.

[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.

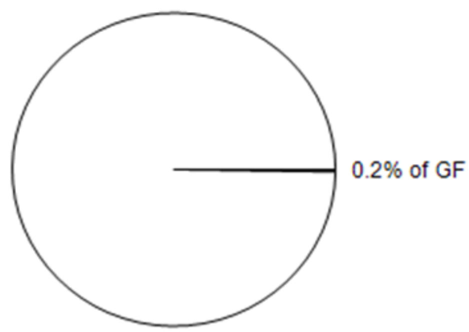
Department Budget: Recent Appropriations

Funding Source	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 *
General Fund	$11,074,259	$17,710,455	$21,655,439	$25,838,962
Cash Funds	206,386,363	213,224,629	209,046,119	209,133,687
Reappropriated Funds	7,129,597	8,630,903	9,260,768	10,112,011
Federal Funds	102,623,672	69,956,340	70,295,592	70,400,256
Total Funds	**$327,213,891**	**$309,522,327**	**$310,257,918**	**$315,484,916**
Full Time Equiv. Staff	163.2	164.3	168.4	169.7

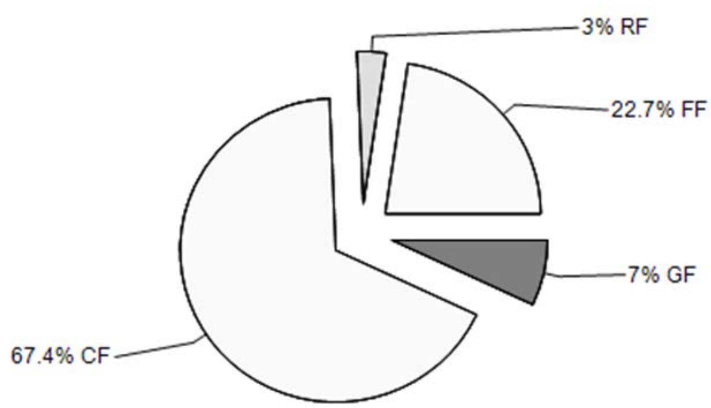
*Requested appropriation.

Department Budget: Graphic Overview

Department's Share of Statewide General Fund

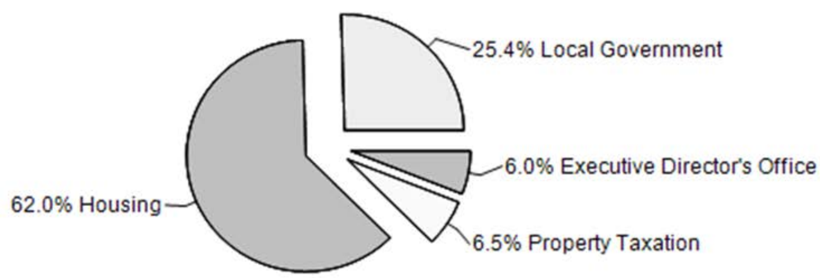


Department Funding Sources

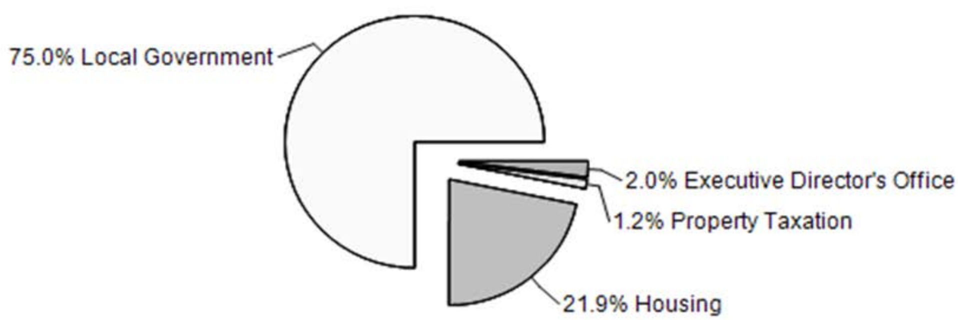


All charts are based on the FY 2014-15 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2014-15 appropriation.

General Factors Driving the Budget

Dedicated Funding Sources

The Department is responsible for a number of programs with dedicated cash revenue sources. The largest of these include:

- Local Government Mineral and Energy Impact Grants – a portion of state severance tax revenues as well as federal mineral lease revenues distributed to local governments affected by mineral extraction activities;
- Conservation Trust Fund Disbursements – a portion of state lottery proceeds distributed to local entities on a formula basis for parks, recreation, and open space purposes; and
- Limited Gaming Impact Grants – a portion of 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 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Estimate	FY 2015-16 Estimate/Request
Severance Tax[a]	$103.1	$66.3	127.1	$140.4	$111.4
Federal Mineral Lease[a]	62.8	48.9	72.3	76.5	77.4
Conservation Trust Fund	49.3	54.3	52.1	52.1	52.1
Limited Gaming Fund	3.3	5.0	5.0	5.0	5.0
Totals	**$218.5**	**$174.5**	**$256.5**	**$274.0**	**$245.9**

[a] The large fluctuations reflect the fact that oil, gas, and mineral prices and production volumes create windfall revenues in some years and poor prices or production volumes create revenue shortfalls in other years. Additional severance tax volatility occurs because of the timing of the ad valorem tax credit, which does not align with the same production year of the severance tax. This misalignment magnifies the effect of price and volume fluctuations and can severely reduce revenues. Actual, estimate, and request amounts for Severance and FML revenue are greater than the amounts reflected (or requested to be shown) in the budget for these years.

Federal Funds

Federal funds comprise about one-fifth ($70 million) of the Department of Local Affairs' current year appropriation. These federally-funded programs often do not require state matching funds and are provided at the discretion of federal authorities. Some of the major on-going federal grants administered by this department are summarized in the following table.

Major On-going Federal Grants Administered by Department of Local Affairs ($ millions)					
	FY 2011-12 Actual	**FY 2012-13 Actual**	**FY 2013-14 Actual**	**FY 2014-15 Approp.**	**FY 2015-16 Request**
HUD rental subsidies[a]	$43.7	$45.2	$40.3	$39.5	$39.5
HUD affordable housing development[a]	6.7	8.1	6.5	6.5	6.5
HUD Community Development Block Grants[a]	10.3	6.1	7.2	9.7	9.7
Health and Human Services Community Services Block Grants[a,]	4.8	6.4	5.4	6.0	6.0
HUD Emergency Shelter and Homeless Prevention Programs[a]	1.0	1.0	2.2	1.0	1.4

[a] Amounts exclude portions used for administration and overhead.

Summary: FY 2014-15 Appropriation & FY 2015-16 Request

Department of Local Affairs	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	$308,503,775	$20,751,294	$209,046,471	$8,410,418	$70,295,592	167.8
Other legislation	1,754,143	904,145	(352)	850,350	0	0.6
TOTAL	**$310,257,918**	**$21,655,439**	**$209,046,119**	**$9,260,768**	**$70,295,592**	**168.4**
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	$310,257,918	21,655,439	$209,046,119	$9,260,768	$70,295,592	168.4
R1 Building Regulation Fund structural deficit resolution	250,000	250,000	0	0	0	0.0
R2 Colorado Main Street Program	462,500	0	0	462,500	0	0.0
R3 Improve statutory compliance	61,150	61,150	0	0	0	0.9
R4 Housing development grants	3,420,000	3,420,000	0	0	0	0.0
Centrally appropriated line items	888,002	433,691	49,255	287,881	117,175	0.0
Annualize prior year legislation and requests	134,031	8,498	38,313	99,731	(12,511)	0.4
NP1 Annual fleet request	11,315	10,184	0	1,131	0	0.0
TOTAL	**$315,484,916**	**$25,838,962**	**$209,133,687**	**$10,112,011**	**$70,400,256**	**169.7**
Increase/(Decrease)	$5,226,998	$4,183,523	$87,568	$851,243	$104,664	1.3
Percentage Change	1.7%	19.3%	0.0%	9.2%	0.1%	0.8%

R1 Building Regulation Fund structural deficit resolution: The Department requests $250,000 General Fund on an ongoing basis to address a structural deficit in the Building Regulation Fund. This fund supports the Department's inspection and regulation of factory-built structures and provides building inspection services, code enforcement, and plan review expertise as needed in the state. The Fund is supported by fees paid for residential and commercial plant inspections, registrations, and plan reviews. A statutory change would be required to allow a General Fund appropriation for this program.

R2 Colorado Main Street Program: The Department requests $462,500 reappropriated funds from Local Government Severance and Mineral Impact Funds to expand the Main Street program in order to meet growing statewide demand and support the need for downtown revitalization. The Main Street program focuses on asset-based economic development and historic preservation of downtown areas. The program provides technical support and mini-grants to local communities to address these issues. The request would enable the program to accept additional communities that wish to participate in the program and would support preservation architectural services and other consultant services from subject-matter experts as needed. The request represents a 19% increase over the Field Services base of $2,417,785.

R3 Improve statutory compliance: The Department requests $61,150 General Fund and 0.9 FTE in FY 2015-16 for Local Government Services staff to handle increased workload caused by the growth in the number of local governments. The request will annualize to $61,164 General Fund and 1.0 FTE for FY 2016-17 and represents a 23 percent increase over the Division's current General Fund base of $267,341.

R4 Housing development grants: The Department requests an annual increase of $3.42 million General Fund for development of 500 affordable rental housing units and rental vouchers for seniors and persons with disabilities. This represents a 41.7 percent increase to the Housing Development Grant budget.

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

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

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

Issue: Request R1 - Building Regulation Fund Deficit

The Department of Local Affairs requests $250,000 General Fund in FY 2015-16 and approximately $64,000 General Fund in FY 2014-15 to address a structural deficit in the Building Regulation Fund (Fund). This Fund supports the Department's inspection and certification of factory-built residential and commercial structures. Since statute requires that the Fund cover the program's direct and indirect costs, a statutory change would be required. Alternatively, the General Assembly could repay the Fund for moneys transferred to the General Fund in FY 2008-09.

SUMMARY:

- The Department of Local Affairs serves as the statewide building department for factory-built residential and commercial structures. It inspects planning, construction, and installation for compliance with building codes and certifies that manufactured homes and commercial buildings are safe for occupancy. Inspection and certification fees, deposited in the Building Regulation Fund, support the direct and indirect costs of the program.

- The Department requests an appropriation of $250,000 General fund beginning in FY 2015-16 to address a structural shortfall in the Building Regulation Fund. It will also be approaching the General Assembly for approximately $64,000 General Fund for FY 2014-15. A statutory change is required to appropriate General Fund for this program, since current law requires that fees support the program's direct and indirect costs.

- Fees for this program have been flat for 10 years in response to the economic pressures on consumers and producers. Meanwhile, annual staff salary and benefit adjustments have increased costs. The Department has taken steps to improve efficiency and plans some fee increases but does not believe larger fee increases or service reductions are viable.

RECOMMENDATION:

Staff recommends that in lieu of providing a General Fund appropriation for this program, the JBC sponsor legislation to repay the Building Regulation Fund at least $500,000 in General Fund that was transferred from this Fund to the General Fund in FY 2008-09.

DISCUSSION:

Manufactured Buildings Program
Pursuant to Sections 24-32-3301, C.R.S., et. seq., the Department of Local Affairs is charged with regulating factory-built structures, multi-family structures where no local building standards exist, manufactured home installations, and sellers of manufactured homes. The State Housing Board promulgates associated rules, which are enforced by the Division of Housing's Housing Technology and Standards section.

Department staff review and approve manufactured housing plans for residential and commercial use. They inspect construction as it progresses within factories, playing a role similar to local building department staff at building construction sites. Department staff and contractors also inspect the site installation of manufactured housing and respond to manufactured housing consumer complaints. The statutes also:

- Require factory-built structures occupied within the state (manufactured, repaired, or sold in the state or brought to the state from elsewhere) to bear an insignia of approval issued by the Division and affixed by the Division or an authorized agent prior to occupancy;
- Require any installer of manufactured homes to annually register and be certified by the Division.
- Establish minimum training and other requirements for installers and installation inspectors contracted by the Department;
- Provide the Division of Housing certification and enforcement authority including civil penalties up to $1,000 as well as injunctive relief from the court; and
- Prohibit any other political subdivision of the state from imposing any additional registration, escrow and bonding, or contract requirements on sellers.

Program Funding and Current Deficit

Section 24-32-3309, C.R.S. requires that the State Board, by rule, "establish a schedule of fees *designed to pay all direct and indirect costs incurred by the division*" for this program. These fees are deposited to the Building Regulation Fund, from which the General Assembly makes annual appropriations for operation of the program.

For FY 2014-15, the Department was appropriated $860,866 from the Building Regulation Cash Fund, which was expected to support 7.3 FTE. Additional spending authority will be allocated from centrally-appropriated line items, and the Department anticipates total FY 2014-15 expenditures for direct and indirect costs of $889,635.

The Department reports that it is facing a deficit in the Building Regulation Fund: Funded services require approximately $914,000 in FY 2015-16 to maintain timely building department services; however current annual revenues are averaging $660,000 under the current fee structure.

The Department reports that the inspection and installation fees it requires for a 1,500 square foot manufactured home or office, including plan review, insignia, and oversight, total $805 per unit. The Department surveys other state and local costs for comparison. In other states reviewed, the costs for a manufactured home inspection ranged from $460 to $1,293. In Colorado, the Pikes Peak inspection office reported charging $532 to inspect a 1,500 square foot home and $1,289 for a 1,500 square foot office, while Douglas County reported charging $3,049 to inspect a 1,500 square foot building.

Reasons for Shortfall

The Department blames the shortfall on the following:

- Building Regulation Fund fees have not been increased for over a decade to limit the regulatory cost burden on the industry and the consumer. Over the same period, salaries and benefits have increased.
- There is room for some fee increases in the future, based on a comparison with other building department fees. However, DOLA has been sensitive to industry concerns about competitiveness and consumer concerns about prices, given that this is a product targeted to lower-income home owners.
- Sales of manufactured homes fell at the beginning of the great recession have subsequently been fairly flat, so there has not been an increase in revenue based on number of inspections.
- Shipments of HUD-manufactured homes to Colorado have dropped from over 5,500 annually to 715 for calendar year 2013, and there have been no active Colorado-based HUD home manufacturers since 2009, resulting in fewer installation permits and inspections.[1]
- Two of the three active Colorado residential factories closed in the last twelve months, which has reduced the need for various inspections. There are new start-up factories in Colorado, but the Department does not anticipate revenue from inspections at these factories to fully replace revenues from closed factories for at least five years.

The Department recognized the pending structural deficit in FY 2009-10 and implemented several cost reduction measures:

- A staff reduction of 4.4 FTE (from 11.7 to 7.3 FTE) in FY 2009-10. This reduced costs but placed pressure on industry as the Department fails to complete residential plan reviews within statutory deadlines.
- The Department obtained one-time ARRA grant funds in FY 2010-11 and FY 2011-12 and shifted some staff to related activities.
- It began to allow use of third-party firms to provide installation inspection services, thereby reducing costs.
- It eliminated a $20,688 transfer to the Department of Law associated with the program.
- In 2009, it transferred a position to Grand Junction to reduce travel-related costs
- Most recently, it has shifted to electronic-only building plan submissions to improve efficiency.

Request
Despite the above efforts, it faces a structural deficit that will affect the program in FY 2014-15, FY 2015-16 and future years. Its proposed solution is as follows:

- Statutory change to authorize use of the General Fund to help pay direct and indirect cost of the building regulation program
- Statutory change to allow the Department to adjust two fees that are currently set in statute. Section 24-32-3315 (5) ($250 maximum annual fee for registering as an installer; current fee is $100) and 24-32-3323(3) ($200 maximum annual fee for registering as a seller of manufactured homes; current fee is $200)

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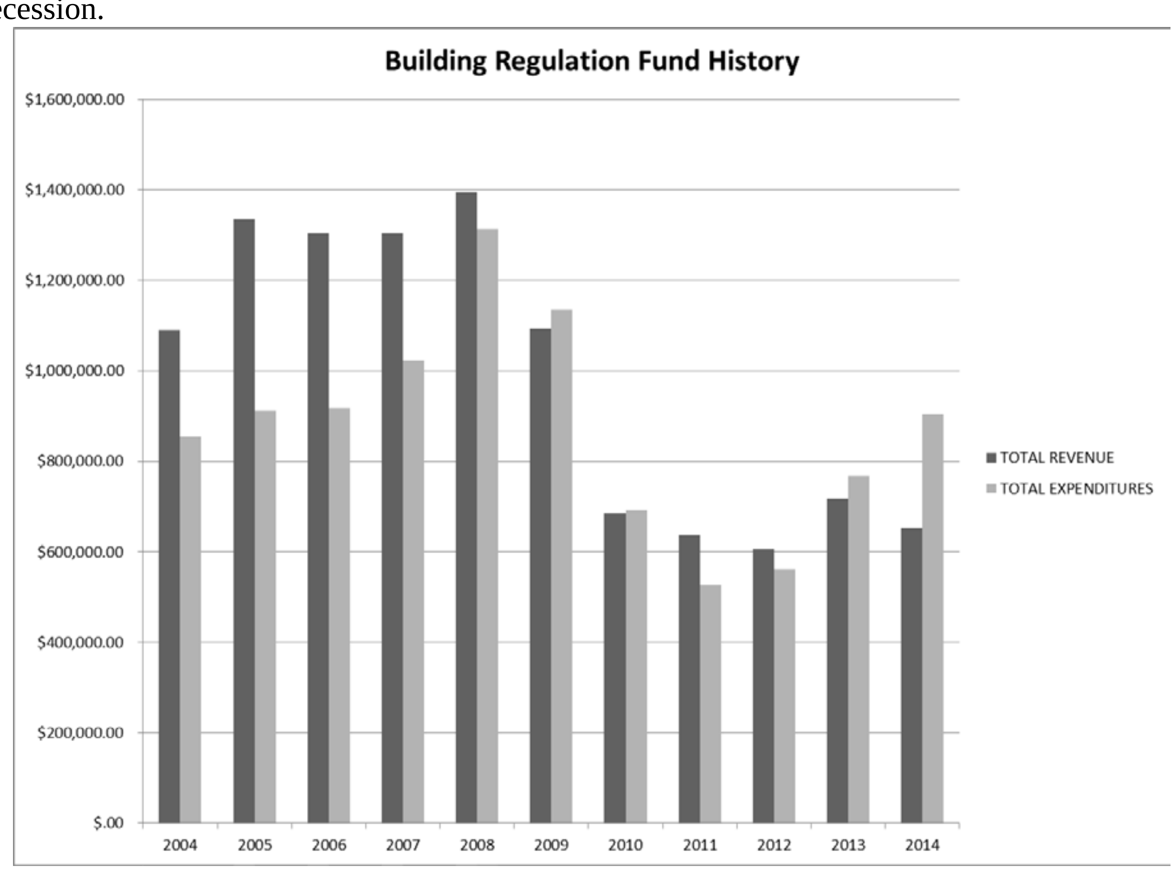
[1] HUD manufactured homes are built on their own permanent foundations. These represent a subset of all factory-produced housing units.

- Fee increases through rule making, resulting in projected increased revenues by $56,425 in FY 2014-15 and $97,980 in FY 2015-16 (based on revenue projections).
- General Fund appropriations of $64,000 in FY 2014-15, $250,000 in FY 2015-16, and $200,000 in subsequent years (a supplemental request will be submitted)

The Department indicates that raising revenues to meet expenses would drive increases of over 30 percent in fees, which would have little industry or consumer support. However, if it reduces expenses, the program will be unable to complete its statutory obligations, due to insufficient resources. This will drive increased wait times for consumer complaint resolutions, increased use of subcontractors and local governments to complete inspections, and greater likelihood of consumer safety problems.

History of the Building Regulation Fund

Revenues versus Expenditures: As reflected in the chart below, the Building Regulation Fund, and required building regulation activities are substantially affected by the overall housing market trends. In the late-2000s, building regulation revenues skyrocketed, along with workload. They then plummeted with the decline in the housing market at the beginning of the Great Recession.

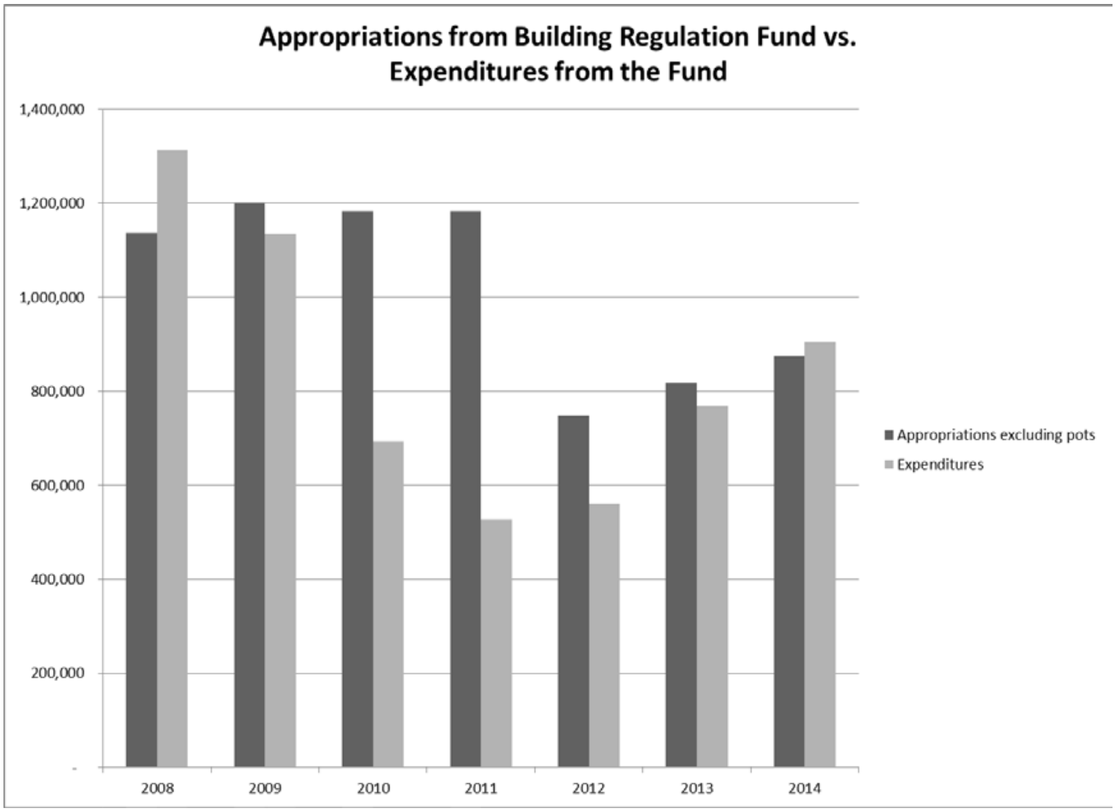


*Reflects expenditures for program activities; therefore excludes transfer expenditure (to the General Fund) of $1.1 million in FY 2008-09

Transfer to General Fund: Revenue growth in the early 2000s led to a large fund balance in the Building Regulation Fund. In response to the sudden and serious budget shortfalls facing the

State, the General Assembly transferred virtually the entire fund balance--$1,101,349--from the Building Regulation Fund to the General Fund on June 1, 2009.

Appropriations versus expenditures: Adjustments to program appropriations have lagged changes in demand and expenditures, as reflected in the chart below.

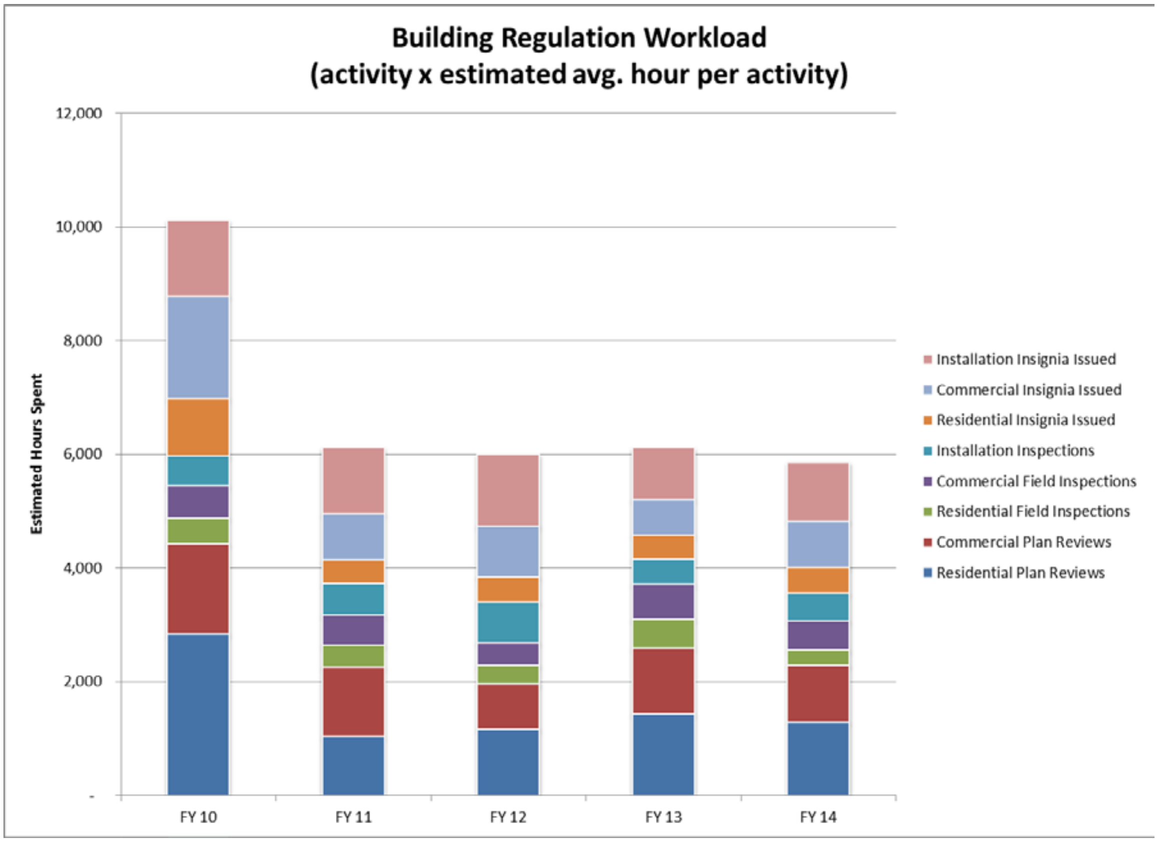


Note: Although expenditures exceed appropriations in some years, this does not reflect an over expenditure of spending authority. A portion of amounts appropriated "from various cash sources" in centrally appropriated line items are charged to the Building Regulation Fund

Just before the onset of the Great Recession, H.B. 08-1319 added an appropriation of 1.7 FTE and $113,632 cash funds to base funding for this program starting in FY 2080-09. However, with the decline in the housing market, reductions in fee revenue, and transfer of the fund balance to the General Fund in FY 2008-09, the Department was never able to make use of these moneys. In FY 2011-12, it requested a reduction in spending and FTE authority in the line item. The General Assembly reduced the appropriation by $434,347 and 4.4 FTE to align more closely with anticipated revenue and expenditures.

Program workload

The Department reports that workload has fallen from FY 2009-10 but has been relatively flat since that time, even as program expenditures have grown. The chart below is based on the actual incidence of listed activities in each year and the Department's estimate of hours required per activity, ranging from 4 hours per residential plan review to 1 hour for issuing an installation insignia. While this is only an approximation of hours worked, it allows for comparison of workload across years.



Recommendations

Repay cash fund: In lieu of authorizing ongoing General Fund support for this program, staff recommends the Committee consider running a bill to repay the Building Regulation Fund at least $500,000 of the $1.1 million transferred from the Fund to the General Fund in FY 2009. If desired, based on General Fund available, statutory transfers could be spread over two or more years.

This recommendation is based on the following considerations:

- Transferring moneys back from the General Fund to a cash fund, now that the fund balance is running short, seems appropriate since the fund balance originated from participant fees.

- This should provide sufficient revenue to cover shortfalls in the near term, to provide a cushion for revenue fluctuations, and to phase-in additional fee increases that may be needed.

- Based on the history of the program, it seems likely that demand for manufactured structures will increase in the coming years, which is likely to increase revenue due to increased volume. As the economy recovers, consumers and manufacturers should also be more tolerant of reasonable fee increases.

- If the program is still struggling after FY 2015-16, further transfers *or* an ongoing General Fund appropriation of the type currently requested could be considered.

- Staff believes it is reasonable for the size of this program to change based on changes in the housing market. The most efficient way to ensure this is to tie expenditures to fee revenue. *If the program had relied on General Fund, rather than fees, would it have reduced expenditures in FY 2010-11 when workload plummeted?* Staff does not feel the Department has thus far put forth adequate justification for why, over the longer term, the program cannot operate on the fees it collects.

<u>Spending authority</u>*:* The Department's request highlights lack of adequate revenue in the Building Regulation Fund—not insufficient appropriations to achieve its work. Workload does not appear to have changed substantially in the last four years, and it has not been clear to staff why expenditures have increased so much more rapidly than appropriations.

In light of the above, staff was surprised that the Department's request adds General Fund but does not reduce cash funds spending authority. In response to staff questions, the Department has indicated that the program previously received significant additional support from non-appropriated federal dollars. In FY 2013-14, the program began to rely more heavily on cash with less federal support. Due to the lack of federal support, a General Fund subsidy is now requested. Staff anticipates that further details will be forthcoming.

Depending upon the approach the Committee chooses to take, staff will work with the Department to determine the total level of appropriation needed for the program, regardless of the funding source.

<u>Fees</u>: Staff acknowledges that increases in fees may simply drive further General Fund refunds, given the state's current revenue projections. Staff believes this should be a fee-dependent program, and that adjusting fees that have not been changed in ten years is appropriate. *However, if the JBC does not wish this program to adopt fee increases, it should convey this. In this case, an ongoing General Fund appropriation may be needed for the program to fulfill its statutory obligations.*

<u>Line Item Structure</u>: Beginning in FY 2014-15, the appropriation for this program, which was previously a separate line item, was merged with other programs in the "Field Services, Affordable Housing Program Costs" line item. This line item now includes a somewhat odd mix of programs, including the Home Modification program, which administers a home modification benefit for Medicaid-eligible clients and the Private Activity Bond program, which allocates capped bond amounts among issuing authorities of the State. *If the General Assembly chooses to authorize a General Fund appropriation for this program, staff suggests that the line item should again be broken-out, so that the program's true costs are transparent*.

Informational Issue: Affordable Housing Programs

The Department of Local Affairs provides gap-financing for affordable housing projects from state and federal sources and administers affordable housing vouchers that subsidize tenant rents in apartments statewide. This support represents only a small piece of the statewide affordable housing landscape. Most affordable housing support is administered at the local level.

SUMMARY:

- Government programs to support affordable housing for low-income people include both "project based" programs (tied to construction of the units) and "tenant based" programs. In Colorado, as in the nation as a whole, there are a large number of public and private entities involved in developing and maintaining housing. The vast majority of resources are directed to local entities around the state. The Division of Housing plays an important, but limited, role in this broader environment.

- Statewide, over 60,000 Coloradans benefit from federally-subsidized rental assistance, including both project-based and tenant-based assistance. The state Division of Housing oversees about 6,500 vouchers and assists in the development of a few thousand new affordable units each year, using both state and federal funds.

- Federal subsidies are still the single most important source for affordable housing support. However, Colorado has added resources in recent years, including additional funding for state housing grants and loans from the General Fund and authorizing state income tax credits for housing construction.

DISCUSSION:

National History of Support for Affordable Housing
Government programs to support affordable housing for low-income people fall primarily into two categories:[2]

- Project-based assistance supports the development of affordable and mixed-income housing developments through grants and other subsidies that buy-down construction costs
- Tenant-based assistance, or vouchers, subsidize housing for tenants who may choose housing from the existing private market stock

In the early-to-mid 20th century, federal resources focused on developing large public housing projects. Beginning in the 1980s, this type of federal support was restricted, and the federal government began to support tenant-based voucher programs (section 8 vouchers and certificates, now known as the "housing choice voucher" program). While the federal

[2] In addition to the programs described below, the federal mortgage income tax credit and FHA loans support and subsidize housing costs for owner-occupied units. Subsidies that target home-owners generally benefit a higher income segment of the population than the programs described here.

government has continued to support both project- and tenant-based programs, starting in the 1990s it began to devolve control to state and local authorities. The HOME program, established in 1991, is a housing block grant that may be used for programs targeted at lower income homebuyers as well as renters. The Community Development Block Grant is also used by state and local governments to support affordable housing projects, among other activities. In recent years, as the federal government has sought to restrict expenditures, funding for affordable housing has been relatively flat or declining. Faced with a lack of affordable housing for lower-income populations, some states and localities have stepped in to fill funding gaps.[3]

Role of the Colorado Department of Local Affairs

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, it is important to note that 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).

<u>Affordable Housing Development</u>: The Department has little involvement in many local housing initiatives. For those in which it is involved, it is one of multiple players. For example, key players in developing a new affordable housing project may include:

- Division of Housing: equity, loans, technical assistance
- Local governments: land donations, cash contributions, building regulations
- Housing developers: local housing authorities, not-for-profit and for-profit developers
- Real estate loan sources: commercial banks, mortgage companies, and investment bankers, Colorado Housing Finance Authority (CHFA), USDA

If it participates in a project*, the Department typically serves as a "gap financier,"* helping to buy down housing construction costs, as well as assisting locals to move the project forward. If they wish to access state funds, local housing authorities, and private for-profit and non-profit developers, submit a funding application that can apply to a number of the Division's fund sources, including the Housing Grants and Loan Program, the Community Development Block Grants funds it administers, and Federal HOME grants, as well as some smaller sources of federal funds. After applications are submitted by local housing actors, staff determines whether the project is consistent with state priorities and feasible and identifies the most appropriate mix of funds. Recommendations are then submitted to the State Housing Board.

[3] Gene Falk, Low-Income Assistance Programs; Trends in Federal Spending, Congressional Research Services, May 7, 2014; Maggie McCarty, Libby Perl, and Katie Jones, Overview of Federal Housing Assistance Programs and Policy, Congressional Research Service, July 2008; Jacqueline Taylor, "Rental Assistance and Project Development: A Cost Benefit Analysis, Minnesota Housing Finance Agency, October 2011.

Rental Vouchers: With the passage of House Bill 11-1230 (Consolidate housing assistance in Department of Local Affairs), the Department took responsibility for federal housing assistance vouchers previously located in the Department of Human Services for special populations such as persons with substance abuse problems or disabilities. Vouchers are tenant based assistance that move with the individual. The voucher covers the difference between the unit's rental rate and 30 percent of the individual's income. The Department administered 6,532 housing vouchers in FY 2013-14, including many that provide support services ("shelter plus care") for individuals with mental illness, disabilities, or other special needs.

Colorado Affordable Housing Resources and Programs

The data below summarizes many of the primary sources supporting affordable housing in Colorado, including both project-based and tenant-based assistance.

Select Affordable Housing Funding Resources in Colorado

Home Investment Partnership Program (HOME) Federal block grant for affordable housing, launched in 1990. May be used for: tenant-based assistance, housing rehabilitation, assistance to first time home buyers, and development of non-luxury housing. For rental housing, at least 90% must benefit families with incomes at or below 60% of area median family income (MFI); assistance to homeowners must be to families at or below 80% MFI. Administering agencies provide grants or highly subsidized loans to projects to buy-down interest rates. Larger cities funded directly; others through DOLA. Amounts shown reflect total grant; some may be used for administration.

Division of Housing $4.6 million (FFY 2014)
Local Governments $8.4 million (FFY 2014)

Community Development Block Grant (CDBG) Federal block grant for economic development, community infrastructure development, and housing projects. The state government invests about 1/3 of its CDBG funds in housing. Seventy percent of CDBG funds must benefit persons with income at or below 80% of MFI. Funding for housing is provided in the form of grants or highly subsidized loans. Larger cities funded directly; others funded through DOLA. Funds may be used for housing or other community development activities.

Division of Housing $2.6 million used for housing out of $8.3 million total state award (FFY 2014)
Local Governments portion used for housing unknown; total awards of $25.8 million (FFY 2014);

Other Federal Grant Programs: Emergency Shelter Grant Program, Housing Opportunities for People with AIDS
Federal funds emergency shelter and homeless prevention activities and to provide housing for people with AIDS. Larger cities funded directly; others funded through DOLA. Funding is generally in the form of project grants.

Division of Housing. $2.1 million (FFY 2014)
Local Governments $3.3 million (FFY 2014)

Division of Housing, Housing Development Grants State funds allocated to DOLA and provided as grants or as loans to improve, preserve, or expand the supply of affordable housing. Funds are distributed through a competitive grant application process and provide "gap financing" for projects funded from multiple sources. Legislation does not provide a specific definition of low income, but DOLA requires that projects serve those below the regional median family income. A portion of funds may also be transferred to DOLA's revolving loan fund.

Division of Housing $8.2 million (SFY 2015)

Division of Housing, Colorado Housing Investment Trust Fund The division may make a loan from moneys in the fund for development or redevelopment of low- or moderate-income housing. Most funding is from a 2012 multi-state settlement with mortgage servicing companies. A total of $13.2 was deposited in the Fund in 2012 and has been allocated for projects, and the Attorney General has committed to an additional $23 million.

Division of Housing Revolving fund of $13.2 million (starting SFY 2012); additional $23 million anticipated

Low Income Housing Tax Credits 10 year federal tax credit ($1 tax credit per $1 investment) to developers for development cost of low income units. The Colorado Housing and Finance Authority (CHFA) is responsible for allocating all federal credits in Colorado, consistent with state statute and federal rules. Units must be reserved for low income for minimum of 20 years. Credits may be bought and sold and are therefore a source of equity. Pursuant to H.B. 14-1017, state credits will also be issued in 2015 and 2016.

Colorado Housing and Finance Authority $11.8 million in federal income tax credits issued in two rounds to 13 developments providing 688 units of affordable housing, including 51 units targeted to people at 30 percent of average median income or below (FFY 2014) H.B. 14-1017 authorizes $30 million in new state low income housing tax credits to be issued in 2015 and 2016.

Private Activity Bonds State and Federal Tax-exempt bonds used to finance private construction consistent with state development goals. Tax-exempt PABs may be used to fund low/moderate income housing projects, among other activities. In rental units, up to 20% of units must be reserved for residents with incomes below 50% MFI or 40% of units for residents with incomes below 60% MFI for a minimum of 15 years. PAB's are also used to assist first time home-buyers. 50% of the statewide PAB cap goes to state agencies, including CHFA. The remainder goes to local governments but reverts to the statewide balance (administered by DOLA) if not used.

Colorado Housing and Finance Authority Received $141.4 million of PAB applications in CY 13 and had $498.5 million in PABs carried forward from the three prior years. At the beginning of 2014, received another $163.4 million bond allocation.
Department of Local Affairs Approximately $202.5 million awarded for housing bonds in CY 2013. These bonds may be issued any time through 2016.

CHFA Low/Mod Loans Variety of subsidized loans for affordable housing purposes.
Colorado Housing and Finance Authority Provided $25.6 million in multifamily loans (includes funds from PABs) to help create or preserve 2,671 affordable rental units in 2013 Also assisted 3,443 low- to- moderate income households with low-cost homeowner loans, mortgage credit certificates, and down-payment assistance.

Rental subsidies -- Housing choice vouchers, public housing, and other rental assistance programs Federal rent subsidy programs are administered by a variety of different state and local government agencies. Programs generally provide rental assistance to households with incomes below 50% MFI. Tenant household pays 30% of its monthly income for rent and HUD makes up the difference between this and the contract rent.

Division of Housing $37 million for 6,500 Section 8 (housing choice) vouchers (FFY 14) The Division also administers a small amount of state-funded supportive housing assistance.
Statewide The Center on Budget and Policy Priorities reports the following federal rental assistance in Colorado in 2011. Updates to some figures below were provided by the regional federal HUD office. Specifically: in 2014, there were 31,792 housing choice vouchers, and 8,921 public housing units in Colorado. There were also 673 VASH vouchers, targeted at homeless veterans. No updates are available on project-based rental assistance or other programs at this time. Statewide figures below include vouchers managed by the Division of Housing.

Federal Rental Assistance in Colorado					
Program	Number of Units	Percent Extremely Low Income	Percent Elderly	Percent Disabled	Percent Families with Children
Housing Choice Vouchers	29,752	81	19	37	38
Public Housing	7,976	73	32	24	39
Section 8 Project-Based Rental Asst.	17,975	80	47	22	25
Supportive Housing for Elderly and People with Disabilities (202/811)	1,763	71	86	14	0
Other HUD programs	316	100	10	90	0
USDA Section 521 Rental Asst.	2,560	NA	57	NA	NA
Total	60,342	79	31	30	33

Source: CBPP, Colorado Federal Rental Assistance Facts, December 19, 2012

Recent Colorado Program Changes

- H.B. 11-1230 consoldiated all housing assistance the Department of Local Affairs, including supportive services previously located in the Department of Human Services. Because of this, the Department is now involved not only in housing construction and financing but provides ongoing state and federal support in the form of vouchers to align housing with support services such as alcohol and drug abuse services and mental health treatment.

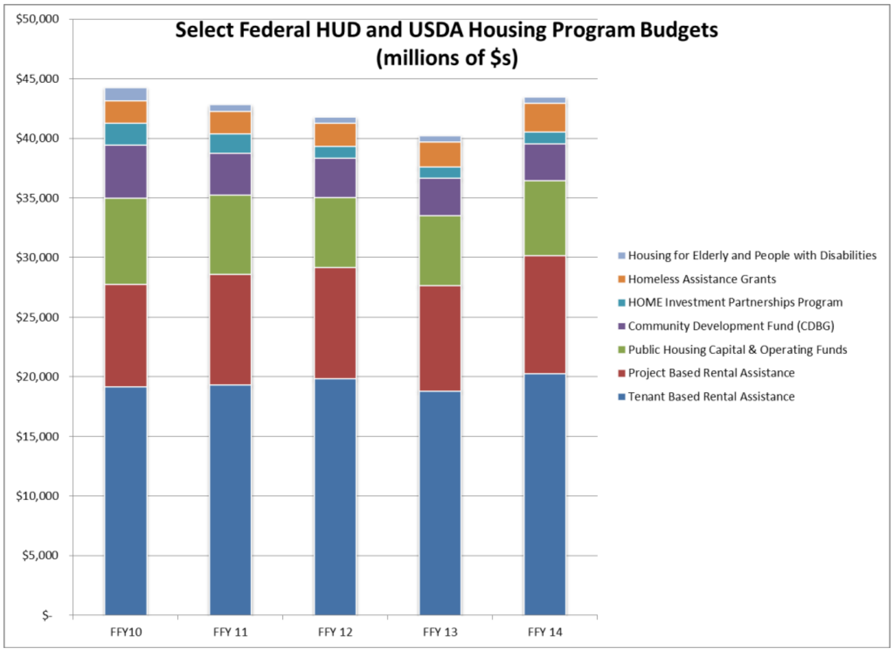
- H.B. 14-1017 (Expand Availability of Affordable Housing) made various changes to the Colorado Housing Investment Fund and the Colorado Housing Development Fund and authorized Colorado Housing and Finance Authority (CHFA) to issue $30 million of *state income tax credits in 2015 and 2016* to support 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.

- The *Colorado Housing Investment Fund* also received an infusion of $13.2 million in February 2012, when Colorado and other states reached a settlement with the five largest mortgage servicing companies. H.B. 14-1017 also allows up to 20 percent of annual appropriations to the Colorado Housing Development Fund to be transferred to the CHIF. An additional $23 million has been committed by the Attorney General from custodial funds. The CHIF is a revolving loan fund with continuous appropriations authority.

- Over the last 3 years, General Fund grants for Affordable Housing Grants and Loans have been significantly increased, to $8.2 million General Fund in FY 2014-15.

Federal Funding

The chart below details recent national federal appropriations for major housing programs. The FFY 2015 budget has not yet been finalized.



Source: National Low Income Housing Coalition,
http://nlihc.org/sites/default/files/FY15_Budget_Chart_HUD_USDA.pdf

Issue: Request R-4 - Housing Development Grants

The Department of Local Affairs requests an increase of $3.4 million General Fund in its Affordable Housing Grants and Loans line item. This would bring state assistance in this line item up to $11.6 million General Fund for FY 2015-16. The Department proposes to use the additional funding to support 300 new affordable housing units and 200 rental vouchers.

SUMMARY:

- In Colorado, as in most 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. The Department attempts to target its support programs to people with the highest needs.

- The Department requests an increase of $3,420,000 General Fund in its Affordable Housing Grants and Loans line item. This would bring state assistance in this line item up to $11.6 million and the total amount in the line item (including federal funds) to $18.8 million.

- The request indicates that the additional funding would support 300 new affordable housing units and 200 rental vouchers. This includes "gap financing" to develop housing projects serving low-income populations and vouchers for ongoing supportive services for those with the highest needs. If it receives both the base and new support requested, the Department projects that it can support the development of 4,120 low-income housing units in FY 2015-16.

RECOMMENDATION:

The Department should provide additional data on the populations it expects to target with vouchers and the costs and benefits of providing this kind of support. If funding for vouchers is approved, it should be appropriated separately from funding for construction projects.

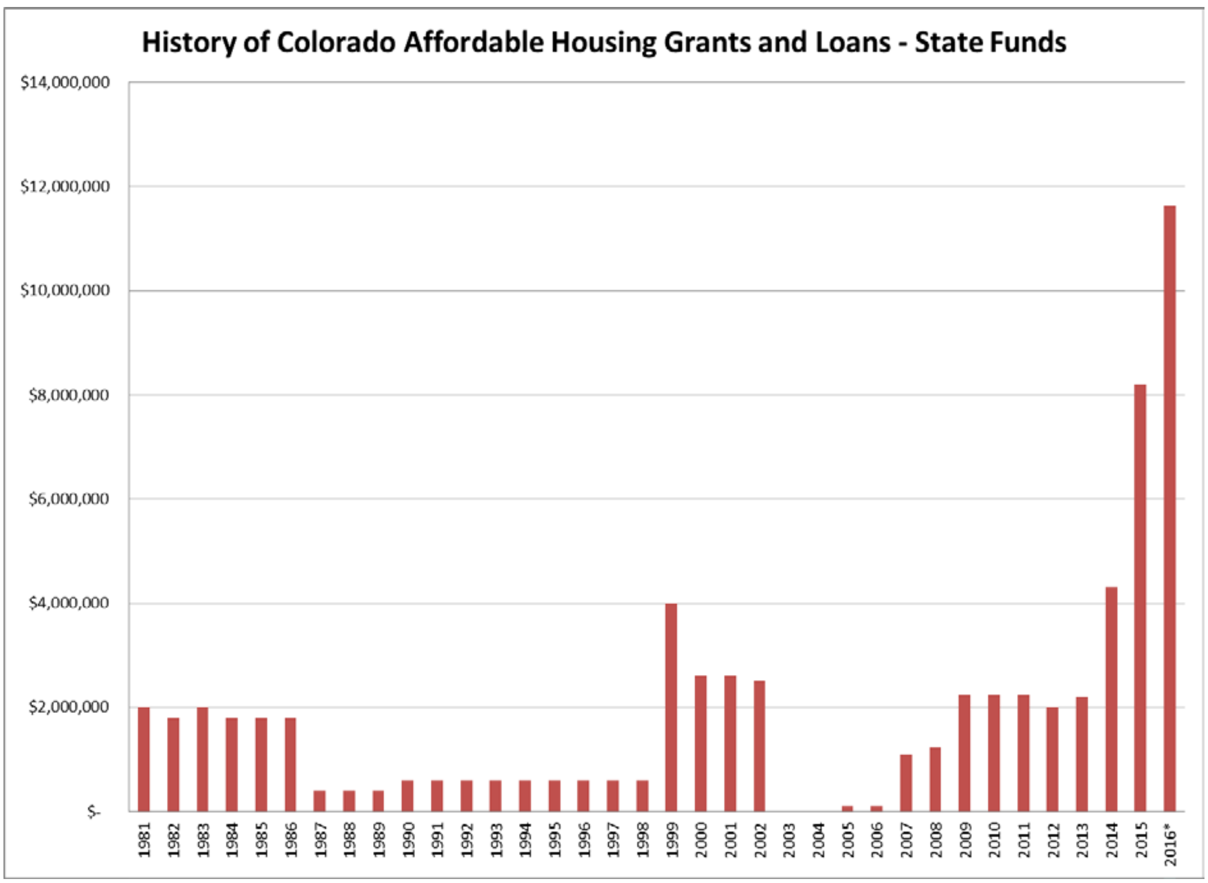
DISCUSSION:

Background
Pursuant to Section 24-32-705, C.R.S., among the many duties of the Department's Division of Housing are:

> To encourage private enterprise and all public and private agencies engaged in the planning, construction, and acquisition of adequate housing or the rehabilitation or weatherization of existing housing in Colorado by providing research, advisory, and liaison services and *rehabilitation, construction, acquisition, and weatherization grants from appropriations made for this purpose by the general assembly*

> Pursuant to section 24-32-717, to administer loans to local housing authorities and public and private nonprofit corporations.
>
> To serve as the sole state agency for the purpose of administering and distributing financial housing assistance to persons in low- and moderate-income households and to persons with disabilities and assist such persons in obtaining housing, including, without limitation, rental assistance.

The General Assembly has made appropriations for the first of these functions for many decades, but the amount annually appropriated has varied dramatically depending upon state funds available. For FY 2014-15, the General Assembly provided a historic increase in funding—to a total of $8.2 million General Fund. **For FY 2015-16, the Department has submitted request R-4, which would further increase the Affordable Housing Grants and Loans line item by $3,420,000, providing a total General Fund appropriation of $11,620,000 for the line item**. With the additional support in FY 2014-15 and requested for FY 2015-16, total funding for this line item from all sources would be $18.8 million.



*Requested Appropriation

The Affordable Housing Problem
In Colorado, as in most 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 Department reports that at the $20,000 household income level and below, there are two households competing for each rental unit available at an affordable level ($500 per month). The problem has grown over time because rents have been increasing far more rapidly than wages and is particularly acute in Colorado right now due to an exceptionally tight housing market.[5] 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.

The request notes that over 165,000 low-income Colorado households—about 8 percent of all Colorado households—paid more than half of their cash income toward rent in 2011.[6] Of the total, about one-third were elderly or disabled and about 27 percent were families with children. Households who pay so much of their income in rent are at risk of homelessness. According to the annual statewide point in time survey conducted in January 2014, there were 9,358 homeless men, women, and children in Colorado.

The Department acknowledges that the demand for affordable housing far outstrips available resources for addressing the problem, including those that would be added through this request. The State's efforts in recent years have therefore been focused on subsets of the population where need seems most acute and the costs to the State of *not* providing assistance are particularly large. This year's request references the following specific populations:

Chronically homeless: The most recent point in time study includes 1,471 chronically homeless individuals. Chronically homeless individuals living on the street have average annual health care costs alone of $28,436 compared to $6,056 for their housed peers. Thus, housing this population could save as much as $50 million in medical expenditures, which are heavily borne by the state Medicaid budget.

Homeless veterans: This is one segment of the population where state and federal housing initiatives have clearly had an impact. The point in time study shows a decline of 20 percent from 953 to 759 in the last year. The Department asserts that with ongoing support, eliminating homelessness among veterans is "within reach".

Seniors, people with disabilities, and homeless families: The number of Coloradans over age 65 is projected to more than double over the next 20 years, as the state's large cohort of "baby boomers" (born between 1946 and 1964) cross into the over 65 age category. The Department anticipates that many of these households will be on fixed incomes and facing increasing health costs. The Department also notes that S.B. 14-021 and Colorado's Olmstead plan emphasize the

[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 $45,000 in Colorado).
[5] The Colorado apartment vacancy rate during the second quarter of 2014 was 4.8 percent, one of the lowest rates recorded since 2001, and in some markets vacancy rates are below 2.0 percent.
[6] Center on Budget and Policy Priorities, Federal Rental Assistance Facts, Colorado, 12/9/2012 (cited in request)

need for housing for people with disabilities and people transitioning from the criminal justice system.[7] The request cites a recent study by Mercy Housing, which found that providing "service-enriched" stable housing significantly reduced hospitalizations and emergency-room visits among those served (including families, people with disabilities, and seniors).[8] Finally, the request cites studies showing improved grades and attendance for formerly homeless children and improved employment for their parents when housing is provided.[9]

The Department's Request

The Department requests an additional $3.42 million General Fund annually in the Housing Development Grant Fund for:

- Development of an estimated 300 additional affordable rental housing units; and
- 200 rental vouchers

According to the Department, funds would be used in two ways:

- to provide rental subsidies to leverage private and public funding for housing for seniors and people with disabilities; and
- to build housing with supportive services for homeless families with school-aged children, high risk offenders with co-occurring substance abuse and mental illness; and at-risk homeless persons with disabilities.

The Department anticipates that, with the addition of this new funding plus base funding, it could construct 4,120 of the 5,754 units currently in the Division's "pipeline". The "pipeline" represents the list of projects housing developers anticipate that they could achieve with adequate subsidy resources. Funding sources would include the approximately $19 million in state and federal funds proposed in the Affordable Housing Grants and Loans line item and a range of other sources, including the Colorado Housing Investment Trust Fund and the Low Income Housing Tax Credit program administered by the Colorado Housing Finance Authority.

- The new affordable housing units proposed would be targeted at individuals with particularly high needs and low incomes. The Division reports that constructing units for this part of the population typically requires higher subsidies of approximately $7,500 per unit. (In the absence of subsidies, the cost of construction, land and operations typically drive a rent of about $1,050 to break even.)

- The proposed 200 housing vouchers would provide for supportive services required by the most vulnerable populations—the above-cited homeless families with younger children, high risk-offenders with co-occurring substance abuse and mental illness, and at-risk very low income homeless people with disabilities. Supportive housing is coupled with services such

[7] S.B. 14-021, continues the Task Force on the treatment of persons with mental illness who are involved in the criminal justice system. It identifies a need to study "housing for a person with mental illness after his or her release from the criminal or juvenile justice system". Colorado's Community Living Plan (2012) is a response to the 1999 Supreme Court Olmstead decision which requires states to provide community-based care when appropriate, rather than placing people with disabilities in institutional settings.

[8] Mercy Housing, Impact of Service-Enriched Housing Health Outcomes, Nancy VandeMark, Innovela Consulting Group (cited in request).

[9] The request cites the results of the Next Step program in Grand Junction.

as job training, alcohol and drug abuse programs, and case management, for populations in need of assistance. The Department reports that supportive housing has shown an 84 percent housing stability rate, as opposed to only 35 percent housing stability for this type of population without supportive services. Providing stable housing is expected to provide cost-savings in other areas, including medical costs and, for offenders, reduced recidivism.

Projects Funded To-date
The Department identified 13 projects funded with the $4.2 million General Fund provided in FY 2013-14 and 8 projects funded thus far for FY 2014-15 that use about half of the $8.2 million General Fund appropriated in FY 2014-15 funds. Each project leverages from $3 to $23 for every dollar granted by the state. The projects have largely targeted homeless, disabled and very low income populations and include supported housing, transitional housing, and domestic violence shelter projects among others.

Staff Analysis
As indicated in the request, the need for affordable housing for low income populations is vast, both in Colorado and the U.S. as a whole. Even if the Department focuses solely on low-income, severely rent-burdened households (those paying over 50 percent of income in rent), the numbers are daunting: over 165,000, including about one-third are elderly or disabled and 27 percent families with children. In the face of such numbers, the Department anticipates that its "gap financing" 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.

- Most housing support provided by the State should be viewed as a one-time use of funds to assist local communities in assisting their most vulternable populations. The Department's request is for ongoing annual support. However, as is evident from this history of housing funding in Colorado, this is a portion of the budget has almost always been subject to large budget cuts when state funding is constrained. Staff views investing in affordable housing as akin to the state's capital construction budget—something that should be done when times are better but that must remain flexible enough to reduce in harder times, given the constraints on Colorado's budget.

- The Department's submission on November 1 indicates that the request would support 200 housing vouchers, in addition to funding for "gap financing" construction projects such as those done in the last few years. From staff's perspective, this is a less flexible funding commitment, as it would be difficult to retract a voucher from someone who relies on it for shelter. General Fund has never been appropriated in the line item in which the Department has requested funding (Affordable Housing Grants and Loans) to support vouchers. In response to staff questions, the Department indicated that the Attorney General believes funding for housing vouchers may be spent from this line item, and the Department reportedly uses some federal fund funds reflected the line item for that purpose.

- If the General Assembly authorizes the use of state funds for housing vouchers, staff recommends that this be done in a separate line item to clearly identify this use of funds. The Department of Local Affairs has a line item (Low Income Rental Subsidies) that includes General Fund appropriations of $1.4 million to support vouchers for some specific populations (e.g., behavioral health vouchers for participants in assertive community treatment programs), and staff would thus recommend placing any additional funding for vouchers in that line item, rather than the Affordable Housing Grants and Loans line item. The General Assembly could also choose to footnote the Affordable Housing Grants and Loans line item to clarify the purpose of General Fund appropriations in the line item.[10]

- Housing vouchers are an important tool for serving some poulations. Nonetheless, if the General Assembly authorizes vouchers, these should be justified by state cost savings based on the particular population the Department proposes to serve with the vouchers. The Department has not yet provided sufficient detail for staff to determine whether the vouchers proposed can be justified on the basis of such savings. The request includes virtually no detail on the Department's funding assumptions. Indeed, it does not specify how much of the requested funding is for vouchers versus construction projects.

[10] H.B. 14-1017 also allowed the Department to use moneys in the Housing Development Grant Fund for administration. Staff also feels that state funding for administration should be clearly segregated from project funding. This also could be addressed in a footnote describing the purpose of the General Fund appropriation.

Informational Issue: Local Government Severance and Federal Mineral Lease Funding

The Department of Local Affairs oversees direct distributions and grant allocations to local governments from severance tax and federal mineral lease revenues. This includes an estimated $231 million in direct distributions and new grants anticipated to be awarded in FY 2014-15 and an estimated $203 million in direct distributions and new grant awards in FY 2015-16.

SUMMARY:

- The Department of Local Affairs is responsible for direct distributions and grant allocations of a large share of state severance tax and federal mineral lease revenues. This is largely comprised of fifty percent of total gross receipts realized from the state severance taxes and forty percent of the State's share of "non-bonus" federal mineral lease (FML) revenue, together totaling $199 million in FY 2013-14 and projected to be $217 million in FY 2014-15 and $189 million in FY 2015-16.

- During the economic downturn, from FY 2008-09 through FY 2011-12, over $270 million from the local share of government severance and mineral impact moneys was transferred to the General Fund. While local government direct distributions were maintained, grant funding was suspended and only began to be awarded again during mid-FY 2012-13.

- The Department anticipates awarding about $157 million in new grants in FY 2014-15, including almost $70 million set aside for targeted executive branch initiatives, and $121 million in new grants in FY 2015-16, including $20 million set aside for executive branch initiatives.[11] Direct distributions to counties and municipalities totaled $74 million in August 2014 and are projected to increase to $81 million in August 2015.

DISCUSSION:

Local Government Mineral and Energy Impact Funds

The General Assembly has long recognized that oil and gas production and mineral extraction impose special burdens on localities. Extraction activities are usually associated with a "boom and bust" cycle. During the height of the boom, local governments struggle with a rapid increase in the demand for public services and infrastructure such as roads, while at the end of the boom local governments must adjust to equally rapid declines in both population and revenue.

To assist local governments with these challenges, the General Assembly sets aside a significant portion of the state revenue associated with mineral extraction for direct distributions and grant

[11] The Department describes these as community demand-based initiatives in partnership with executive branch offices, such as the Colorado Energy Office, Office of Economic Development and International Trade, and the Office of Information Technology.

funding for impacted local governments. This includes a portion of the funding from two major revenue streams: severance taxes and federal mineral lease revenues.

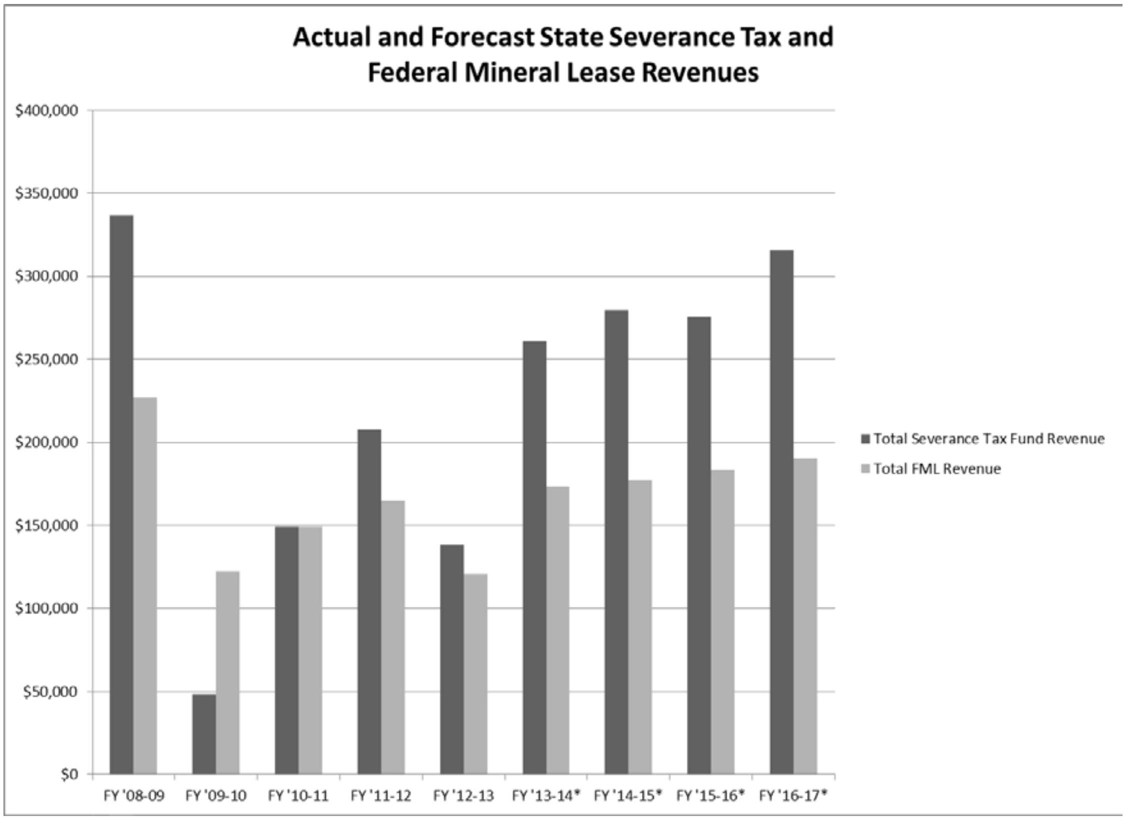
- Severance taxes, levied pursuant to 39-29-101, et. seq., C.R.S., are imposed on five types of extracted minerals and mineral fuels, including oil and natural gas, coal, metallic minerals, molybdenum ore, and oil shale. The tax, which varies based on the mineral and the quantity/value extracted, applies for resources that are removed from both privately and publicly owned lands, except tribal lands.

- Federal mineral lease (FML) "non-bonus" revenues are the state's share (49 percent) of rents and royalties from private sector mineral extraction on federal lands located in the state. The State also receives a share of federal "bonus" revenues that represent initial payments from private entities for the right to extract oil, gas, or minerals on a parcel of land.

The Department of Local Affairs is charged with the management and distribution of the portion of severance tax and FML revenue that is allocated to mineral-impacted communities. The Local Government Mineral and Energy Impact Grants and Disbursements line item incorporates funds for both direct (formula) distributions and grants to local governments. This is typically the largest single line item in the Department of Local Affairs budget ($150.0 million for FY 2014-15).

Spending in this line item is restricted by available revenue and statute, rather than by Long Bill appropriation. The executive branch takes the position that these funds are continuously appropriated to the Department of Local Affairs and are not subject to annual appropriation by the General Assembly. The statutory language governing the funds predates the standardized usage by the General Assembly of the term "continuously appropriated." However, statute states that the moneys "shall be distributed" by the Department. The General Assembly has never challenged the interpretation, and the line item is thus annotated with an "(I)" to show that the amount is shown for informational purposes.

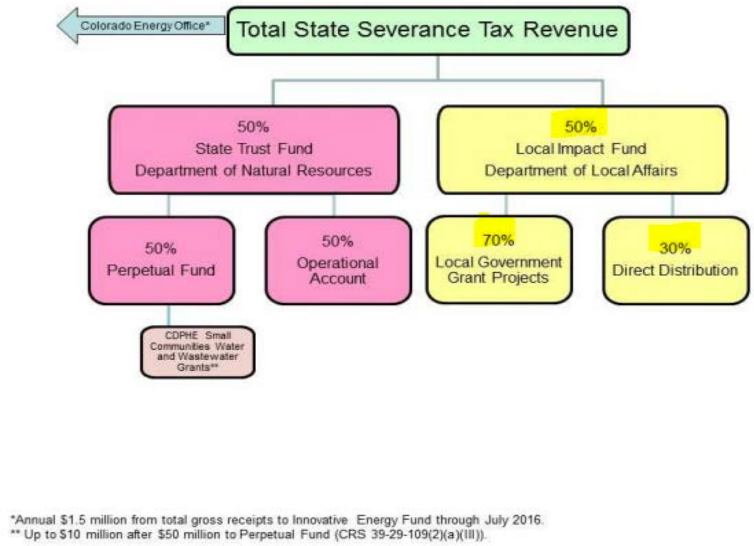
The Revenue Source: Severance Tax and Federal Mineral Lease Funds
The chart below summarizes recent year statewide revenue from severance tax and federal mineral lease moneys. Amounts from FY 2014-15 forward represent the Legislative Council Staff September 2014 forecast figures.



*FY 2014-15 and subsequent years represent forecast years. FY 2013-14 reflects preliminary figures.
Source: Legislative Council Staff, September 2014

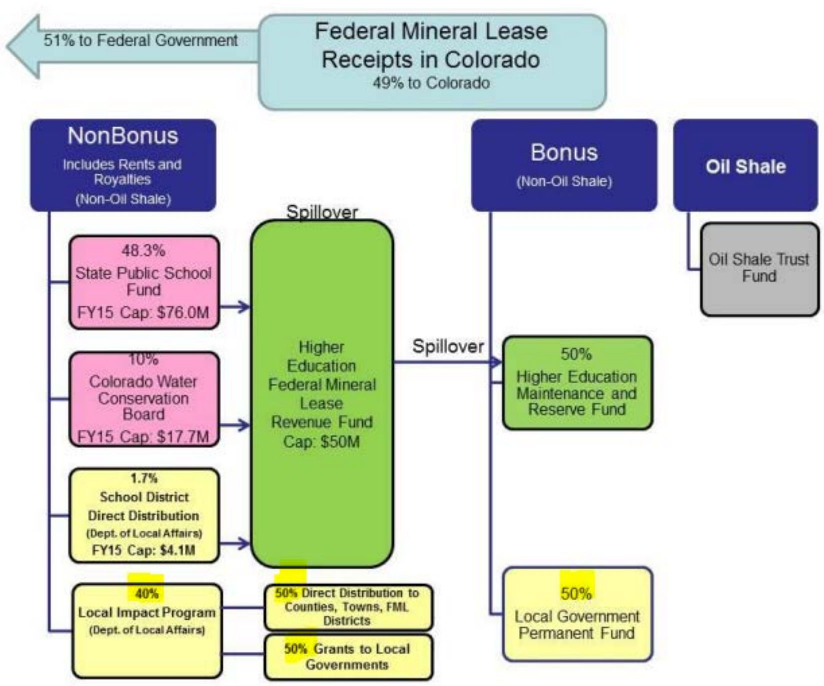
The flow charts below show how, pursuant to statute, severance tax and FML revenue is allocated to different parts of state government. The analyst for the Department of Natural Resources will provide additional information on other portions of the funding stream. This issue focuses on the local government portion of the allocations.

Allocation of State Severance Tax Revenue
(Section 39-29-108, C.R.S.)



Allocation of Federal Mineral Lease Receipts

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

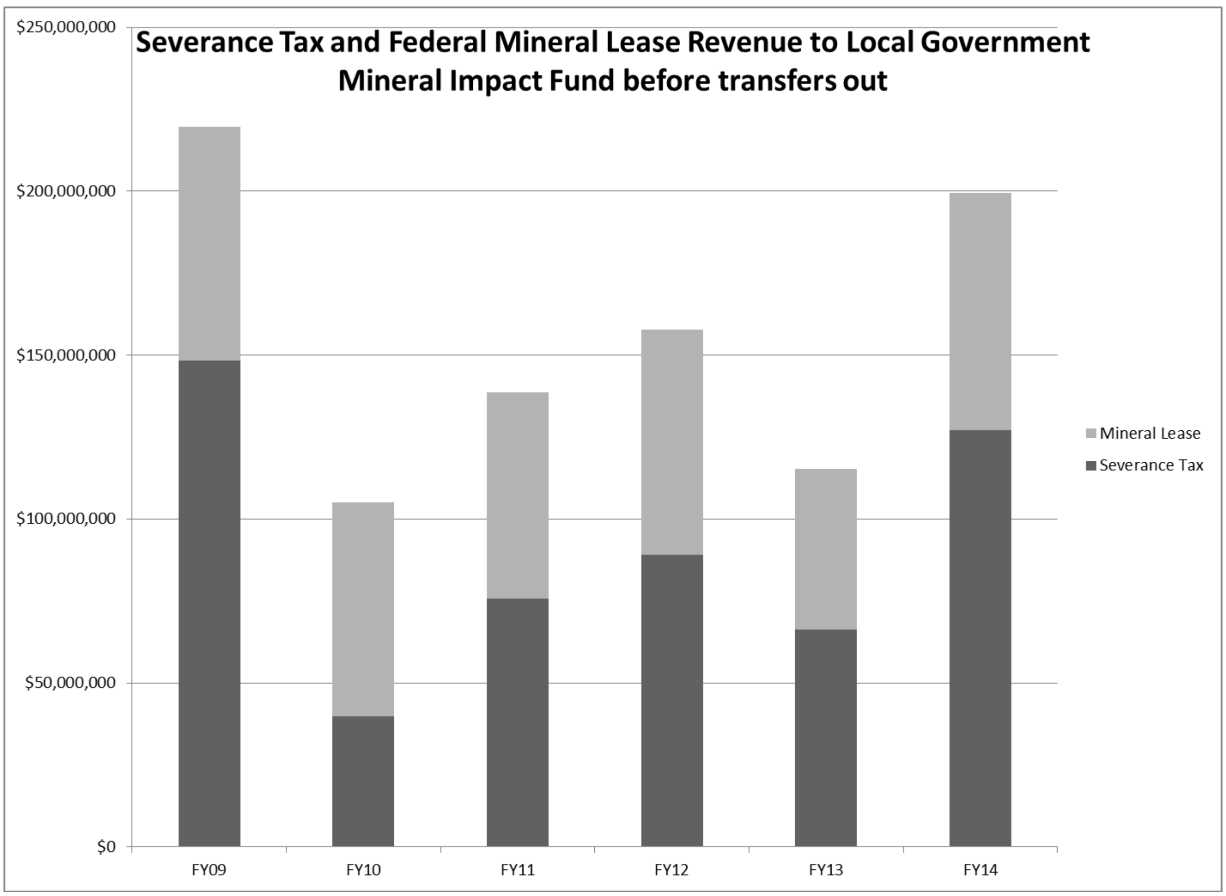


As shown in the charts, local governments receive:

- Fifty percent of total gross receipts realized from the state severance taxes, which are deposited in the Local Government Severance Tax Fund on a monthly basis.

- Forty percent of the State's share of "non-bonus" FML revenue, deposited to the Local Government Mineral Impact Fund on a quarterly basis. In addition, 50 percent of "bonus" payments are deposited to the Local Government Permanent Fund, which may be appropriated by the General Assembly to compensate for periodic declines in FML revenue to the Local Government Mineral Impact Fund.

The chart below shows the history of funds deposited to the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund.



Source: Department of Local Affairs' data

Despite these robust revenues, a large share of these funds were not available for expenditure due to transfers to the General Fund. As shown in the table below, between FY 2008-09 and FY 2011-12, the General Assembly transferred over $270 million from local government severance tax, mineral impact, and permanent funds to the General Fund in order to balance the state budget.

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)**

From FY 2008-09 through FY 2010-11, the Department maintained direct distributions, but stopped providing new grants. New grants were again authorized starting in December 2012. The chart below reflects expenditures and awards from the Fund, with adjustments to help convey the impact of General Fund transfers.

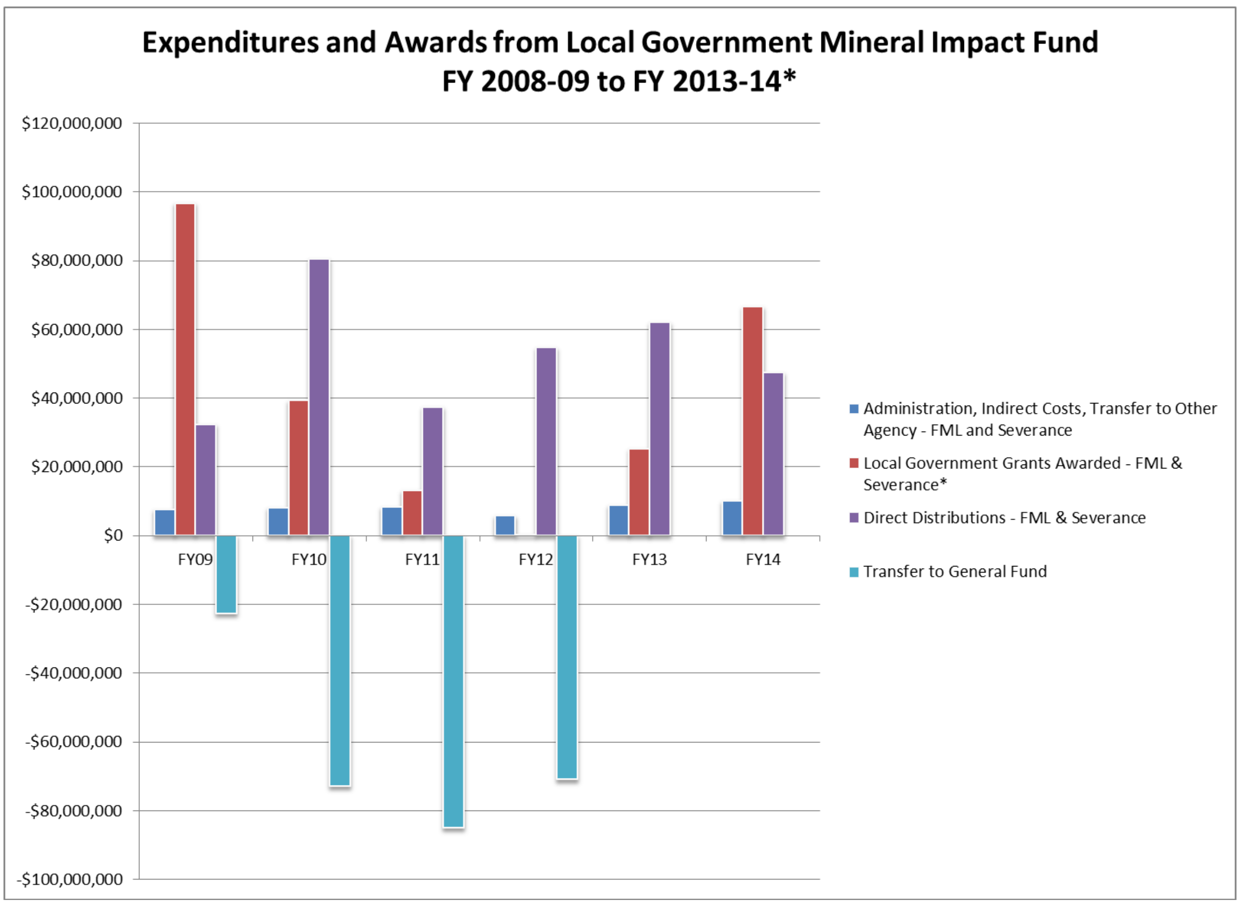


*Chart represents expenditures as reported by the Department of Local Affairs with following adjustments: (1) Transfers to the General Fund have been shown as negative figures; (2) Local Government Grants Awarded represents new awards, rather than expenditures. Although these amounts were not expended in the years shown, the Department was able to encumber these amounts based on revenue available.

In the absence of further transfers to the General Fund, the local government share of severance tax and FML funding, like the balance of the revenue stream, will return to its "normal" level. Severance tax receipts are typically highly volatile, for reasons described below. Mineral lease revenues also fluctuate, but less than severance tax.

The chart below summarizes data from the Department's fund schedules for projected awards and expenditures for the Local Government Severance Tax and Mineral Impact Funds. Note that significant amounts have been set aside in FY 2014-15 to target special executive branch initiatives, ranging from floods to rural broadband.

Summary of Local Government Severance & Mineral Impact Expenditure/Award Projections		
	FY 2014-15	**FY 2015-16**
Projected Revenue	**$ 216,879,374**	**$ 188,785,431**
Projected Expenditures/Awards		
Administration & Indirect Costs	$ 6,233,289	$ 6,698,289
Transfers for Wildfire and Firefighter Safety	3,315,841	3,250,000
Direct Distributions (in August; prior year payable)	74,365,592	81,384,460
Grant Set-Asides for Executive Initiatives*	58,829,491	20,000,000
Other New Grants to be Awarded*	88,082,392	101,322,662
Total Expenditure/Awards	**$ 230,826,605**	**$ 212,655,411**

Source: Department of Local Affairs Schedule 9 Budget Submissions, Funds 1520 and 1550
*These amounts represent new awards that will be encumbered in the year shown and expended over three years. The Department anticipates that some of these figures may be adjusted in the next few months.

More detailed projections for the two fund sources are shown in the tables below. Note that the Department expects that it will award somewhat more than annual receipts in FY 2014-15 and FY 2015-16 based on its projected available fund balance.

	FY 2014-15	**FY 2015-16**
Local Government Severance Tax Fund		
Projected Revenue (New Tax + Interest Income)	**$140,352,998**	**$111,419,793**
Projected Expenditures/Grants Awarded		
Administration	2,743,332	2,999,082
Indirect costs and transfers	684,514	684,514
Direct Distribution (based on prior year payable)	37,037,154	42,105,899
Grants - Flood Initiative	8,829,491	-
Grants - Alternative Fuels Initiative	20,000,000	-
Grants - Broadband Initiative	20,000,000	-
Grants - TBD FY 2015-16 initiative	-	10,000,000

	FY 2014-15	FY 2015-16
Other Grants	56,919,456	57,809,726
Total Expenditure/New Encumbrances	**$146,213,947**	**$113,599,221**
Local Government Mineral Impact Fund (FML Revenue)		
Projected Revenue (New Non-bonus FML receipt)	**$ 76,526,376**	**$ 77,365,638**
Projected Expenditures/Grants Awarded		
Administration	2,462,718	2,671,968
Indirect costs and transfers to CDOT	342,725	342,725
Transfers for Wildfire Prep & Firefighter Safety	3,315,841	3,250,000
Direct Distribution (based on prior year payable)	37,328,438	39,278,561
Grants - Flood Initiative	10,000,000	-
Grants - Alternative Fuels Initiative	-	-
Grants - Broadband Initiative	-	-
Grants - TBD FY 2015-16 initiative	-	10,000,000
Other Grants	31,162,936	43,512,936
Total Expenditure/New Encumbrances	**$84,612,658**	**$99,056,190**

Severance tax and FML revenue is driven primarily by oil and gas production and market prices. In recent years, revenue from oil and gas has represented more than 90 percent of overall severance tax revenue. Oil and gas revenue are highly variable based on changes in both price and volume. Furthermore, the impact of these swings on severance tax revenue is exacerbated by statutory provisions that provide a credit against severance tax owed of 87.5 percent of ad valorem (property) taxes paid during the taxable year. When the value of oil and gas production increases from year 1 to year 2, the taxpayer receives a credit in year 2 based on his or her *smaller* year 1 ad valorem tax bill. Conversely, when the value of oil and gas production decreases from year 1 to year 2 , the taxpayer receives a credit in year 2 based on his or her *large*r year 1 ad valorem tax bill. As a result, severance tax revenue tends to increase more rapidly and decrease more rapidly than the overall value of oil and gas extracted.

Shaded years represent the production years on which taxes/leases are paid in Calendar Year 3			
	Calendar Year 1 (such as: CY 2013)	**Calendar Year 2 (CY 2014)**	**Calendar Year 3 (CY 2015)**
Property Tax (ad valorem) – revenue to counties, school districts, etc.	Oil and gas production and sale	Report on prior year production value for tax purposes	April: Pay real and personal property taxes on CY 2 production report (CY 1 actual production)
Severance Tax – to state		Oil and gas production and sale	April: Pay severance tax on CY2 (CY 2014) production *less* CY 2 valuation of property taxes due on CY 1 (CY 2013 production) for real property, based on accrual accounting. Additional reductions: may deduct expenses and don't pay for "stripper" (small production) wells
Federal Mineral Lease			No significant time lag. Producers pay leases monthly. Money is paid to

Shaded years represent the production years on which taxes/leases are paid in Calendar Year 3			
	Calendar Year 1 (such as: CY 2013)	**Calendar Year 2 (CY 2014)**	**Calendar Year 3 (CY 2015)**
			treasurer who disperses funds quarterly to the Department of Local Affairs. Bonus payments are irregular (about 3 times per federal FY) and may take a few months until the state share is received.

Where the Money Goes: Direct Distribution Formulas and Grants
Local Government Direct Distributions: 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.

Local Government Grant Distributions: Statute also 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.

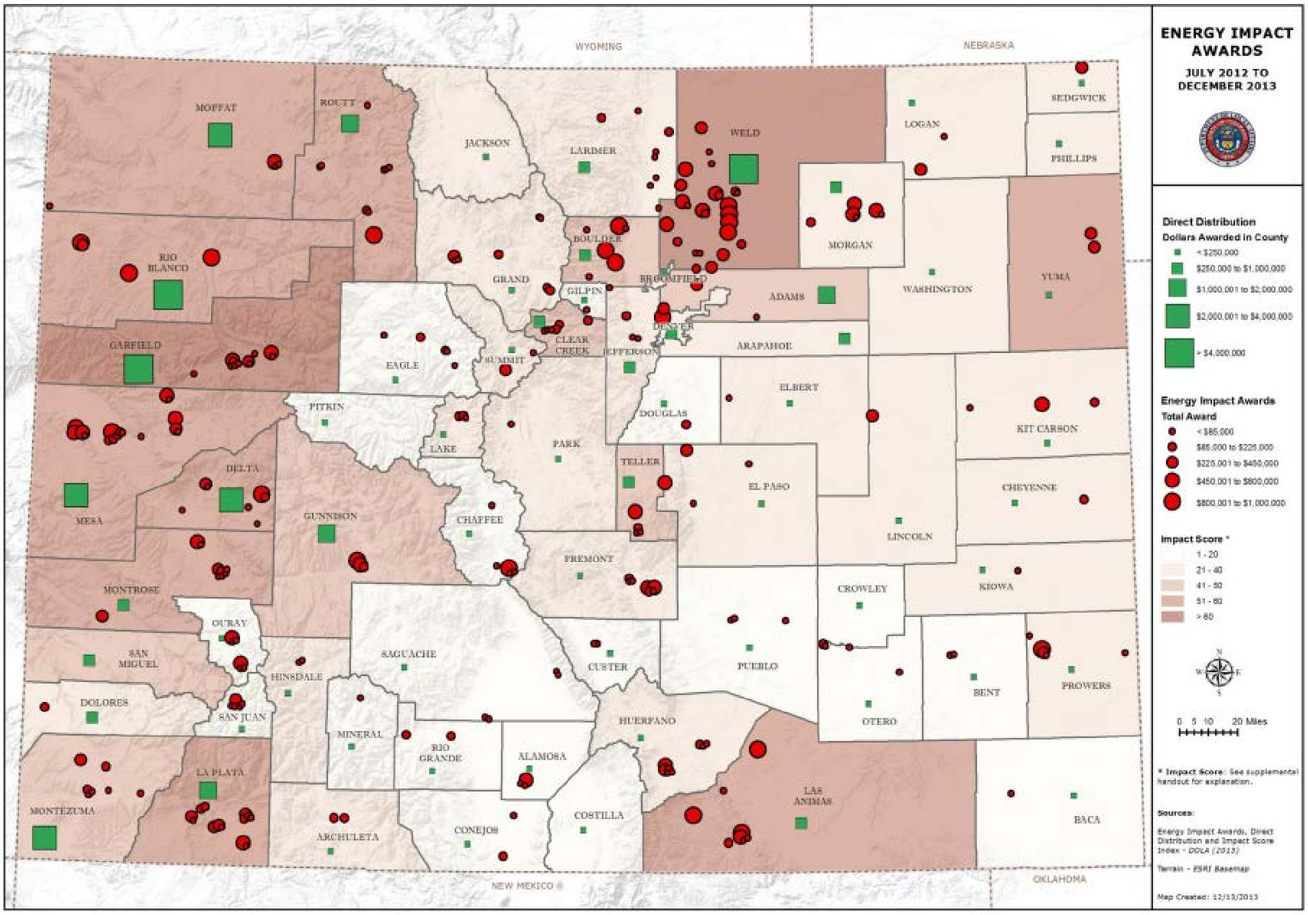
These funds are distributed through the grants process comprise, pursuant to statute:

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

Local government entities apply for the grants or loans for local infrastructure projects. The nine-member Energy and Mineral Impact Assistance Advisory Committee reviews applications and makes funding recommendations during several annual grant cycles each year. Final funding decisions are made by the Executive Director of the Department. Grant applications are reviewed based on criteria that include demonstrated need, level of local priority, local cash match, readiness to go, and the extent to which the project directly addresses or mitigates industry impacts.

The grants program was reinstated in FY 2012-13, with application cycles in December 2012, and April and August 2013 awarding $20 million each. In FY 2013-14, there were again three cycles, each of which awarded $25 million. In FY 2014-15, the Department anticipates one cycle of $25 million and two cycles of $35 million. Awards for targeted initiatives are in addition to these cycles.

The map below shows the distribution of energy impact awards between July 2012 and December 2013. As shown, direct distributions (squares) appear to be closely related to "impact scores", but almost all counties are deemed to have some energy impacts, and grants are allocated throughout the state.



Source: Department of Local Affairs, Local Government Energy and Mineral Impact Assistance Program Thirty-seventh Annual Report, January 2014

Informational Issue: Roan Plateau Settlement

The Governor's Office is requesting $8.0 million General Fund be set aside for legislation to backfill anticipated reductions in Federal Mineral Lease (FML) Revenue. The oil and gas industry, environmental groups, and the federal Bureau of Land Management have settled a longstanding legal dispute over drilling on the Roan Plateau. As part of the settlement, a portion of the FML bonus payments received by Colorado in FY 2008-09 will be refunded to leaseholders. The Governor's request is to ensure that local governments that benefit from FML allocations are not be negatively affected by the refund.

SUMMARY:

- The Roan Plateau, a geological formation located northwest of Rifle is prized for tourism and hunting, as well as for its extensive energy reserves. In 2008, following a highly contested planning period, the federal Bureau of Land Management (BLM) auctioned leases for natural gas drilling in and around the Plateau. A consortium of environmental groups immediately filed suit, and years of negotiation and litigation have followed.

- The Governor's Office and recent news reports indicate that a settlement between the oil and gas leaseholders, environmental groups, and the BLM is imminent. Staff understands that Representative Rankin and the Governor's Office have been deeply involved in negotiating the settlement.

- Pursuant to the settlement agreement, leaseholders would give up rights to drill most parcels on top of the Plateau while retaining rights to drill areas around the base. Associated with this, the federal government and the State would refund Federal Mineral Lease (FML) bonus payments received for the parcels that will not be drilled. The state's share of the refund would be about $23 million. Approximately $8 million per year will be withheld from the state's share of FML payments over the next three years as a result.

- As part of settlement negotiations, the Governor's Office committed to local communities that they would be held harmless from reductions in FML funding related to the settlement. The Governor's request therefore indicates that $8.0 million General Fund has been earmarked to backfill anticipated reductions in federal FML revenue in FY 2015-16.

DISCUSSION:

On November 3, 2014, the Governor submitted a letter to the Joint Budget Committee providing an overview of his request for the fiscal year. The request included the following statement:

> "In advance of an expected settlement of litigation regarding oil and gas leases on the Roan Plateau, we are proposing a repayment of monies owed to the federal government from the General Fund. We believe the approximate $23 million repayment will occur over three years and we have earmarked $8.0 million for the

> first installment. When such repayments are required, the Federal government withholds future revenue from the State, which would adversely affect schools and local governments. However, because we believe that the settlement structure should not affect these local priorities, we propose funding this repayment with General Fund. Additionally, during the Great Recession, some of these funds were used in the General Fund and thus we believe avoiding a "double hit" is appropriate. More information on this issue will be forthcoming to the General Assembly in the coming months."

For those members who have not been directly involved in this issue, the following background information may be helpful for discussions with Department of Local Affairs, the Department of Natural Resources, and the Governor's Office.

Roan Plateau

The Roan Plateau is a geological formation located northwest of Rifle, close to the I-70 corridor. The formation is located in Garfield county, close to Rio Blanco and Mesa counties. It is comprised of about 73,600 acres of public lands, with about 35,000 located on top of the plateau and the rest below the rim. The land is highly prized for tourism and hunting, as well as for its extensive energy reserves.

A federal Bureau of Land Management Fact Sheet estimates 4.2 trillion cubic feet (TCF) of natural gas under the top of the plateau and 4.7 TCF under the lands below the rim. Assuming 1.79 TCF of natural gas could be drilled over 20 years, the BLM has estimated $857-$1.13 billion in federal revenue could be generated from oil and gas lease sales and royalties on and around the Roan Plateau.[12]

Timeline: Summary of Land Transfers, BLM and Court Decisions[13]

1977 – Roan Plateau lands known as the "Naval Oil Shale Reserves" are transferred to the Department of Energy. DOE develops some gas wells below the Roan Plateau.

1997-99 – 56,238 acres of Roan Plateau lands are transferred to Department of Interior. The act transferring the lands requires the agency to enter into leases for purposes of energy exploration. Revenues are to be used to clean up the Anvil Oil Points Oil Shale Research site at the base of the plateau. Just over 12,000 acres below the rim that already contain wells are made available for leasing.

2000-2004 – The federal Bureau of Land Management (BLM) engages in planning process covering both the 56,238 acres transferred from DOE and 17,364 acres previously managed by BLM. A draft resource management plan/environmental impact statement is developed and released for public comment.

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12 http://www.blm.gov/style/medialib/blm/co/programs/land_use_planning/rmp/roan_plateau/documents.Par.15350.File.dat/AtAGlance.pdf

13 http://www.blm.gov/style/medialib/blm/co/programs/land_use_planning/rmp/roan_plateau/documents/supplemental_eis.Par.98908.File.dat/Roan%20Timeline%201-25-13.pdf

2005 – Nearly 75,000 public comments are received, most of which are form letters expressing environmental concerns. The BLM then holds a series of meetings with cooperating agencies including the Colorado Department of Natural Resources, and the affected counties and cities. Groups agree that if drilling takes place, it should follow a DNR proposal to protect key wildlife habitat, view sheds, and water resources.

2006-2007 – BLM completes final analyses and releases Proposed Plan/Final Environmental Impact Statement. Public protests are filed, and BLM agrees to an additional delay to enable the new Governor of Colorado to review the plan. An additional 42,000 public comments are submitted, again mostly form letters expressing environmental concerns.

March 2008 – BLM issues a second "Record of Decision" for the Roan, which includes designating 21,034 acres as areas of critical environmental concern. The plan allows for drilling on top of the plateau with various environmental protections.

July 2008 -- A consortium of environmental groups files a lawsuit in District Court challenging the BLM's management plan.

August 2008 – Roan Plateau lease sale covering 54,631 acres generates $113.9 million. Colorado receives its 49 percent share, or about $56 million. The BLM receives additional public protests.

2008-2010 – Companies awarded leases intervene in the lawsuit. District Court Judge Krieger orders parties in the lawsuit to attend a settlement conference, and meetings continue until the court determines settlement talks to be at an impasse. BLM suspends leases until litigation is resolved.

2011-2012 – Court hearings on the issue. In June 2012, Judge Krieger finds various problems in BLM environmental impact statement and remands issue to BLM for further consideration.

August 2012 -- Court decision is appealed by both leaseholders and plaintiffs.

January 2013 – BLM announces it will begin a supplemental environmental impact statement to address the deficiencies identified by the court in its original environmental impact statement.

Spring-Fall 2014 -- News reports indicate that a Roan Plateau settlement is in the works. Staff understands that the key parties to the settlement are the environmental organization plaintiffs, the Roan leaseholders (oil and gas industry), and the BLM. Settlement negotiations involve Rep. Rankin, the Governor's Office, and surrounding communities. Governor Hickenlooper and members of Colorado congressional delegation from both parties (Senators Udall and Bennet and Rep. Tipton) publicly press the secretary of the interior to accept the agreement.

Contours of the Settlement

As described by the Governor's Office and in news reports, the settlement agreement provides for the cancellation of about half of the leases that were issued in 2008, including most leases on the top of the plateau. Some leases on the top in the southwest area would remain in place, as this part of the plateau was already environmentally disturbed. Further, drilling on significant lease areas at the bottom of the Plateau will be allowed to proceed.

In return for vacating leases on the top of the plateau, lease holders (the Bill Barrett Corporation and possibly others) would be refunded the federal lease bonus payments they made on these lands: about $56 million of the $114 paid in 2008. Colorado's share of the total refund would be about $23 million.

The federal government has agreed that Colorado's share of the refund will be deducted from its future federal mineral lease payments at the rate of approximately $8 million per year. Although the near-term impact will be to reduce state revenue, this agreement will allow significant drilling for natural gas at the base of the Plateau. Thus, the agreement is ultimately expected to generate both private sector profits and jobs and public sector lease payments and severance tax and local property tax revenue.

Local governments initially expressed reservations about the deal due to concerns about federal withholding from future federal mineral lease revenues. To address those concerns, the Governor's Office agreed to work with the General Assembly to hold the local governments harmless by backfilling the lost federal revenue with General Fund. As staff understand it, new legislation would transfer approximately $8 million per year for the next three years to the Federal Mineral Lease Fund, from which it would be allocated consistent with the current FML allocation formula. (Staff understands that the Governor's Office initially approached federal authorities proposing to simply repay them with $23 million in General Fund, but there were various technical problems with this approach from a federal perspective.)

As the justification for the General Fund backfill is related to 2008 legislation and budget balancing actions and the current allocation of FML funds, staff has included a brief review of these below.

Federal Mineral Lease and Senate Bill 08-218 Allocations

Legislative Council Staff projects total FML revenue to Colorado of $177 million in FY 2014-15 and $184 million in FY 2015-16. The vast majority of the anticipated revenue is from "regular" lease payments and royalties, with less than $3.0 million from "bonus" payments. (Bonus payments consist of the state's share of fixed, up-front payments to the federal government in consideration for granting a federal mineral lease, regardless of the company's extent of use of the mineral interest.)

LCS FML Forecast – September 2014	**FY14 (prelim)** (millions)	**FY15 (forecast)** (millions)	**FY16 (forecast)** (millions)	**FY17 (forecast)** (millions)
Total FML Revenue	**$173.6**	**$177.2**	**$183.6**	**$190.4**
Bonus Payments (portion of total FML revenue)	**2.6**	**2.7**	**2.8**	**2.9**
Local Government Permanent Fund	1.3	1.3	1.4	1.4

LCS FML Forecast – September 2014	FY14 (prelim) (millions)	FY15 (forecast) (millions)	FY16 (forecast) (millions)	FY17 (forecast) (millions)
Higher Ed Maintenance Reserve Fund	1.3	1.3	1.4	1.4
Other (non-bonus) FML Revenue	**171.0**	**174.5**	**180.9**	**187.5**
State Public School Fund	73.1	76.0	79.1	82.2
Colorado Water Conservation Board (CWCB)	17.0	17.5	18.1	18.4
DOLA Local Government Grants	34.2	34.9	36.2	37.5
DOLA Direct Distributions - counties and municipalities	34.2	34.9	36.2	37.5
DOLA Direct Distributions - school districts	2.9	3.0	3.1	3.2
Spillover to HiEd FML Rev Fund	9.5	8.3	8.3	8.3
Spillover to HiEd Maint&Reserve Fund	0.1	0.0	0.0	0.3

The current allocation formula incorporates various changes to the previous allocation formula that were adopted in Senate Bill 08-218. A major impetus for S.B. 08-218 was the new bonus revenue the State expected from the Roan Plateau leases. The bill's fiscal note anticipated that the federal government would receive $280 million in bonus payments for Roan Plateau leases, of which Colorado would receive a 49 percent share ($140 million). Although the bonus payments ultimately received by Colorado in FY 2008-09 ($56 million) were less than half this amount, they were still significant.

The new S.B. 08-218 formula sought to segregate bonus and non-bonus revenue. Based on this adjustment, when the Roan Plateau and other bonus payments were received in FY 2008-09:

- Half of FY 2008-09 bonus revenue, ($30.9 million) was deposited to a new Local Government Permanent Fund, designed to stabilize local government FML revenue; and
- The other half ($30.9) million was deposited to a new and Higher Education Maintenance and Reserve Fund to support maintenance of higher education buildings

However, due to the statewide fiscal crises, virtually all FY 2008-09 bonus moneys were ultimately transferred to the General Fund. Senate Bill 09-228 transferred all moneys in the Higher Education Maintenance and Reserve Fund ($33.7 million) to the General Fund. Senate Bill 09-232 initially transferred $17 million of the money in the Local Government Permanent Fund to the Local Government Mineral Impact Fund; but between FY 2008-09 and FY 2011-12, a total of $82.8 million transferred from the Local Government Mineral Impact Fund to the General Fund, representing about 29 percent of total revenues to the Local Government Mineral Impact Fund for the period. An additional $19.1 million was transferred from the Permanent Fund to the General Fund. *It's thus reasonable for local governments to conclude that they never actually received their share of the Roan Plateau bonus payments.*

As described above, the Roan Plateau Settlement will result in a reduction in federal FML payments to Colorado of approximately $8 million per year for three years. These reduction will be taken from all FML revenue to the State—not simply bonus payments. The allocations resulting from the FML allocation formulas for the period FY 2009-10 through FY 2013-14 are summarized in the table below and represent a reasonable approximation of the percentage break-down in most years, barring large bonus payouts. Staff assumes reductions in FML revenue would be applied approximately consistent with this percentage breakdown.

Distributions Resulting from New Formula: FY 10 to FY 14	
State Public School Fund	43.5%
Local Government Mineral Impact Grants	19.5%
Local Government Direct Distributions	22.4%
Includes:	
Distributions to counties & municipalities – 19.5%	
Distributions to school districts – 1.7%	
Local Government Permanent Fund – 1.2%	
Colorado Water Conservation Board Construction Fund	9.7%
Higher Education Funds (FML Revenue & Reserve Funds)	4.9%
Total	**100.0%**

As staff understands it, funds requested by the Governor's Office would thus also be distributed consistent with the current FML allocation formula and would backfill reductions in FML funds in the same or similar percentages.

Appendix A: Number Pages

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation

DEPARTMENT OF LOCAL AFFAIRS
Reeves Brown, 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 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request		Request vs. Appropriation
Personal Services	1,356,064	1,269,251	1,310,153	1,352,635		
FTE	13.0	14.2	14.2	14.2		
General Fund	0	0	0	0		
Reappropriated Funds	1,356,064	1,269,251	1,310,153	1,352,635		
Health, Life, and Dental	1,042,048	1,078,804	1,131,931	1,421,590	*	
General Fund	421,810	0	214,400	335,387		
Cash Funds	159,264	175,120	238,318	238,423		
Reappropriated Funds	189,812	686,938	425,281	550,152		
Federal Funds	271,162	216,746	253,932	297,628		
Short-term Disability	15,380	18,241	22,036	24,478	*	
General Fund	3,684	4,790	4,268	5,054		
Cash Funds	2,517	2,937	3,725	3,716		
Reappropriated Funds	5,730	7,096	9,984	10,933		
Federal Funds	3,449	3,418	4,059	4,775		
S.B. 04-257 Amortization Equalization Disbursement	279,500	338,143	406,376	492,652	*	
General Fund	98,201	49,034	78,859	101,702		
Cash Funds	45,372	55,388	68,766	74,766		
Reappropriated Funds	95,332	173,898	183,715	220,084		
Federal Funds	40,595	59,823	75,036	96,100		

* Includes a request item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	240,278	305,324	380,978	475,857 *	
General Fund	83,988	80,937	73,930	98,235	
Cash Funds	38,999	50,003	64,468	72,217	
Reappropriated Funds	62,937	121,457	172,438	212,581	
Federal Funds	54,354	52,927	70,142	92,824	
Salary Survey	258,966	258,966	278,297	125,247	
General Fund	0	0	57,596	26,613	
Cash Funds	37,333	37,333	46,268	18,601	
Reappropriated Funds	166,672	166,672	124,014	56,133	
Federal Funds	54,961	54,961	50,419	23,900	
Merit Pay	157,336	157,336	110,908	118,923	
General Fund	0	0	21,928	23,130	
Cash Funds	22,235	22,235	21,557	17,705	
Reappropriated Funds	102,593	102,593	47,144	54,456	
Federal Funds	32,508	32,508	20,279	23,632	
Workers' Compensation	49,393	92,873	94,854	87,172	
General Fund	46,963	85,849	87,680	80,579	
Cash Funds	1,743	3,148	3,215	2,954	
Reappropriated Funds	687	3,876	3,959	3,639	
Operating Expenses	123,099	132,888	144,650	144,650	
Reappropriated Funds	123,099	132,888	132,888	132,888	
Federal Funds	0	0	11,762	11,762	

* Includes a request item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Legal Services	123,277	150,379	177,227	169,172	
General Fund	123,277	148,246	161,153	153,752	
Cash Funds	0	165	8,194	7,790	
Reappropriated Funds	0	1,968	2,140	2,130	
Federal Funds	0	0	5,740	5,500	
Purchase of Services from Computer Center	428,515	565,158	0	0	
General Fund	242,858	70,185	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	185,657	494,973	0	0	
Federal Funds	0	0	0	0	
Multiuse Network Payments	26,343	104,480	0	0	
General Fund	21,737	56,217	0	0	
Cash Funds	1,845	6,816	0	0	
Reappropriated Funds	2,761	41,447	0	0	
Federal Funds	0	0	0	0	
Management and Administration of OIT	7,357	43,277	0	0	
General Fund	5,162	30,364	0	0	
Reappropriated Funds	2,195	12,913	0	0	
Federal Funds	0	0	0	0	
Payment to Risk Management and Property Funds	19,347	37,588	30,090	25,676	
General Fund	18,322	34,989	28,009	23,909	
Cash Funds	915	2,321	1,858	1,635	
Reappropriated Funds	110	278	223	132	

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Vehicle Lease Payments	79,713	76,981	79,365	90,680	*
General Fund	55,882	72,369	71,363	81,547	
Reappropriated Funds	23,831	4,612	8,002	9,133	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	56,305	69,666	104,793	104,793	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	0	2,246	13,049	13,049	
Reappropriated Funds	21,889	37,507	37,507	37,507	
Federal Funds	4,503	0	24,324	24,324	
Leased Space	37,794	55,245	65,000	65,000	
General Fund	22,376	22,376	22,376	22,376	
Reappropriated Funds	15,418	32,869	42,624	42,624	
Federal Funds	0	0	0	0	
Capitol Complex Leased Space	416,744	543,948	463,750	717,870	
General Fund	160,000	201,822	160,480	414,600	
Cash Funds	24,463	33,089	28,001	28,001	
Reappropriated Funds	232,281	309,037	241,965	241,965	
Federal Funds	0	0	33,304	33,304	
Communication Services Payments	0	0	0	0	
General Fund	0	0	0	0	
Federal Funds	0	0	0	0	

* Includes a request item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
COFRS Modernization	157,503	157,503	202,725	202,725	
General Fund	104,883	104,883	104,883	104,883	
Reappropriated Funds	52,620	52,620	52,620	52,620	
Federal Funds	0	0	45,222	45,222	
Information Technology Security	0	7,425	0	0	
General Fund	0	1,584	0	0	
Cash Funds	0	74	0	0	
Reappropriated Funds	0	5,767	0	0	
Federal Funds	0	0	0	0	
Moffat Tunnel Improvement District	20	27	137,444	137,444	
Cash Funds	20	27	137,444	137,444	
Payments to OIT	0	0	1,048,396	996,432	
General Fund	0	0	188,124	179,062	
Cash Funds	0	0	5,378	5,370	
Reappropriated Funds	0	0	482,619	458,000	
Federal Funds	0	0	372,275	354,000	
TOTAL - (1) Executive Director's Office	4,874,982	5,463,503	6,188,973	6,752,996	9.1%
FTE	13.0	14.2	14.2	14.2	0.0%
General Fund	1,439,056	993,558	1,304,962	1,680,742	28.8%
Cash Funds	334,706	390,902	640,241	621,671	(2.9%)
Reappropriated Funds	2,639,688	3,658,660	3,277,276	3,437,612	4.9%
Federal Funds	461,532	420,383	966,494	1,012,971	4.8%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 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 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Division of Property Taxation	2,542,807	2,635,454	2,704,129	2,773,709	
FTE	30.0	30.2	36.7	36.7	
General Fund	945,981	945,981	949,492	978,270	
Cash Funds	817,711	853,525	884,726	905,450	
Reappropriated Funds	779,115	835,948	869,911	889,989	
State Board of Equalization	12,856	12,856	12,856	12,856	
General Fund	12,856	12,856	12,856	12,856	
Board of Assessment Appeals	570,627	555,028	579,545	606,314	
FTE	11.9	13.0	13.2	13.2	
General Fund	331,341	350,212	446,862	411,128	
Cash Funds	0	149,197	77,064	133,252	
Reappropriated Funds	239,286	55,619	55,619	61,934	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	268,617	337,883	357,244	357,244	
Cash Funds	149,049	169,766	189,628	189,628	
Reappropriated Funds	119,568	168,117	167,616	167,616	
TOTAL - (2) Property Taxation	3,394,907	3,541,221	3,653,774	3,750,123	2.6%
FTE	41.9	43.2	49.9	49.9	0.0%
General Fund	1,290,178	1,309,049	1,409,210	1,402,254	(0.5%)
Cash Funds	966,760	1,172,488	1,151,418	1,228,330	6.7%
Reappropriated Funds	1,137,969	1,059,684	1,093,146	1,119,539	2.4%
Federal Funds	0	0	0	0	0.0%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 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.

(A) Community and Non-Profit Services

(i) Administration

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services	2,848,666	2,474,603	2,233,586	2,283,513	
FTE	38.6	36.9	25.6	25.6	
General Fund	599,256	364,006	327,476	341,264	
Cash Funds	45,809	90,478	15,376	16,107	
Reappropriated Funds	149,909	149,909	85,039	96,590	
Federal Funds	2,053,692	1,870,210	1,805,695	1,829,552	
Operating Expenses	25,903	25,903	488,153	488,153	
General Fund	25,903	25,903	36,278	36,278	
Cash Funds	0	0	2,500	2,500	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	449,375	449,375	
Private Activity Bond Allocation Committee	2,046	2,078	0	0	
Cash Funds	2,046	2,078	0	0	
SUBTOTAL -	2,876,615	2,502,584	2,721,739	2,771,666	1.8%
FTE	38.6	36.9	25.6	25.6	0.0%
General Fund	625,159	389,909	363,754	377,542	3.8%
Cash Funds	47,855	92,556	17,876	18,607	4.1%
Reappropriated Funds	149,909	149,909	85,039	96,590	13.6%
Federal Funds	2,053,692	1,870,210	2,255,070	2,278,927	1.1%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(ii) Community Services					
Low Income Rental Subsidies	45,205,976	40,765,615	40,903,029	40,903,029	
General Fund	0	444,861	1,360,813	1,360,813	
Federal Funds	45,205,976	40,320,754	39,542,216	39,542,216	
Homeless Prevention Programs	0	0	1,434,449	1,434,449	
Cash Funds	0	0	110,000	110,000	
Federal Funds	0	0	1,324,449	1,324,449	
Emergency Shelter Program	1,079,783	2,199,152	0	0	
Federal Funds	1,079,783	2,199,152	0	0	
SUBTOTAL -	46,285,759	42,964,767	42,337,478	42,337,478	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	0	444,861	1,360,813	1,360,813	0.0%
Cash Funds	0	0	110,000	110,000	0.0%
Federal Funds	46,285,759	42,519,906	40,866,665	40,866,665	0.0%
(iii) Fort Lyon Supportive Housing Program					
Program Costs	0	2,788,851	3,223,851	3,223,851	
General Fund	0	2,788,851	3,223,851	3,223,851	
SUBTOTAL -	0	2,788,851	3,223,851	3,223,851	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	0	2,788,851	3,223,851	3,223,851	0.0%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (A) Community and Non-Profit Services	49,162,374	48,256,202	48,283,068	48,332,995	0.1%
FTE	38.6	36.9	25.6	25.6	0.0%
General Fund	625,159	3,623,621	4,948,418	4,962,206	0.3%
Cash Funds	47,855	92,556	127,876	128,607	0.6%
Reappropriated Funds	149,909	149,909	85,039	96,590	13.6%
Federal Funds	48,339,451	44,390,116	43,121,735	43,145,592	0.1%
(B) Field Services					
Affordable Housing Program Costs	0	0	4,118,080	4,429,757 *	
FTE	0.0	0.0	26.7	27.2	
General Fund	0	0	284,432	544,035	
Cash Funds	0	0	783,757	799,499	
Reappropriated Funds	0	0	278,128	291,185	
Federal Funds	0	0	2,771,763	2,795,038	
Affordable Housing Grants and Loans	0	0	14,717,338	18,137,338 *	
General Fund	0	0	8,200,000	11,620,000	
Federal Funds	0	0	6,517,338	6,517,338	
Manufactured Buildings Program	586,577	643,544	0	0	
FTE	7.2	7.3	0.0	0.0	
Cash Funds	586,577	643,544	0	0	
Colorado Affordable Housing Construction Grants and Loans	2,200,000	4,291,866	0	0	
General Fund	2,200,000	4,200,000	0	0	
Cash Funds	0	91,866	0	0	

* Includes a request item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Federal Affordable Housing Construction Grants and Loans	8,641,159	8,130,816	0	0	
Federal Funds	8,641,159	8,130,816	0	0	
SUBTOTAL - (B) Field Services	11,427,736	13,066,226	18,835,418	22,567,095	19.8%
FTE	7.2	7.3	26.7	27.2	1.9%
General Fund	2,200,000	4,200,000	8,484,432	12,164,035	43.4%
Cash Funds	586,577	735,410	783,757	799,499	2.0%
Reappropriated Funds	0	0	278,128	291,185	4.7%
Federal Funds	8,641,159	8,130,816	9,289,101	9,312,376	0.3%
(C) Indirect Cost Assessments					
Indirect Cost Assessments	477,793	581,550	709,694	709,694	
Cash Funds	125,194	182,297	155,087	155,087	
Reappropriated Funds	56,993	61,813	29,916	29,916	
Federal Funds	295,606	337,440	524,691	524,691	
SUBTOTAL - (C) Indirect Cost Assessments	477,793	581,550	709,694	709,694	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	125,194	182,297	155,087	155,087	0.0%
Reappropriated Funds	56,993	61,813	29,916	29,916	0.0%
Federal Funds	295,606	337,440	524,691	524,691	0.0%
TOTAL - (3) Division of Housing	61,067,903	61,903,978	67,828,180	71,609,784	5.6%
FTE	45.8	44.2	52.3	52.8	1.0%
General Fund	2,825,159	7,823,621	13,432,850	17,126,241	27.5%
Cash Funds	759,626	1,010,263	1,066,720	1,083,193	1.5%
Reappropriated Funds	206,902	211,722	393,083	417,691	6.3%
Federal Funds	57,276,216	52,858,372	52,935,527	52,982,659	0.1%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 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.

(A) Local Government and Community Services

(i) Administration

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Personal Services **	1,186,590	1,160,054	1,345,839	1,516,078 *	
FTE	15.9	16.5	17.7	19.1	
General Fund	265,705	245,057	267,341	347,613	
Reappropriated Funds	920,885	914,997	937,469	1,024,434	
Federal Funds	0	0	141,029	144,031	
Operating Expenses **	65,914	67,242	131,351	2,015,585 *	
General Fund	42,178	42,178	42,178	987,359	
Reappropriated Funds	23,736	25,064	25,146	964,199	
Federal Funds	0	0	64,027	64,027	
SUBTOTAL -	1,252,504	1,227,296	1,477,190	3,531,663	139.1%
FTE	15.9	16.5	17.7	19.1	7.9%
General Fund	307,883	287,235	309,519	1,334,972	331.3%
Reappropriated Funds	944,621	940,061	962,615	1,988,633	106.6%
Federal Funds	0	0	205,056	208,058	1.5%

(ii) Local Government Services

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Local Utility Management Assistance	159,166	149,657	157,921	162,173	
FTE	1.9	1.9	2.0	2.0	
Cash Funds	159,166	149,657	157,921	162,173	

* Includes a request item.

**Note that Department's request includes the funding for Firefighter Heart and Circulatory Malfunction Benefits for FY 2015-16 in the personal services and operating expenses line items in the Field Services Administration subsection. For FY 2014-15, these amounts are reflected in a separate line item below.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Conservation Trust Fund Disbursements	54,245,455	51,928,606	50,000,751	50,005,002	
FTE	2.0	2.0	2.0	2.0	
Cash Funds	54,245,455	51,928,606	50,000,751	50,005,002	
Volunteer Firefighter Retirement Plans	4,175,447	4,096,705	4,264,753	4,264,753	
General Fund	0	0	0	0	
General Fund Exempt	4,175,447	4,096,705	4,264,753	4,264,753	
Firefighter Heart and Circulatory Malfunction Benefits**	0	0	1,754,495	0	
FTE	0.0	0.0	0.6	0.0	
General Fund	0	0	904,145	0	
Reappropriated Funds	0	0	850,350	0	
Volunteer Firefighter Death and Disability Insurance	21,065	21,065	30,000	30,000	
General Fund Exempt	21,065	21,065	30,000	30,000	
Environmental Protection Agency Water/Sewer File Project	46,169	54,596	49,425	54,636	
FTE	0.5	0.4	0.5	0.5	
Federal Funds	46,169	54,596	49,425	54,636	
SUBTOTAL -	58,647,302	56,250,629	56,257,345	54,516,564	(3.1%)
FTE	4.4	4.3	5.1	4.5	(11.8%)
General Fund	0	0	904,145	0	(100.0%)
General Fund Exempt	4,196,512	4,117,770	4,294,753	4,294,753	0.0%
Cash Funds	54,404,621	52,078,263	50,158,672	50,167,175	0.0%
Reappropriated Funds	0	0	850,350	0	(100.0%)
Federal Funds	46,169	54,596	49,425	54,636	10.5%

**The Department's request includes the funding for this program for FY 2015-16 in the personal services and operating expenses line items in the Field Services Administration subsection.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(iii) Community Services					
Community Services Block Grant	6,408,868	5,421,838	6,000,000	6,000,000	
Federal Funds	6,408,868	5,421,838	6,000,000	6,000,000	
SUBTOTAL -	6,408,868	5,421,838	6,000,000	6,000,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Federal Funds	6,408,868	5,421,838	6,000,000	6,000,000	0.0%
SUBTOTAL - (A) Local Government and Community Services	66,308,674	62,899,763	63,734,535	64,048,227	0.5%
FTE	20.3	20.8	22.8	23.6	3.5%
General Fund	307,883	287,235	1,213,664	1,334,972	10.0%
General Fund Exempt	4,196,512	4,117,770	4,294,753	4,294,753	0.0%
Cash Funds	54,404,621	52,078,263	50,158,672	50,167,175	0.0%
Reappropriated Funds	944,621	940,061	1,812,965	1,988,633	9.7%
Federal Funds	6,455,037	5,476,434	6,254,481	6,262,694	0.1%
(B) Field Services					
Program Costs	2,271,628	2,519,633	2,417,433	2,886,638 *	
FTE	19.8	28.0	27.9	27.9	
General Fund	0	203,839	0	0	
Cash Funds	104,796	104,796	106,902	109,027	
Reappropriated Funds	2,170,009	1,945,825	1,996,219	2,460,457	
Federal Funds	(3,177)	265,173	314,312	317,154	
Community Development Block Grant	7,978,500	8,547,606	9,697,000	9,697,000	
Federal Funds	7,978,500	8,547,606	9,697,000	9,697,000	

*Includes a request item.

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Local Government Mineral and Energy Impact Grants and Disbursements	68,608,798	115,191,372	150,000,000	150,000,000	
Cash Funds	68,608,798	115,191,372	150,000,000	150,000,000	
Local Government Limited Gaming Impact Grants	4,482,164	5,763,240	5,000,000	5,000,000	
General Fund	1,000,000	0	0	0	
Cash Funds	3,482,164	5,763,240	5,000,000	5,000,000	
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	0	104,000	104,000	
Cash Funds	0	0	100,000	100,000	
Reappropriated Funds	0	0	4,000	4,000	
Search and Rescue Program	400,760	404,736	616,295	618,420	
FTE	0.7	1.2	1.3	1.3	
Cash Funds	400,760	404,736	616,295	618,420	
Colorado Heritage Communities Grants	27,050	7,954	0	0	
Cash Funds	27,050	7,954	0	0	
Colorado Heritage Communities Grant Fund	0	4,304,072	0	0	
Cash Funds	0	4,304,072	0	0	

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (B) Field Services	83,768,900	136,738,613	167,884,728	168,356,058	0.3%
FTE	20.5	29.2	29.2	29.2	0.0%
General Fund	1,000,000	203,839	0	0	0.0%
Cash Funds	72,623,568	125,776,170	155,873,197	155,877,447	0.0%
Reappropriated Funds	2,170,009	1,945,825	2,000,219	2,464,457	23.2%
Federal Funds	7,975,323	8,812,779	10,011,312	10,014,154	0.0%
(C) Indirect Cost Assessments					
Indirect Cost Assessments	838,818	943,316	967,728	967,728	
Cash Funds	94,923	147,595	155,871	155,871	
Reappropriated Funds	698,052	795,721	684,079	684,079	
Federal Funds	45,843	0	127,778	127,778	
SUBTOTAL - (C) Indirect Cost Assessments	838,818	943,316	967,728	967,728	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	94,923	147,595	155,871	155,871	0.0%
Reappropriated Funds	698,052	795,721	684,079	684,079	0.0%
Federal Funds	45,843	0	127,778	127,778	0.0%
TOTAL - (4) Division of Local Government	150,916,392	200,581,692	232,586,991	233,372,013	0.3%
FTE	40.8	50.0	52.0	52.8	1.5%
General Fund	1,307,883	491,074	1,213,664	1,334,972	10.0%
General Fund Exempt	4,196,512	4,117,770	4,294,753	4,294,753	0.0%
Cash Funds	127,123,112	178,002,028	206,187,740	206,200,493	0.0%
Reappropriated Funds	3,812,682	3,681,607	4,497,263	5,137,169	14.2%
Federal Funds	14,476,203	14,289,213	16,393,571	16,404,626	0.1%

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(5) DIVISION OF EMERGENCY MANAGEMENT					
This division assists local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation.					
Disaster Response and Recovery	0	0			
Cash Funds	0	0			
Federal Funds	0	0			
Preparedness Grants and Training	0	0			
Cash Funds	0	0			
Federal Funds	0	0			
Indirect Cost Assessment	0	0			
Reappropriated Funds	0	0			
Federal Funds	0	0			
TOTAL - (5) Division of Emergency Management	0	0	0.0%		
FTE	0.0	0.0	0.0%		
Cash Funds	0	0	0.0%		
Reappropriated Funds	0	0	0.0%		
Federal Funds	0	0	0.0%		
TOTAL - Department of Local Affairs	220,254,184	271,490,394	310,257,918	315,484,916	1.7%
FTE	141.5	151.6	168.4	169.7	0.8%
General Fund	6,862,276	10,617,302	17,360,686	21,544,209	24.1%
General Fund Exempt	4,196,512	4,117,770	4,294,753	4,294,753	0.0%
Cash Funds	129,184,204	180,575,681	209,046,119	209,133,687	0.0%
Reappropriated Funds	7,797,241	8,611,673	9,260,768	10,112,011	9.2%
Federal Funds	72,213,951	67,567,968	70,295,592	70,400,256	0.1%

Appendix B: Recent Legislation Affecting Department Budget

2013 Session Bills

S.B. 13-146: Implements recommendations in the December 2011 Performance Audit of the Board of Assessment Appeals (BAA) in the Department of Local Affairs. Establishes the Board of Assessment Appeals Cash Fund and shifts $150,000 in fees from the General Fund to cash funds by changing the designation of fees received by the BAA.

S.B. 13-210: Requires the Department of Local Affairs to establish a supportive residential community for the homeless at Fort Lyon. Includes an appropriation of $2,788,851 General Fund for FY 2013-14 to fund case management, substance abuse treatment costs, limited medical care, and the operations and maintenance of the transitional therapeutic residential community.

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.

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

Long Bill Footnotes

The Long Bill did not contain any Footnotes for the Department of Local Affairs.

Requests for Information

The Long Bill did not contain any Requests for Information for the Department of Local Affairs.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology
The Department of Local Affairs' indirect cost assessment methodology is calculated based on three components: an "Indirect Cost Pool", an "Indirect Cost Base", and an "Indirect Cost Rate".

Indirect Cost Pool
The Indirect Cost Pool is comprised of approved division level costs, including statewide indirect costs, which are used to provide support either to the entire department through the Executive Director's Office (EDO) or to individual divisions through program and personal services lines. The pool costs are based on the most recent fiscal year actual costs, a two year lag time. The FY 2013-14 pool costs, for example, are based on FY 2011-12 actuals. DOLA is also allocated statewide indirect costs for inclusion into its indirect cost rate proposal. Finally, fixed asset depreciation, leave costs, and indirect cost carry-forward adjustments are also included.

Indirect Cost Base
The Department uses eligible personal services costs to calculate the Indirect Cost Base, which is used in determining the proportional allocation of the Total Recoverable Indirect Cost Pool to divisions.

Indirect Cost Rate
The Indirect Cost Rate is then calculated for each division by dividing the Indirect Cost Pool by the Indirect Cost Base. The Indirect Cost Rate is multiplied by the projected salary and fringe benefits by funding source to determine the estimated indirect cost assessment for each of the divisions. Table 1 shows the FY 2014-15 Department indirect cost assessment for each division.

Table 1: Department of Local Affairs Indirect Cost Assessments for FY 2014-15

Indirect Cost Assessments for FY 2014-15				
Description	**Total Funds**	**Cash Fund Sources**	**Reappropriated Fund Sources**	**Federal Fund Sources**
Division of Property Taxation	**$357,244**	**$189,628**	**$167,616**	**$0**
Local Government Severance Tax Fund	111,744	0	111,744	0
Local Government Mineral and Energy Impact Fund	55,872	0	55,872	0
Property Tax Exemption Fund	171,628	171,628	0	0
BAA Cash Fund	18,000	18,000	0	0
Division of Housing	**$709,694**	**$155,087**	**$29,916**	**$524,691**
Local Government Severance Tax Fund	19,944	0	19,944	0
Local Government Mineral and Energy Impact Fund	9,972	0	9,972	0
Building Regulation Fund & private Activity Bond Fund	152,473	152,473	0	0

Indirect Cost Assessments for FY 2014-15				
Description	**Total Funds**	**Cash Fund Sources**	**Reappropriated Fund Sources**	**Federal Fund Sources**
Homeless Prevention Activities Program Fund	2,614	2,614	0	0
Federal grants	524,691	0	0	524,691
Division of Local Governments	**$967,728**	**$155,871**	**$684,079**	**$127,778**
Local Government Severance Tax Fund	456,053	0	456,053	0
Local Government Mineral and Energy Impact Fund	228,026	0	228,026	0
Colorado Water Resource & Power Development Authority, Water Pollution Control Revolving Fund	44,370	44,370	0	0
Conservation Trust Fund	54,103	54,103	0	0
Local Government Limited Gaming Impact Fund	28,395	28,395	0	0
Search and Rescue Fund	29,003	29,003	0	0
Waste Tire Recycling	0	0	0	0
Colorado Water Resource & Power Development Authority	7,288	0	0	7,288
Community Services Block Grant	56,634	0	0	56,634
Community Development Block Grant	63,856	0	0	63,856
Total Indirect Cost Assessments	**$2,034,666**	**$500,586**	**$881,611**	**$652,469**

Appendix E: Department Annual Performance Report

Pursuant to Section 2-7-205 (1) (b), C.R.S., the Department of Local Affairs is required to publish an Annual Performance Report by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. The FY 2014-15 report is attached for consideration by the Joint Budget Committee in prioritizing the Department's budget requests.

Strategic Policy Initiatives

The Department of Local Affairs has identified several strategic policy initiatives for FY 2014-15 and beyond. For this evaluation report, the Department selected a few initiatives that best capture some of the Department's strategic and operational priorities and reflect the overall direction as identified by Department leadership. The initiatives also provide context for much of the day-to-day work, which is highlighted in the measures section of the report. Additional detail for these, and other, strategic policy initiatives is available in the Department's Performance Plan, which may be accessed here.

Assessor satisfaction with educational program

The Division of Property Taxation (DPT) must actively market and deliver training which meets the needs of each assessment office, especially in light of staff turnover and assumption of new responsibilities, thereby ensuring statewide understanding of property tax law and procedures. A correct base of value from which mill levy decisions are made is crucial to all local government taxing jurisdictions and the state. Assessor and student satisfaction with the education program is critical to its success. The one- and three-year goal (FY 2014-15 and FY 2016-17) for this initiative is a satisfaction rate of 85 percent.

Board of Assessment Appeals – Percent of resolved appeals resolved within one year of receipt

The Board of Assessment Appeals seeks to expand the use of facilitator services and mediation for appeal resolution in order to improve taxpayer satisfaction while reducing the average time for appeals to be resolved. The failure to quickly resolve taxpayer appeals can create financial hardship to taxpayers who must pay their property taxes pending their appeal. Delays in appeal resolution may also result in significant interest payments by county governments to taxpayers who overpaid their property taxes. The goal for FY 2014-15 is for 84 percent of resolved appeals to be resolved within one year. For FY 2016-17, the goal is 88 percent.

Community Development Block Grant - Disaster Recovery (CDBG-DR) funds successfully invested in impacted communities

The Executive Director's Office Disaster Recovery unit provides recovery resources to households, businesses, and local governments to foster the long-term recovery for disaster-impacted communities through the effective implementation of programs funded under the HUD allocation of CDBG-DR. The principal customers of this initiative are those whose homes, businesses and infrastructure were damaged or destroyed in the 2013 flooding. Were it not for these grants, some owners would be unable to rebuild or would have to undertake large-scale private borrowing. The one-year goal for funding provision is $32.0 million; the three-year goal is $60.0 million.

Estimated new jobs generated by competitive grants (including leveraged funds)

With the increase in competitive grant dollars leveraged and reported on by grantees, new jobs generated by competitive grants will increase for each grant dollar invested. The Division of Local Government (DLG) provides professional strategic consulting and technical assistance to communities to help them achieve their goals. Community development priorities are often achieved through grant funding. These grant funds, in turn, create jobs in communities thereby achieving community and economic development goals. The one-year goal for job growth is 3,093; the three-year goal is 2,968, reflecting variability in revenues.

Increased affordable housing supply

The Department works to increase financial resources for housing production. One of the primary roles of the Division of Housing (DOH) is collaboration with a variety of partners to increase the availability of affordable housing to residents of Colorado. This includes creating, preserving and rehabilitating housing for Colorado's workers, families, seniors and those with special needs. The one-year goal for this initiative is to increase affordable housing units by 3,620 in FY 2014-15, and by 4,120 in FY 2016-17.

Operational Measures

Major Program Area – Division of Property Taxation
Process - Review petitions for refund or abatement of greater than $10,000

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of petitions processed for refund or abatement within 10 business days	50.2%	90.0%	96.0%	100%	100%

The Division of Property Taxation has the statutory responsibility to review petitions for refunds and abatements. Timely review ensures proper allocation of tax responsibilities while minimizing the interest cost to taxpayers and the county.

Major Program Area – Board of Assessment Appeals
Process - Board of Assessment Appeals hearings process

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of resolved appeals resolved within one year of receipt	2,055	1,874	1,798	1,617	1,633

The percent of BAA appeals resolved within one year has consistently improved from 33 percent (FY 2007-08) to 96 percent (FY 2013-14) despite increases in appeal volume. The decrease in the number of resolved appeals shown above reflects the successful elimination of a backlog of appeals from previous years.

Major Program Area – Division of Housing

Process - Perform required building-department functions

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of residential plan reviews completed within 10 days	38.0%	58.0%	75.0%	80.0%	80.0%

The Division of Housing has the statutory responsibility to serve as the building department in areas not served by local building regulators. In addition to improving turnaround time, the division expects a steady rise in the number of requests.

Process - Perform required housing authority functions

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of housing vouchers leased annually	97.73%	97.0%	92.0%	95.0%	95.0%

The Division of Housing has the statutory responsibility to serve as a housing authority in areas not served by a local authority. The number of households and individuals continues to increase, so efficient use of this limited resource is vital to the division's mission.

Process - Perform required oversight of Ft. Lyon operations

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Number of graduates relocating to permanent housing	New program, no actuals	New program, no actuals	New program, no actuals	75	125

Enrollment at the Fort Lyon supportive residential community for chronically homeless continues to grow. Graduation/relocation estimates are based on a projected 65 percent success rate.

Process - Creation of additional affordable housing options for renters and homeowners, especially households in greatest need

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Total number of affordable housing units developed	1,052	1,003	3,129	3,620	4,120

Continuing increases in the numbers of low-income renters, homeless individuals, those with special needs, and those on Section 8 housing waiting lists necessitate ongoing development of new affordable housing units.

Major Program Area – Division of Local Government (DLG)

Process - Maintain an effective and efficient system for ensuring public access to local government documents required to be submitted to the DLG

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Cumulative number of local govt. docs digitized and available to view	N/A	28,000	45,870	52,000	69,000

Local governments, including special districts, are required to post certain documents with DOLA in order to make them readily accessible to public officials and the general public.

Process - Administer competitive and formula-based grant programs

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Competitive grant dollars awarded in compliance with Federal and State standards	$10.5 million	$34.8 million	$70.0 million	$90.0 million	$90.0 million

The one- and three-year goals for the administration of competitive grant dollars are estimated based on projected revenues.

Process - Provide recovery resources to households, businesses and local governments to foster the long-term recovery of disaster-impacted communities

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Dollars invested in housing recovery projects	New program, no actuals	New program, no actuals	New program, no actuals	$10.0 million	$10.0 million
Number of households receiving down-payment or rental assistance plus number of housing units created or rehabilitated	New program, no actuals	New program, no actuals	New program, no actuals	725	345
Number of businesses served	New program, no actuals	New program, no actuals	New program, no actuals	210	115
Number of infrastructure projects funded	New program, no actuals	New program, no actuals	New program, no actuals	40	40
Number of local plans completed	New program, no actuals	New program, no actuals	New program, no actuals	6	6

The Disaster Recovery / Community Development Block Grant program directs federal financial resources to the recovery of areas damaged by the 2013 floods. This is a new program, and therefore does not have actual outputs for the previous fiscal years. Any downward trends between the one- and three-year targets reflect the life cycle of federal disaster recovery grants.