COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2013-14 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.

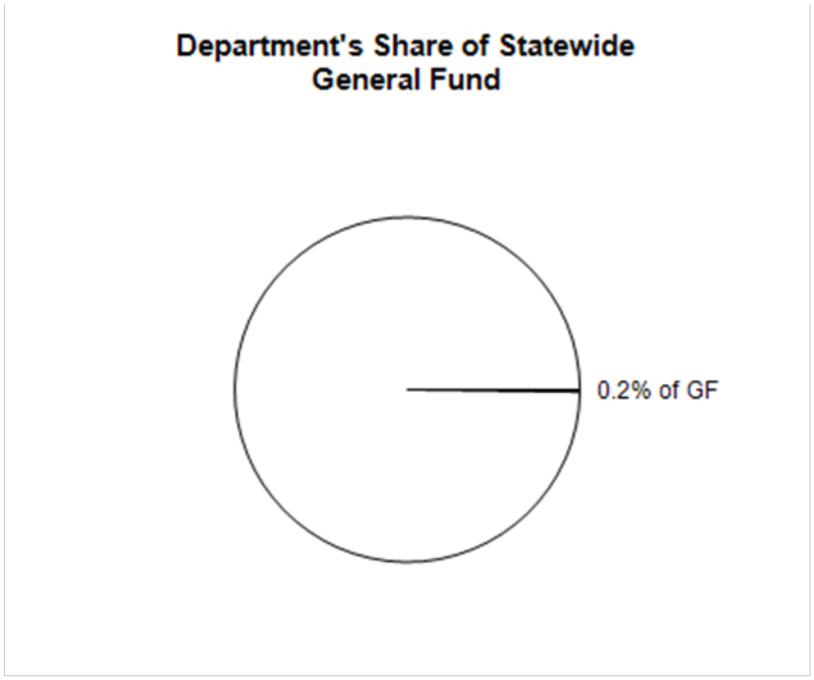
[1] Divisions, offices, and boards created in Sections 24-1-125, 39-2-101, 39-9-101, and 39-2-123, and Article 32 of Title 24,C.R.S., include: the Division of Local Governments; the Division of Planning; the Division of Commerce and Development; the Division of Housing; the Office of Rural Development; 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.

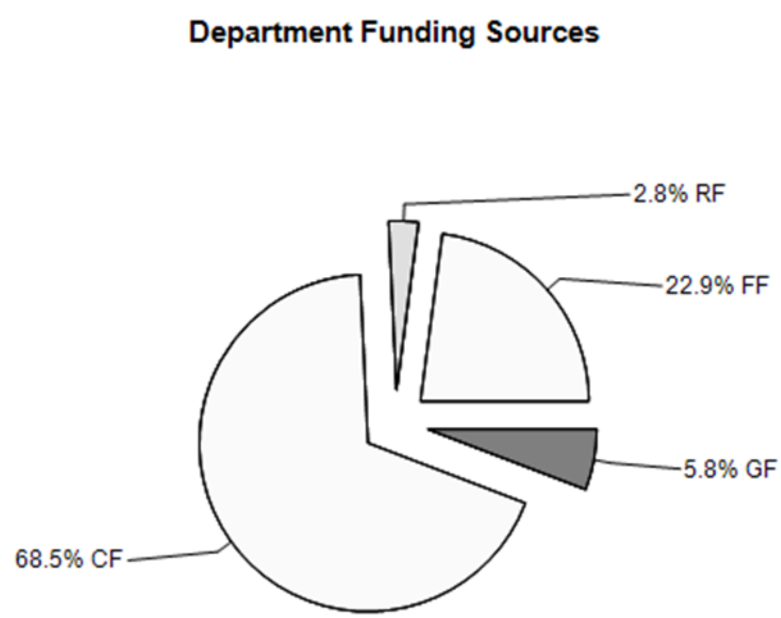
Department Budget: Recent Appropriations

Funding Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *
General Fund	$10,379,500	$11,074,259	$17,698,568	$23,276,832
Cash Funds	228,629,982	206,386,363	208,920,557	209,056,160
Reappropriated Funds	7,102,736	7,129,597	8,629,582	8,651,460
Federal Funds	117,319,185	102,623,672	69,956,340	70,024,549
Total Funds	**$363,431,403**	**$327,213,891**	**$305,205,047**	**$311,009,001**
Full Time Equiv. Staff	191.1	163.2	164.3	168.8

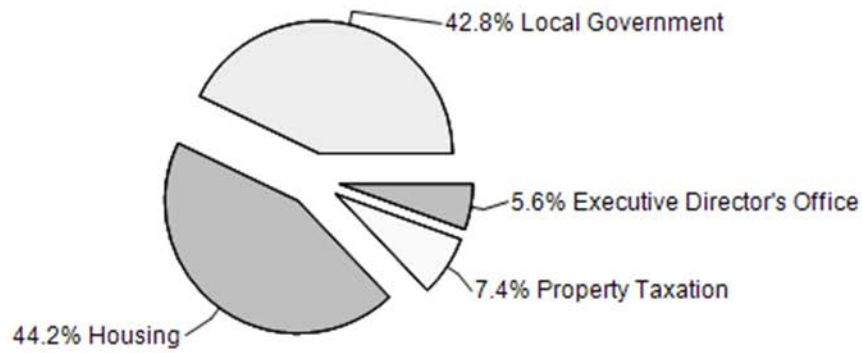
*Requested appropriation.

Department Budget: Graphic Overview

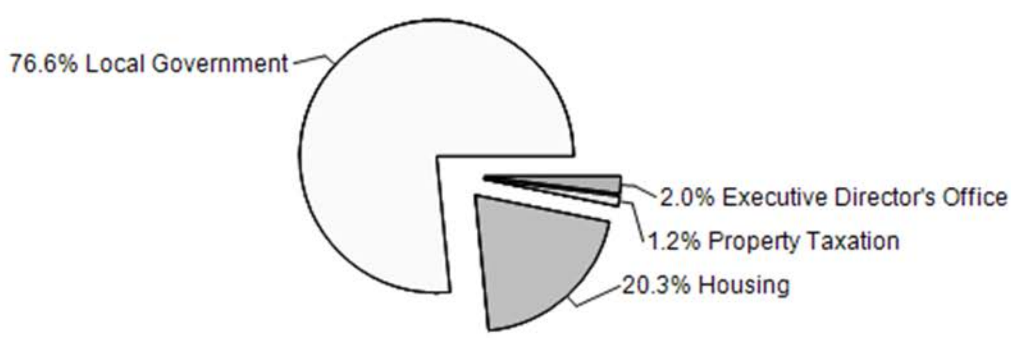




Distribution of General Fund by Division



Distribution of Total Funds by Division



General Factors Driving the Budget

Funding

Funding for this department in the current fiscal year consists of 5.8 percent General Fund, 68.5 percent cash funds, 2.8 percent reappropriated funds, and 22.9 percent federal funds.

Dedicated Funding Sources

The Department is responsible for a number of programs with dedicated cash revenue sources. The largest of these include (percentage of dedicated cash revenues for current year in italics):

- Local Government Mineral and Energy Impact Grants (*65.8 percent*) – 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 (*31.3 percent*) – 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 (*2.9 percent*) – 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 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request
Severance Tax[a]	$81.7	$103.1	$66.3	$66.0	$66.0
Federal Mineral Lease	63.8	62.8	48.9	48.2	48.9
Conservation Trust Fund	45.3	49.3	54.3	54.3	54.3
Limited Gaming Fund	4.7	3.3	5.0	5.0	5.0
Totals	**$195.5**	**$218.5**	**$174.5**	**$173.5**	**$174.2**

[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.

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 2010-11 Actual	**FY 2011-12 Actual**	**FY 2012-13 Actual**	**FY 2013-14 Appropriation**	**FY 2015-15 Request**
HUD rental subsidies[a, b]	$19.3	$43.7	$45.2	$37.3	$37.8
HUD Affordable housing development[a]	15.8	6.7	8.6	12.3	12.3
HUD Community Development Block Grants[a, c]	20.8	10.3	8.0	9.7	9.7
Health and Human Services Community Services Block Grants[a, d]	10.1	4.8	6.4	6.0	6.0
HUD Emergency Shelter Program[a]	1.0	1.0	1.0	1.0	1.0

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

[b] The increase from FY 2010-11 to FY 2011-12 reflects the inclusion of Colorado's Supportive Housing & Homeless Program (formerly administered by Human Services) in this line along with the federal Section 8 Voucher Program pursuant to H.B. 1230.

[c] The decrease from FY 2010-11reflects both the expenditure of one-time ARRA funds (in FY 2010-11) and also a reduction in federal support for CDBG. In FFY 2010, CDBG was funded at $3.9 billion. In FFY 2011, CDBG was decreased to $3.3 billion. In FFY 2012, CDBG was decreased to $2.9 billion. The budget for FFY 2013, CDBG increased to $3.0 billion.

[d] The decrease from FY 20010-11 to FY 2011-12 reflects both the expenditure of one-time ARRA funds (in FY 2010-11) and also a reduction in federal support for CSBG. In FFY 2010, CSBG was funded at $700 million. In FFY 2011, CSBG was decreased to $680 million. In FFY 2012, CSBG funding decreased slightly to $677 million. Finally, in FFY 2013, CSBG funding decreased to $350 million.

Summary: FY 2013-14 Appropriation & FY 2014-15 Request

Department of Local Affairs	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	$302,416,196	$15,059,717	$208,770,557	$8,629,582	$69,956,340	164.3
Other Legislation	2,788,851	2,638,851	150,000	0	0	0.0
TOTAL	**$305,205,047**	**$17,698,568**	**$208,920,557**	**$8,629,582**	**$69,956,340**	**164.3**
FY 2014-15 Requested Appropriation						
FY 2013-14 Appropriation	$305,205,047	17,698,568	$208,920,557	$8,629,582	$69,956,340	164.3
R1 Board of Assessment Appeals GF refinance	0	72,936	(72,936)	0	0	0.0
R2 Housing Development Grants	4,186,869	4,186,869	0	0	0	2.7
R3 Division of Housing reorganization	0	0	0	0	0	0.0
R4 Downtown Revitalization Technical Assistance	4,000	0	0	4,000	0	0.0
R5 Geothermal Energy Impact Grants	50,000	0	50,000	0	0	0.0
Annualize prior year legislation	945,289	945,289	0	0	0	0.0
NP1 HCPF R7 Medicaid	272,099	0	0	272,099	0	1.8
Centrally appropriated line items	269,189	296,662	158,539	(254,221)	68,209	0.0
Non-prioritized requested changes	76,508	76,508	0	0	0	0.0
TOTAL	**$311,009,001**	**$23,276,832**	**$209,056,160**	**$8,651,460**	**$70,024,549**	**168.8**
Increase/(Decrease)	$5,803,954	$5,578,264	$135,603	$21,878	$68,209	4.5
Percentage Change	1.9%	31.5%	0.1%	0.3%	0.1%	2.7%

R1 Board of Assessment Appeals GF refinance: The Department is requesting to replace $72,936 in cash fund spending authority with $72,936 in General Fund. The mechanism for funding the Board changed due to recent legislation that included a cash appropriation of $150,000. The fiscal note included with the bill did not account for the two-year cycle related to property tax appeals heard by the Board. In re-assessment years more appeals are received and therefore more revenue is generated. In the second year, a non-assessment year, property owners who appealed their valuation in a re-assessment year are foreclosed from appealing their assessment again. The General Fund appropriation will allow the Board to continue operating at current levels. *A detailed issue brief follows.*

R2 Housing Development Grants: The Department is requesting an appropriation of $4.2 million including 2.7 FTE to increase the number of affordable housing units being produced through administering Housing Development Grants. The Department anticipates granting the request will produce an additional 800 affordable housing units and effectively bring an end to the chronically and veteran homeless populations by 2015. *A detailed issue brief follows.*

R3 Division of Housing Reorganization: The Department is requesting a reorganization of its Long Bill for the Division of Housing. The Division has moved from a centralized operation to one focusing more on distributed services and wishes to better communicate to its stakeholders how its funds are used. This reorganization has a neutral effect on the Division of Housing budget and performance measures. *A detailed issue brief follows.*

R4 Downtown Revitalization Technical Assistance: The Department is requesting authority to spend $4,000 reappropriated funds from the Office of Economic Development and International Trade (OEDIT). DOLA, OEDIT, and Downtown Colorado, Inc., a non-profit, partner to provide Downtown Assessments to Colorado communities. Currently, for communities to get fully reimbursed through the program they must submit duplicative paperwork to both OEDIT and DOLA. Granting this request would streamline the process for resource scarce communities. *A detailed issue brief follows.*

R5 Geothermal Energy Impact Grants: The Department is requesting authority to spend $50,000 from the Geothermal Resource Leasing Fund to fulfill its statutory requirements to provide grants to state agencies, school districts, and political subdivisions affected by geothermal development and production for planning and providing services necessitated by geothermal energy development. *A detailed issue brief follows.*

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

NP1 HCPF R7 Medicaid: The Department of Health Care Policy and Financing is requesting $1,243,201 total funds, $846,787 General Fund and $396,414 federal funds. This amount includes funding for 2.0 FTE for the Department of Local Affairs. If granted, the Department of Local Affairs, Division of Housing would provide housing vouchers for Colorado Choice Transitions program clients and oversee the home modification benefit. *This issue will be briefed during the Health Care Policy and Financing Budget Briefing.*

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; shift differential; vehicle lease payments; workers' compensation; payment to risk management and property funds; and Capitol complex leased space.

Non-prioritized requested changes: The request includes the annual fleet vehicle change from the Department of Personnel, and the following changes from the Office of Information Technology: secure Colorado phase II, eliminate redundant applications, Capitol Complex network resiliency, IT service management ecosystem, DTRS, and IT technical development.

Informational Issue: Update on Fort Lyon Supportive Residential Community

Senate Bill 13-210 provided an appropriation to the Department of Local Affairs for the operation of a new supportive housing community at Fort Lyon in Bent County. The Fort Lyon Supportive Residential Community provides recovery oriented transitional housing to homeless individuals with mental health and substance abuse disabilities. The planned program combines housing with counseling, educational, vocational, and employment services for up to 300 homeless and formerly homeless persons across the state of Colorado with an emphasis on homeless veterans.

SUMMARY:

- Senate Bill 13-210 repurposed Fort Lyon in Bent County to assist homeless individuals struggling with mental health and substance abuse disabilities. The program plans to ramp up the number of participants residing at Fort Lyon to 200 by June 2014.
- Fort Lyon Supportive Residential Community opened its doors to its first program participants on September 3, 2013. Since that time, the program has worked with 77 individuals and currently 60 residents are living at Fort Lyon. The program is on track to meet its goal of 80 enrollees by the end of the year.
- Since September, the turnover rate of participants is under 20.0 percent which represents at least 10.0 percent fewer departures than originally expected.
- Residents contribute to the community by providing services including cleaning, maintenance, staffing the incentive store, working on the chicken farm, and in the library. Some residents are preparing to take the GED while others will begin taking courses offered on-site at Fort Lyon by Otero Junior College in January.

DISCUSSION:

Fort Lyon has provided employment opportunities to citizens of Bent County and surrounding areas for over a hundred years. In its lifetime Fort Lyon has been various military bases, a tuberculosis hospital for World War II POWs, a mental health facility, and a state prison. In 2011, the state shuttered the Fort Lyon prison, impacting the local economic environment. In an effort to reduce the impacts of permanently closing a volume employer in the area, the General Assembly passed S.B. 13-210, which provided an appropriation to the Department of Local Affairs to operate Fort Lyon as a Supportive Residential Community.

Fort Lyon consists of a number of buildings including former homes for military officers. Many of the facilities are in some form of disrepair and DOLA is in its initial assessment phase regarding improving energy efficiency. The program is currently operating only five of the large red brick buildings on the Fort Lyon Campus. DOLA is also working with Bent County, the Office of the State Architect, and the Colorado Energy Office to develop a comprehensive plan for utility use at Fort Lyon. Previously, DOLA had planned to retrofit individual buildings with more efficient heating systems, however, after site visits and discussions with energy professionals it was encouraged to approach utility planning holistically.

The Department has signed a Memorandum of Understanding with the Colorado Energy Office to pursue a Technical Energy Audit and a resulting Energy Performance Contract to create a full campus plan for energy improvements. Bent County has budgeted funds for the audit. The Department intends to use the recommendations from the energy audit to help determine its next steps.

The program administered at Fort Lyon is tailored to individuals with no dependents who are currently homeless or at risk of losing their current housing. Applicants cannot have any active warrants and, because the Fort Lyon staff will not contact departments of probation, it is currently not accepting individuals on probation. Clients are free to leave upon their request and clients can stay for a maximum of 24 months. After 24 months, the program does not expect to immediately terminate the assistance they provide to the tenant but will be addressing this on a case by case basis.

The Fort Lyon Supportive Residential Community provides recovery oriented transitional housing to homeless individuals with mental health and substance abuse disabilities. The program combines housing with counseling, educational, vocational and employment services with a goal of serving up to 300 homeless and formerly homeless persons from across the state of Colorado, with an emphasis on serving homeless veterans.

On September 3, 2013, Fort Lyon welcomed its first formerly homeless clients. Since this date 77 individuals have enrolled. The program plans to ramp up the number of clients it is actively serving to approximately 200 by June 30, 2014.

Currently, there are sixty residents living at the Fort Lyon Supportive Residential Community. This includes twelve female residents (20.0 percent), eleven veterans (18.3 percent), and ten Native American residents (16.7 percent). The average age of residents is 48. In addition to the sixty residents currently enrolled there are seventy-two additional referrals that have been accepted and will be welcomed to the community within the next two to three months.

The current turnover rate at Fort Lyon is below 20.0 percent and represents a rate lower than the initially expected rate of 30.0 percent. To date, eighteen participants have elected to leave the community and one who left has returned. By far, the reason the largest number of participants, thirteen, have left the program is because the program did not meet their expectations or needs. To address this, CCH is working with its referral partners to modify the referral process to ensure the community is a good fit for the applicant. CCH has also hired a new bus driver with clinical case management experience who can help evaluate individuals who are actively in detoxification without necessary medicine or have an acute medical or psychiatric condition prior to transporting them to Fort Lyon.

Of the other four residents who did not return, two participants were involuntarily terminated from the program due to violations of the Participant Agreement. The last two participants who left graduated from the program by meeting their identified goals. These two participants were holding section 8 vouchers and have now successfully returned to their housing. HUD allows for a section 8 voucher holder to be out of their unit for up to 90 days when seeking treatment for health or mental health issues, and the Fort Lyon program provides a short-term place for treatment and recovery for such individuals.

The program model allows homeless persons to leave the community in which they continue to struggle with the cycles of addiction and homelessness for up to two years in order to help them attain sobriety and mental health stability. As a result, participants will gain the resources necessary to maintain long-term recovery, employment, and overall self-sufficiency.

The Colorado Coalition for the Homeless (CCH) provides the transitional housing and recovery oriented supportive services. The program provides a recovery environment of on-site and community-based education, employment, substance-abuse treatment, mental health, and health care services for its residents. Collaborative service providers include Otero Junior College, Southeast Mental Health Services, Prowers Medical Center, and Valley-Wide Health Systems, Inc.

Otero Junior College has been very involved in the initial programming at Fort Lyon. One of the first skill deficiencies identified with the residents is operating a computer. Otero Junior College made the first step of ensuring access to the tools to train residents on these skills by donating a computer lab to Fort Lyon. Staff from the college was on site the week of December 4th to complete preparation with residents for GED testing and classes being offered on-site at Fort Lyon will commence in January. Courses that are planned include Intro to PC applications, English Composition, and Career Math.

Otero Junior College also offers Fast Track Certificates that have the opportunity to be taught at Fort Lyon. These programs include:

- Health Navigator/Community Health Worker Certificate,
- Certified Nurse Aid Certificate,
- Water Quality Management,
- Basic Crop Production and Livestock Production, and
- Applied Business and Technology Certificate.

Program participants fully engage in the overall operations of the campus including food services, facilities maintenance, grounds maintenance, housekeeping and waste water management—in conjunction with their daily participation in group and individual counseling.

Outreach and referrals of participants into the program come from homeless service agencies from across the state who partnered with CCH. Seven organizations have been selected to be a part of the statewide referral network for Fort Lyon. As of December 1st, these referring organizations are identifying and referring individuals. The referral network will also help coordinate the successful reintegration of residents back into their community after graduation. Upon completion of the program, residents will receive assistance locally to obtain housing and employment as they return to their community of choice through partnerships with local and state-wide organizations. It is also anticipated that qualified graduates will have access to housing subsidies through the U.S. Department of Housing and Urban Development to ensure long-term housing stability. Referral network organizations cover the following regions: Southwest Colorado, Western Slope, Colorado Springs, Denver Metro, Northern Colorado, and Boulder.

Once the program is ready to accept a program applicant, CCH schedules transport from the applicant's home community to Fort Lyon. Typically the program gives new residents a period of time to adjust to newfound sobriety and their new home but once this period is over residents are expected to contribute to the community. Residents may choose to leave the Program at any time for any reason and will be provided transportation back to their home community. This policy decision allows residents to feel in control of their decisions and limits the chance they feel their presence is compulsory.

Lastly, the Program has contracted with the Bent County Sheriff's office to provide security of the property. To date, the Sheriff has not had any issues with its security patrols.

Fort Lyon Supportive Residential Community achieved many successes in the first three months of operation. Below, some of those successes are highlighted:

- Current residents are enrolled in job and basic etiquette training to prepare them for potential job environments including: cleaning, maintenance, staffing the incentive store, working on the chicken farm, in the library, sewing, and etc. Many of these residents do not know how to dress or act appropriately in a job environment. Personal accountability training is also stressed.
- 40 of the residents have achieved more than 30 days of sobriety.
- 12 of the residents have achieved more than 60 days of sobriety.
- Based on the referral pipeline of eligible clients, the program is on track to meet the goal of 80 enrollees by the end of the calendar year.
- As part of the first step in the re-integration process, Fort Lyon staff worked with 11 residents to arrange for them to visit their families over the Thanksgiving holiday.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The number one goal of the Division of Housing within DOLA's performance plan is to ensure sufficient affordable housing for persons with the lowest incomes. Continued support from the State for the Fort Lyon Supportive Residential Community will help ensure that those individuals with the lowest income can have a safe and warm place to learn important job and life skills which can translate to them reentering Colorado communities with steady income and affordable housing.

Issue: Federal Mineral Lease Direct Distribution

In September, the Department of Local Affairs made a 1331 Supplemental Request for Federal Mineral Lease (FML) Direct Distribution backfill from the Local Government Permanent Fund. Because the request did not meet the standard to make a 1331 Supplemental Request, the Committee asked that Staff brief this issue during the regular budget cycle. Section 34-63-102, C.R.S., allows the Department to backfill FML Direct Distributions when the Legislative Council's March forecast projects the revenue from FML Direct Distributions will be 10.0 percent less than the amount distributed in the previous year. However, the current statute allows for the backfill only in the *current* fiscal year.

SUMMARY:

- Due to the volatility of Federal Mineral Lease Direct Distributions, Senate Bill 08-218 provides the Department of Local Affairs a mechanism to supplement the direct distributions made by the federal government in years where the March Legislative Council Economic Forecast projects receipts from the Federal Mineral Lease Direct Distributions will fall by over 10.0 percent.
- The March 2013 Legislative Council report forecast revenue receipts from Federal Mineral Lease to be at least 17.2 percent below the distribution made the previous year. Once this trigger is met, DOLA may make a request for an appropriation from the Federal Mineral Lease Permanent Fund. However, because receipts were projected to be as low as they were DOLA waited for FY 2012-13 to conclude to make its request for backfill. This action was taken because DOLA wanted to receive federal distributions before making their request.
- Current statute requires DOLA to request the backfill in the *current* fiscal year. This creates legislative timing issues for requesting the backfill of funds. The statutory distribution date is August 31.

RECOMMENDATION:

The Committee should consider legislation to modify the statutory deadline of Direct Distribution payments when Permanent Fund appropriations are available, or allow for expenditures in the following fiscal year to eliminate the timing issue. The legislation could also allow DOLA to bring the backfill request during the ordinary budget or supplemental budget cycle.

DISCUSSION:

When an individual or company leases federal land for mineral development, the federal government collects fees pursuant to the *Mineral Lands Leasing Act of 1920*. Leaseholders generally pay a bonus to use the land, pay rent for the right to extract minerals, and pay a royalty (percentage) on minerals extracted and sold. Colorado receives 49.0 percent of federal mineral leasing revenues (FML). Currently, the Direct Distribution Program receives 20.0 percent of the total FML revenues and allocates moneys to counties based on a proportion of the number residents in the county employed in mineral extraction and the amount of money credited to the Mineral Leasing Fund from the county, compared to statewide totals.

Pursuant to S.B. 08-218, half of all bonus revenues are credited to the Permanent Fund. Interest and income derived from moneys in the permanent fund are to remain in the fund, and may not be transferred to any other fund. The bill caps the amount of money that may be appropriated at the difference between the previous year's direct distributions to local governments and the current years projected direct distributions. Moneys from this fund may be used to offset funding shortfalls for the Direct Distribution Program when the revenue forecast in March indicates revenues to the Mineral Leasing Fund will be at least 10.0 percent lower than the immediately preceding fiscal year. Moneys from the Permanent Fund have not been used for Department appropriations to date, but have been transferred to the General Fund during budget shortfall years.

Based on the March 2013 Legislative Council Forecast, revenues to the Mineral Leasing Fund were 17.2 percent lower in FY 2012-13 than FY 2011-12. If the Department receives funding for this request, they would allocate the $3.8 million from the Permanent Fund as a special disbursement to local governments to alleviate some budget cuts to local governments. Additionally, JBC Staff and OLLS Staff agree that a transfer from the Permanent Fund to the Mineral Leasing Fund is not necessary, as the statute allows for appropriations directly from the Permanent Fund.

Legislative Timing Issues

Senate Bill 08-218 allows for the appropriation of moneys from the Permanent Fund *for the current fiscal year* when the revenue forecast in March indicates revenues to the Mineral Leasing Fund will be at least 10.0 percent lower than the immediately preceding fiscal year. The revenue forecast of March 2013 indicated the cash fund balance met the threshold to appropriate moneys from the Permanent Fund, so appropriations would be authorized for FY 2012-13 *not* FY 2013-14.

Direct Distribution payments are directed by statute to be made by August 31 of each fiscal year. Should DOLA want to use the moneys from the Permanent Fund for the *current* fiscal year of a revenue shortfall, they would need to initiate a special disbursement and change statute to allow for a distribution in the *current* fiscal year, following the March forecast.

To fund this request, the JBC would need to sponsor legislation to allow for the moneys from the Permanent Fund to be appropriated in FY 2013-14 instead of FY 2012-13, as directed by statute. Additionally, the JBC should consider legislation to modify the statutory deadline of Direct Distribution payments when Permanent Fund appropriations are available, or allow for expenditures in the *following* fiscal year to eliminate the timing issue. The legislation could also allow DOLA to bring the backfill request during the ordinary budget or supplemental budget cycle.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

One of the Departments overall tenets is to fulfill regulatory responsibilities by being knowledgeable about statutory and regulatory requirements, provide expertise for compliance, and be consistent, fair, and timely in the application of those requirements.

If the Committee sponsors legislation to modify the timing for the Department to request an appropriation from the Permanent Fund it would allow the Department to backfill FML direct distributions like the bill intended. In turn, this ensures that when the trigger for a backfill occurs the Department can offset the difference in FML Direct Distributions between the two fiscal years to offset variations to local budgets.

Issue: R1 Board of Assessment Appeals Funding Mechanism

Currently, the Board of Assessment Appeals receives filing fees from property owners who appeal county board of equalization or the assessor's valuation and credits them to the Board of Assessment Appeals Cash Fund. Property assessments are made every other year which increases revenue generated from filing fees in re-assessment years. Because a determination made by the Board in a re-assessment year applies to the property in a non-assessment year, someone who appeals their property valuation in a re-assessment year is foreclosed from filing an appeal in the non-assessment year. Ultimately, this leads to a budgeting shortfall in non-assessment years. The Board of Assessment Appeals is currently receiving an annual appropriation of $150,000 from the Cash Fund. The Department is requesting $72,936 from the General Fund and to adjust Cash Fund spending authority down to $77,064 from $150,000. Without a statutory change the need for General Fund appropriations will continue every other fiscal year.

SUMMARY:

- Senate Bill 13-146 altered the funding source for operating the Board of Assessment Appeals. Prior to its enactment, fees charged to petitioners filing appeals with the Board were credited to the General Fund and the appropriations for the program came from the General Fund. The Bill changed the structure to credit the fees to the Board of Assessment Appeals Cash Fund and appropriated $150,000 from the fund to the program.
- Fiscal Notes attached to the bill did not take into account that property taxation in Colorado consists of a two-year cycle. The first year, known as a re-assessment year, tends to produce significantly more fee revenue when compared to non-assessment years. This cycle is predictable and consistent and leads to a budgeting shortfall of approximately $72,000 in FY 2014-15.
- The Department, OSPB, and the Board of Assessment Appeals all prefer alternating every other year between appropriating $150,000 from the Cash Fund and supplementing lower fee receipts in non-assessment years with General Fund appropriations to keep the workflow of the Board at current levels.

RECOMMENDATION:

Recommendation A

The Committee could choose to grant the Department's request for a General Fund appropriation. Acting this way would cause yearly adjustments to the BAA funding sources because every other year there would be a need to adjust the General Fund appropriation. The OSPB, DOLA, and the BAA consider the General Fund backfill option to be in the best interests of the program. Senate Bill 13-146 was crafted to address the findings of the Office of the State Auditor, which included a recommendation on its fee structure. A fee increase was considered during last year's legislative session, however, they were not included in S.B. 13-146, presumably because there was not enough support to increase fees.

Recommendation B
The JBC could also consider legislation to adjust the fee schedule to increase revenue to the BAA Cash Fund to $300,000 per two-year assessment period. This adjustment cannot affect the most recent re-assessment year where it would build a reserve if new fees were imposed. If the JBC chooses to ensure continued operations of the BAA at current levels, it will require a General Fund appropriation for FY 2014-15. Without this additional funding, the BAA will likely fall behind on its goal to resolve appeals within one year. Staff further recommends that if the JBC changes the fee structure in any way that the new fees are adjusted annually for inflation. Staff identified four potential methods of changing the fee structure which are detailed at the end of the discussion section.

DISCUSSION:

Introduction
The Department is requesting a General Fund appropriation of $72,936 to replace $72,936 of its cash fund spending authority from the Board of Assessment Appeals (BAA) Cash Fund (Cash Fund) because the current statute does not take into consideration the two-year cycle for property value assessments.

Last year, the Department received an appropriation of $150,000 from the Cash fund. The BAA Cash Fund was created in Senate Bill 13-146 and credits all filing fees paid to the BAA to the Cash Fund. Before its enactment, filing fees were credited to the General Fund and the entire BAA budget was supported with General Fund and reappropriated funds. The fiscal note that accompanied the bill projected future yearly receipts to the BAA Cash Fund based on the filing fees collected in the higher-volume re-assessment year and did not account for fewer petitions filed with the BAA. This created the need to use General Fund appropriations to supplement the Department's Cash Fund appropriation.

Board of Assessment Appeals Duties
When owners of real or personal property in Colorado are dissatisfied with the valuation that county tax assessors place on their property, the owners can pursue various avenues of appeal at the local and state levels. The Board of Assessment Appeals (BAA) provides an independent administrative forum where Colorado property owners may appeal county property tax assessments at the state level. The BAA was conceived as a cost-effective and less burdensome alternative to Colorado district court and county-administered mediation.

To understand the role of the BAA it is helpful to understand how property taxes are assessed. The county assessors are responsible for assessing the value of all property in their counties for tax purposes in accordance with state laws. Counties assess real property on a two-year cycle. In the first year, the county conducts what is referred to as a "mass appraisal" of properties within various areas of the county. In the second year, the county does not conduct a full-scale appraisal of properties within the county, but instead generally reaffirms the value established in the first year unless new information indicates there has been a change in the property's value. Within each county, a County Board of Equalization reviews property tax assessments to ensure that the County Assessor is valuing all property throughout the county in a consistent or "equal" manner.

If a taxpayer is unsatisfied with the valuation placed on his property by the County Assessor the taxpayer may protest the valuation to the assessor and then appeal the determination to the county board of equalization. If the taxpayer is still unsatisfied after appealing to the county board of equalization the taxpayer may choose to file an appeal in Colorado district court, enter into a mediation agreement, or file an appeal with the BAA.

Fewer appeals are filed in non-assessment years resulting in a decrease in revenue receipts from the BAA filing fee. The volatility in case filings reflect the two year assessment period and the fact that a final adjudicated value made during the re-assessment year cannot be appealed a second time in a non-assessment year.

The minimum direct cost of holding a hearing at the Board of Assessment Appeals is approximately $450. However, it is probably not appropriate for a petitioner to bear the entire costs of the hearing and only 10.0 percent of appeals make it to the hearing stage because most appeals settle before the hearing. The State Auditor issued a report in 2011 about the Board of Assessment Appeals; some of the findings are further summarized later in the brief. The report concluded that the fees charged by the BAA, which are the same as they are currently, allow reasonable access to the Board and discourages taxpayer petitioners from filing frivolous appeals.

Fee Structure

Before 2008, the fee structure for filings with the Board of Assessment Appeals for a represented party was calculated at 75% of the filing fee required to be paid by a plaintiff, petitioner, third-party plaintiff, and a party filing a cross claim or counterclaim in a district court of the state. A *pro se*, i.e. self-represented, petitioner pays no filing fee for the first two requested hearings per year and then would pay a filing fee equal to 75% of the filing fee he would have paid at the District Court. Senate Bill 08-206 changed the fee structure to its current level which requires represented petitioners to pay $101.25 per disputed piece of property. The bill also changed the fee *pro se* petitioners pay to $33.75 but continues to allow these petitioners to file with no fee for the first two requests for hearing per fiscal year. The current fee to file a petition with the district courts in this kind of action is $224.00. If the filing fee was still calculated the way it was before 2008, the BAA would collect $168.00.

Included in the report published by the State Auditor's Office was an analysis of the BAA fee structure. The report investigated the fee structure for state tax appeals entities in 29 other states. Of this sample, fifteen did not require any filing fee. However, ten out of the fourteen that did charge filing fees for tax appeals employed a tiered fee system based on the complexity or characteristics of the case. In states with tiered fee systems, less complex cases were charged a filing fee from $10 to $150, while the more complex cases ranged from $25 to $600. Four states charged filing fees based on the type of property. Residential appeals charged fees as low as $10 with higher-value and special property appeals reaching $600.

Staff discussed the possibility of only raising the filing fee to represented parties to generate revenue sufficient to bring in $300,000 per assessment period (every two years). This would allow the Board of Assessment Appeals Cash Fund to build a sufficient reserve in re-assessment years to continue operating at a level that allows it to resolve cases within one year in non-assessment years.

The BAA expressed some hesitation when asked about the possibility of increasing fees because the last time fee increases were discussed it was met with substantial push back. However, if the fee for represented parties was increased from $101.25 to around $135.00, the BAA Cash Fund would have sufficient receipts to allow appropriation of $150,000 in re-assessment and non-assessment years. Additionally, the Department stated that if a bill was run to address a fee change, it would benefit from a clause adjusting the fee yearly for inflation. Staff also discussed the possibility of charging a small fee to *pro se* parties, however, even if these petitioners were charged $31, the fee to file a case in small claims court, revenue from filing fees is estimated to increase by only $4,000.

Recommendation A

The Committee could choose to grant the Department's request for a General Fund appropriation. Acting this way would cause yearly adjustments to the BAA funding sources because every other year there would be a need to adjust the General Fund appropriation. The OSPB, DOLA, and the BAA consider the General Fund backfill option to be in the best interests of the program. Senate Bill 13-146 was crafted to address the findings of the Office of the State Auditor, which included a recommendation on its fee structure. A fee increase was considered during last year's legislative session, however, they were not included in S.B. 13-146, presumably because there was not enough support to increase fees.

Recommendation B

The JBC could also consider legislation to adjust the fee schedule to increase revenue to the BAA Cash Fund to $300,000 per two-year assessment period. This adjustment cannot affect the most recent re-assessment year where it would build a reserve if new fees were imposed. If the JBC chooses to ensure continued operations of the BAA at current levels, it will require a General Fund appropriation for FY 2014-15. Without this additional funding, the BAA will likely fall behind on its goal to resolve appeals within one year. Staff further recommends that if the JBC changes the fee structure in any way that the new fees are adjusted annually for inflation. Below are four kinds of fees changes for the JBC to consider:

Option 1: The Committee may consider running legislation to increase filing fees for represented parties.

The JBC could sponsor legislation to increase the fee paid by represented parties from $101.25 to $135.00. The BAA estimates charging fees at this level would provide sufficient revenue over the two-year assessment period to provide annual appropriations of $150,000.

Option 2: Change the filing fee structure to take into account the complexity of the petition.

Implementing this option would create fees based on the type of property assessment being appealed. Typically residential assessments are not very complex types of actions while an appeal dealing with an agricultural property is almost always complex. The Committee could chose to select types of complex cases or choose to set fees based on the amount in controversy.

Option 3: Make a statutory change to give authority to the BAA to adjust its fees that varies with caseload and/or number of additional board members.
The JBC may consider running legislation that would delegate authority to set fees to the Board of Assessment Appeals. This would lead to less General Assembly oversight over the fees but allow the BAA to be more nimble in adjusting its fees.

Option 4: Change the fee structure to include a modest fee for pro se petitioners.
The anticipated effect of this would cause potential petitioners to be more confident in the appeals they choose to file. As mentioned above, this option probably would not increase overall filing fee receipts to the level needed to end the need for a General Fund appropriation because charging a fee to non-represented parties is estimated to only increase filing fee revenue by $4,000.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The revenue shortfall for FY 2014-15 and beyond threatens the timely resolution of taxpayer appeals by the BAA which is in direct contradiction of two of DOLA’s overall tenets and two of the BAA’s goals in DOLA’s strategic plan:

Overall DOLA Tenets

- Assist customers in solving problems by responding to customers in a timely, effective and efficient manner.
- Fulfill regulatory responsibilities by being consistent, fair, and timely in the application of these requirements.

Board of Assessment Appeals Goals

- Fulfill the Board’s statutory responsibilities with improved timeliness for resolving taxpayer appeals.
- Improve the Board’s customer service and taxpayer education.

Issue R2: Housing Development Grant

The Department of Local Affairs is currently administering the Housing Development Grant Program to encourage private investment in affordable housing. At the current levels of funding, the Division of Housing expects to stimulate the construction of 1,680 affordable housing units per year. As part of its role in carrying out the plan described in Pathways Home Colorado to end chronic and veteran homeless by 2015, the Department is requesting $4.2 million General Fund to encourage construction of an additional 800 affordable housing units to bring the total to 2,480 units per year.

SUMMARY:

- As of 2011, Colorado ranks 20th in the United States for percent of persons who are "rent-burdened" by spending more than 30.0 percent of their income on the cost of housing. Additionally, median apartment rents in Colorado rank the 16th highest.
- The State of Colorado has placed a priority on ending homelessness in the chronically homeless and veteran populations through its plan, Pathways Home Colorado. Many academic studies present information demonstrating the costs of providing supportive housing to these individuals is only a fraction of the cost these persons place on other publically funded services.
- With the additional funding the Department anticipates that it will have effectively ended homelessness in the chronically homeless and veteran populations by 2015. The funding will support an additional 800 affordable housing units.

DISCUSSION:

The Department is requesting an additional annual appropriation of $4.0 million General Fund in the Housing Development Grant Fund for the development of an estimated 800 additional affordable rental housing units per year. Currently, the Department is receiving $4.2 million General Fund to encourage private investment in affordable housing options. The request will assist the Department in achieving the statewide goal, laid out in the report Pathways Home Colorado, of ending chronic and veteran homelessness. The Department further requests $186,869 General Fund and 2.7 FTE for grant administration activities. The personal services request will annualize to $187,746 General Fund and 3.0 FTE in FY 2015-16.

Created by the Colorado state treasury, the Housing Development Grant (HDG) Fund is administered by the Division of Housing (DOH). Housing Development Grants provide funds for acquisition, rehabilitation, and new construction of affordable housing through a competitive application process to:

- Improve, preserve, or expand the supply of affordable housing;
- Finance foreclosure prevention activities in Colorado; and

- Fund the acquisition of housing and economic data necessary to advise the State Housing Board on local housing conditions.

Background

Colorado continues to experience growth in its population driving the apartment vacancy rate in Colorado during the second quarter of 2013 to its lowest level since 2001, 4.5 percent. Not surprisingly, the average rent in Colorado also hit an all-time high during this period at $976 per month. Further, when compared to the other states and the District of Columbia, the median rent per month in Colorado ranks as the 16th highest. Since 2007, the average rents increased 19.0 percent in Colorado while the median renter household income increased only 1.1 percent.

Driven by rising demand and a scarcity of rental units the apartment market is experiencing a long-term tightening in the apartment market. In fact, in 2012 the number of new households created exceeded the number of new rental units by over 11,000. Since 2008, the cumulative gap between units constructed and units needed exceeds 94,500. The apartment industry has responded to current demand by planning numerous new apartment communities and rehabilitated units. However, these new and remodeled units are being built for higher-income households and not designed to meet the needs of other households. This is likely correlated to the rent estimated needed to break-even[1] for a new mid-density apartment unit, which is $1,050 per month. Further, the average actual rent for new units constructed since 2005 in Colorado is $1,380 per month.

Besides the obvious need for more rental units of all types there has also been an increased need for affordable housing across the United States. "Affordability" on any unit, whether subsidized or not, is based on the industry standard, which dictates that a household should not spend more than 30.0 percent of income on housing. Cost burdened renters, i.e. those who spend more than 30.0 percent of their income on housing, increased 12.0 percent in Colorado between 2000 and 2010, representing the largest increase since the 1960's.

Based on data from the 2011 American Community Survey conducted by the U.S. Census Bureau Colorado's share of rent burdened households ranks as 20th highest at 50.1 percent. Across the nation, the percent of renters burdened by their rent ranges from a high of 57.8 percent in Hawaii to a low of 32.0 percent in Wyoming. For a housing unit renting at the average rental rate in Colorado to be considered affordable, the renter must earn at least $40,500, or between $19 and $20 per hour[2]. For someone earning $20,000 after taxes, an affordable housing unit would rent for $500 monthly.

The demand for affordable housing far exceeds the available financial resources the State can provide for housing given the growing disparity between housing cost and household income. The Center on Budget and Policy Priorities estimates 35.0 percent, or 700,000, of all Colorado households are renters. Of those, 142,000 households make less than $20,000 annually and

[1] "Break-Even Point" for rent, according to the apartment development industry, estimates the cost of constructing a mid-density apartment unit is $175,000 per unit. Assuming $100,000 of the unit is financed at 5.0 percent interest, for a term of ten years, the monthly payment necessary to make debt service is approximately $1,050 per month.
[2] The income calculation in this sentence assumes a 6.0 percent payroll tax and 0.0 percent income tax.

59,000 households earn less than $10,000. Colorado could benefit from increased availability of all kinds of affordable housing units with the following estimated affordable housing units needed:

- People with special needs require approximately 24,000 housing units;
- Seniors need approximately 21,000 units;
- Rural areas require 7,000 additional units; and
- Approximately 14,000 for people coming from homelessness.

Indeed, for households earning $20,000 or less, there are currently two renters competing for each rental unit available at an affordable level.

There is also interesting trends in the current overall rental and affordable rental stock in the United States. Notably, low-rent housing stock is especially vulnerable to removal, often with insufficient revenue to cover operating and maintenance costs. Of the 34.8 million rentals that existed in the United States in 2001, some 1.9 million were demolished by 2011—a loss rate of 5.6 percent. For units renting for less than $400, however, the rate of loss was 12.8 percent. Although making up only a small share of the overall rental supply, homes renting for less than $400 thus accounted for more than a third (650,000) of total removals. Removal rates for units with rents between $400 and $600 were also relatively high at 6.7 percent. Loss rates decline as rents increase, falling to just 3.0 percent for units with rents of $800 or more.

This request is focused on the most immediate goal of the strategic plan outlined in the Colorado Pathways Home report, to end homelessness in the chronically homeless and veterans populations by 2015. This goal mirrors part of President Obama's plan to end homelessness, which includes addressing the chronically homeless and veterans by 2015 and ending homelessness for families and children by 2020.

Currently, the largest gap in Colorado's plan to end homelessness is the availability of affordable units and permanent supportive housing. Colorado has accomplished the goals of identifying the greatest need for those experiencing or at-risk of homelessness, but has not yet been able to deliver the resources needed to create additional housing or to replicate the most successful supportive housing models.

According to the annual point-in-time survey, conducted in January 2013, there are over 14,000 homeless men, women, and children in Colorado. This count includes over 2,000 chronically homeless individuals and veterans. Many reports detail the relative cost of housing the chronically homeless as a policy that decreases global costs of homeless populations on public services. For example, in Massachusetts, chronically homeless individuals living on the street show average annual health care costs of $28,436, compared to $6,056 for those who are housed. Similarly, Utah estimates the costs of the chronically homeless on the street at approximately $19,208 compared to only $7,500 for those individuals who have agreed to enter housing. In Colorado, it is estimated that the annual public cost per chronically homeless individual is $31,000. Accordingly, it is estimated that if the Division succeeds in ending chronic homelessness the cost savings to all levels of government could be between $48.0 and $53.0 million annually.

Unlike Colorado, Utah has not made it a statewide goal to end veteran and chronic homelessness. The state has, however, effectively reduced its homeless population by approximately 74.0 percent since 2005. The Utah Division of Housing expects to have housing opportunities available for all of its chronically homeless by 2015, but, it also understands that it may be an unrealistic goal because of personal choices. Staff asked the Utah Division of Housing if it had the opportunity to analyze whether such a significant decrease in the chronically homeless population resulted in actual cost savings experienced by the state. Unfortunately, cost-saving estimates for housing the chronically homeless continue to rely on the estimated savings from reducing their demand of emergency rooms, incarceration, detoxification services, and hospital care.

Proposed Solution

The Division of Housing proposes to leverage state funding to assist the private industry in constructing 2,480 new affordable housing units every year. This total includes 1,680 affordable housing units that will be supported by current funding and the additional 800 units expected if the Committee grants the current request.

Additional Staff

The Department's request includes funding associated with 2.7 FTE with a continuing appropriation to support 3.0 FTE. The Department requests the additional staff to ensure there is wise investment through underwriting and that the grant recipients achieve their intended goals through project management. The 3.0 FTE will oversee grant administration and will include:

- *One development specialist* who provides technical assistance and underwrites projects and programs to ensure the need for public funding. Development Specialists also visit potential projects prior to funding to verify the location meets habitability standards.
- *Two asset managers* who manage contracts to ensure grantees and borrowers accomplish the goals set out in their funding contracts.

Currently, DOLA employs five development specialists and four asset managers in multiple funding programs. On average, a Development Specialist underwrites between 7 and 14 projects per year and an Asset Manager manages 22 development contracts per year.

Anticipated Outcomes

Using both current and requested funding, the Division anticipates effectively ending chronic and veteran homelessness with the first 2,000 supportive units funded through FY 2015-16. The Division will be able to track its success through changes in the number of households paying more than 30% of their income in housing expenses based on the yearly "mismatch study" that assesses the number of rent burdened Coloradoans. This study is performed annually and is based off data collected in the American Community Survey conducted by the Census Bureau.

As the chronically and veteran homeless find housing that works for them the Division anticipates:

- The rate of recidivism for parolees suffering from both mental illness and substance abuse to drop from 68.0 to 40.0 percent,
- The attendance record and grades of homeless children should improve, and
- The number of admissions to state mental hospitals by the homeless will decrease.

Each of these social outcomes is tracked by the Department using data that is already collected.

The Department also highlighted the National Association of Home Builder's report which analyzed economic impacts of building and rehabilitating 1,374 subsidized housing units in Colorado. Its findings included the following one-year benefits:

- Over $151.8 million in income for Colorado residents;
- Over $27.3 million in taxes and other revenue for the state and local governments; and
- Over 2,179 jobs in Colorado.

The report also found annually recurring impacts of building and rehabbing 1,374 subsidized homes included:

- Over $33.3 million in income for Colorado residents;
- Over $7.9 million in taxes and other revenue for the state and local governments; and
- Over 439 jobs in Colorado.

Conclusion

Staff has little doubt that there is a need for construction of affordable housing in Colorado. The need for affordable housing in Colorado is not limited to the chronically homeless and veterans but this request would put the most immediate goal of the Pathways Home Colorado plan, to end homelessness in those populations by 2015, within reach.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The number one goal of the Division of Housing within DOLA's performance plan is to ensure sufficient affordable housing for persons with the lowest incomes. While the need for affordable housing in Colorado is not limited to chronically homeless individuals and veterans, the request represents the Division's role in Colorado's goal to end homelessness for veterans and the chronically homeless as outlined in Pathways Home Colorado.

Issue: R3 Division of Housing Long Bill Reorganization

Currently the Division of Housing Long Bill Structure reports its activities through the various programs it administers. The Division is requesting a Long Bill Reorganization to more clearly communicate to stakeholders how funds are being expended.

SUMMARY:

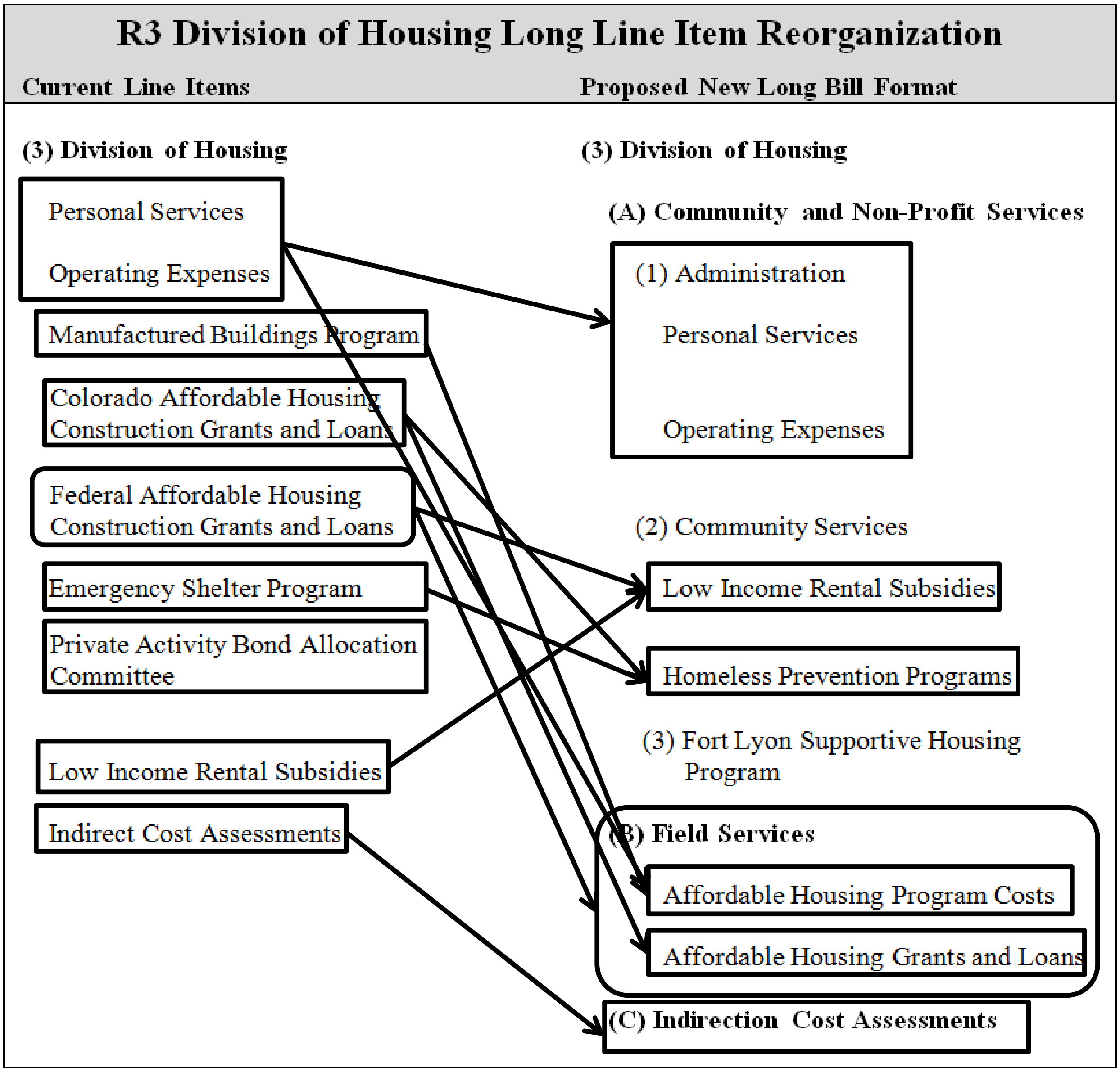
- The request does not impact actual funding to the Department or expenditures. The reorganization also has no impact to the Division of Housing's program metric or goals.
- Legislation in 2001, H.B. 11-1230, combined the Supportive Housing and Homeless Program previously housed in the Department of Human Services with the Section 8 program in the Division of Housing. This consolidated all housing related programs from the federal government in one agency.
- The proposed Long Bill structure articulates the Division of Housing's operations more accurately because the Division has moved from a centralized operation to one that is more distributed throughout the state. This allows the Division staff to build local relationships and provide local expertise someone at a central office may not gain as easily.

DISCUSSION:

The Department of Local Affairs is requesting a Long Bill reorganization for the Division of Housing to more transparently reflect implementation of recent legislation and its current operating model. This request does not impact actual funding to the Department and is a cost-neutral method of increasing transparency in reporting.

Recent changes in the Division of Housing caused the Department to reconsider whether the current Long Bill structure is the best way to communicate with its stakeholders. Senate Bill 11-1230 consolidated statewide housing assistance programs into Division. The bill merged the Section 8 program in the Division of Housing with the Supportive Housing and Homeless Program from the Department of Human Services. The effect of combining both of these programs, which received and administered federal funds for housing, was to decrease staffing needs by approximately 25.0 percent. The Division now administers approximately 7,000 vouchers for low-income households around the state.

Currently, the Division's Long Bill is structured to include eight distinct line items that are organized by program, with centralized personal services and operating lines to support all housing programs. The Division has moved from a centralized model to one focused on regional outreach. To more effectively administer housing programs throughout Colorado the Division has increased its presence around the state through field offices. The following table and line item descriptions outline the existing and proposed Long Bill structure:



Administration

This line, split between operating and personal services, is a portion of the Division's previous Personal Services and Operating Expenses line. The remainder of this line is included in the proposed **Affordable Housing Program Costs** line.

Low Income Rental Subsidies

This line will combine the Federal low income rental subsides previously allocated to the Federal Affordable Housing Construction Grants and Loans with the previous Low Income Rental Subsidies line.

Homeless Prevention Programs
The proposed line will combine the Emergency Shelter Program line with the appropriation to the Colorado Affordable Housing Construction Grants and Loans from the Homeless Prevention Activities Program Fund.

Fort Lyon Supportive Housing Program
This is a new line and reflects the General Assembly enacting of S.B. 13-210. It annualizes the legislation in a new line.

Field Services
This new line item group includes the remainder of the current Federal Affordable Housing Construction Grants and Loans, split between the proposed **Affordable Housing Program Costs** and **Affordable Housing Grants and Loans** lines.

Affordable Housing Program Costs
In addition to the portion of federal funds moved to this line item, this line item also includes some of the personal services credited to the current Personal Services line and the entire Manufactured Building Program.

Affordable Housing Grants and Loans
This line includes a portion of the current Federal Affordable Housing Construction Grants and Loans and Colorado Affordable Housing Construction Grants and Loans into one line.

The Department has described its proposed line items in the following manner:

(3) Division of Housing

(A) Community and Non-Profit Services encompasses two core activities that are headquartered at the main Division of Housing office in Denver.

(B) Field Services reflect the Division's outreach and technical assistance activities throughout the state. Strategically located across the state, these employees conduct inspections and regulation of the manufactured building industry and mobile home parks. They also provide local support for work needed to award a Private Activity Bond and work related to determining who to provide housing development grants and loans.

(C) Indirect Cost includes the Department's assessments of indirect cost recoveries from the Local Government Mineral and Energy Impact Grants and Disbursements line item. This line item includes the Local Government Severance Tax Fund, the Local Government Mineral Impact Fund, and the Building Regulation Fund.

Issue: R4 Downtown Revitalization Technical Assistance

The Department of Local Affairs administers the Community Assessment Program to provide technical assistance to communities on a wide variety of topics. One area where DOLA is already providing technical assistance is by working with four communities each year to help the community conduct Downtown Assessments. This program partners with the Office of Economic Development and International Trade, (OEDIT) and a non-profit partner, Downtown Colorado, Inc., to conduct these assessments. Currently, communities must submit paperwork to both DOLA and OEDIT to receive reimbursements. DOLA requests authority to expend $4,000 in reappropriated funds from OEDIT to eliminate redundant paperwork for communities that tend to be more resource scarce.

SUMMARY:

- To receive assistance in conducting Downtown Assessments local communities must file paperwork with both DOLA and OEDIT. Often the communities selected for these projects are resource-limited and there is no value-added for duplicative paperwork.
- Downtown Assessments bring experts in redevelopment to the community where they interact with stakeholders and eventually make a recommendation. The recommendation is presented at a public meeting and ultimately results in a project deliverable that details the steps the community needs to take to implement the recommendations.
- Providing DOLA the authority to expend $4,000 in reappropriated funds will streamline the Downtown Assessments for local communities increasing the value of the assessments.

RECOMMENDATION:

Because many local governments have scarce resources staff recommends the Committee grant the request for the Division of Local Government to expend $4,000 in reappropriated funds from the Office of Economic Development and International Trade to eliminate duplicative paperwork by communities to receive reimbursement for Downtown Assessments performed by non-profit partner Downtown Colorado, Inc.

DISCUSSION:

The Division of Local Government is charged with assisting the governor coordinate state services made available to local government, serve as a clearing house for information common to local government, and to encourage and assist cooperative efforts among officials of local government, section 24-31-104, C.R.S.

To achieve this goal the Department of Local Affairs, The Office of Economic Development and International Trade (OEDIT) and Downtown Colorado, Inc. (DCI) work together in partnership to administer the Community Assessment Program. The Community Assessment Program provides technical assistance to communities to help solve a myriad of problems and provides guidance to resources.

As part of carrying out the Community Assessment Program the program partners work together to subsidize and enhance Downtown Assessments for local communities in Colorado. DCI, a nonprofit partner, administers Downtown Assessments to many Colorado communities across the state. Together the three organizations partner to collaboratively enhance and support four different communities per year including follow up work.

Using the Main Street Four Point Approach, DCI provides technical assistance visits to the communities selected for the program. DCI meets with all downtown stakeholders before making a recommendation. It then holds a public presentation on its initial recommendations and ultimately provides the community a detailed action matrix describing the implementation steps. Some of the value-added to this process by DCI include increased communication amongst interested groups, identifying areas for collaboration, determining underutilized community assets, and providing consultant services for a fraction of the cost.

To receive assistance from this program, communities must work with both OEDIT and DOLA to receive, spend, document, and submit for the reimbursement of funds. There is an opportunity to eliminate redundant work for the small communities, with already limited resources, by allowing DOLA the authority to spend $4,000 reappropriated funds to utilize committed OEDIT funds toward a DOLA-OEDIT partnership to help fund Downtown Assessments.

If the Committee approves this request it will reduce redundant state administrative processes and decrease the administrative burden on local governments receiving the assistance.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

One of DOLA's primary tenets and part of the Division of Local Government's performance plan is to provide technical assistance to local governments. In carrying out this goal the Division provides training, individual support, and professional assistance. Allowing DOLA to expend $4,000 in reappropriated funds per year from OEDIT will help communities reduce costs for assessments. Reduced costs will allow more communities to participate. Additionally, providing the communities with one point of contact to administer both sources of state funding and track local cash matches will reduce local and state expenses related to administering the payment process.

Issue: R5 Geothermal Energy Impact Grants

The Department of Local Affairs is directed by section 34-63-105, C.R.S., to make grants available to state agencies, school districts, and political subdivisions affected by geothermal development and production for planning and providing services necessitated by geothermal energy development. The Department is requesting $50,000 spending authority from the Geothermal Resource Leasing Fund to fulfill its statutory duties.

SUMMARY:

- In 2007, The U.S. Bureau of Land Management published regulations allowing it to offer leases on federal land for the development of geothermal resources. Similar to how federal mineral lease funds are distributed, the states and local communities affected by the development of geothermal energy resources receive a portion of the lease payments, rents, sales, bonuses, and royalties.
- To date, the Bureau of Land Management has held two Geothermal Energy Lease auctions in Colorado resulting in three total leases. While the Department is unable to determine whether geothermal resources will be developed and start providing payments other than lease payments, the lease payments continue to be credited to the Geothermal Resource Leasing Fund which currently has a balance of about $33,000.
- To fulfill its statutory duty to provide grants to state agencies, school districts, and political subdivisions affected by geothermal development and production for planning and services necessitated by geothermal development and production the Department is requesting authority to expend $50,000 from the Geothermal Resources Leasing Fund.

DISCUSSION:

In May 2007, the Department of the Interior published regulations on geothermal energy development on public lands requiring more competitive leasing, offering simplified royalty calculations, and providing for the administration of geothermal leases. Revenue from geothermal leases is distributed 50.0 percent to the states and 25.0 percent to local counties. The allocation to the counties occurs through a direct distribution to the county affected by geothermal leases while the state's share is transferred to the State Treasury Office.

Senate Bill 10-174 directed the Department of Local Affairs to award grants from the Geothermal Resource Leasing Fund to state agencies, school districts, and political subdivisions affected by geothermal development and production for planning and services necessitated by geothermal development and production. The Bill also created the Geothermal Resource Leasing Fund and directed it to be funded by the 50.0 percent state share of federal payments from sales, bonuses, royalties, leases, and rentals related to geothermal resources on federal lands in Colorado.

To date, there have been two competitive geothermal lease sales held by the Bureau of Land Management in Colorado resulting in three parcels being leased. Currently, the BLM does not have any competitive lease sales noticed in Colorado in 2013 or 2014. However, the BLM is only required to provide notice 45 days prior to holding a geothermal lease sale. These sales have resulted in the Fund balance growing to approximately $33,000.

Currently, the Department cannot determine whether the three parcels will be developed for geothermal energy. Because of the uncertainty with current outstanding leases the Department's projected revenues credited to the Fund only anticipate revenue from lease payments. The anticipated additional income from lease payment is $18,000. Therefore, the Department is only requesting spending authority of $50,000.

The Department is *not* requesting any FTE to administer the program because it anticipates its workload over the next three to five years can be absorbed by the Department staff. The Department also intends to increase efficiencies by adopting existing policies and procedures incorporating Geothermal Resource Grant applications and awards into the existing Impact Assistance Grant Program.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

One of DOLA's overall tenets is to fulfil regulatory responsibilities by being knowledgeable of the statutory and regulatory requirements it must comply with. In order to fulfill its statutory requirements to provide grants to state agencies, school districts, and political subdivisions affected by geothermal energy development DOLA must have the authority to make grants from the Geothermal Energy Impact Grant Fund.

Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 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 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Personal Services	1,247,998	1,356,077	1,269,251	1,310,153	
FTE	12.7	0.0	14.2	14.2	
General Fund	0	0	0	0	
Reappropriated Funds	1,247,998	1,356,064	1,269,251	1,310,153	
Health, Life, and Dental	1,025,108	1,042,048	1,078,804	1,210,516 *	
General Fund	398,414	421,810	0	241,492	
Cash Funds	133,968	159,264	175,120	254,872	
Reappropriated Funds	311,683	189,812	686,938	445,935	
Federal Funds	181,043	271,162	216,746	268,217	
Short-term Disability	16,198	15,380	18,406	22,152 *	
General Fund	3,684	3,684	4,790	4,484	
Cash Funds	2,655	2,517	2,937	3,704	
Reappropriated Funds	6,299	5,730	7,096	9,928	
Federal Funds	3,560	3,449	3,583	4,036	
S.B. 04-257 Amortization Equalization Disbursement	249,827	279,500	347,941	409,129 *	
General Fund	57,604	98,201	50,610	83,410	
Cash Funds	37,042	45,372	55,388	68,447	
Reappropriated Funds	99,646	95,332	173,898	182,829	
Federal Funds	55,535	40,595	68,045	74,443	

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	193,147	240,278	313,827	383,561 *	
General Fund	45,979	83,988	80,937	78,199	
Cash Funds	29,776	38,999	50,003	64,170	
Reappropriated Funds	72,142	62,937	121,457	171,402	
Federal Funds	45,250	54,354	61,430	69,790	
Salary Survey	0	258,966	258,966	160,150	
General Fund	0	0	0	32,619	
Cash Funds	0	37,333	37,333	26,839	
Reappropriated Funds	0	166,672	166,672	70,915	
Federal Funds	0	54,961	54,961	29,777	
Merit Pay	0	157,336	157,336	164,694	
General Fund	0	0	0	32,704	
Cash Funds	0	22,235	22,235	32,113	
Reappropriated Funds	0	102,593	102,593	69,433	
Federal Funds	0	32,508	32,508	30,444	
Workers' Compensation	45,762	49,393	92,873	97,315	
General Fund	42,551	46,963	85,849	89,955	
Cash Funds	1,441	1,743	3,148	3,298	
Reappropriated Funds	1,770	687	3,876	4,062	
Operating Expenses	126,018	123,099	144,650	144,650	
Reappropriated Funds	126,018	123,099	132,888	132,888	
Federal Funds	0	0	11,762	11,762	

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Legal Services	109,839	123,277	163,033	163,033	
General Fund	109,839	123,277	148,246	148,246	
Cash Funds	0	0	7,538	7,538	
Reappropriated Funds	0	0	1,968	1,968	
Federal Funds	0	0	5,281	5,281	
Purchase of Services from Computer Center	404,003	428,515	947,259	0 *	
General Fund	227,743	242,858	70,185	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	176,260	185,657	494,973	0	
Federal Funds	0	0	382,101	0	
Multiuse Network Payments	26,372	26,343	142,539	0 *	
General Fund	21,737	21,737	56,217	0	
Cash Funds	1,874	1,845	7,475	0	
Reappropriated Funds	2,761	2,761	41,447	0	
Federal Funds	0	0	37,400	0	
Management and Administration of OIT	63,596	7,357	43,277	0 *	
General Fund	5,869	5,162	30,364	0	
Reappropriated Funds	57,727	2,195	12,913	0	
Federal Funds	0	0	0	0	
Payment to Risk Management and Property Funds	13,519	19,347	37,588	29,732	
General Fund	12,613	18,322	34,989	27,676	
Cash Funds	689	915	2,321	1,836	
Reappropriated Funds	100	110	278	220	
Federal Funds	117	0	0	0	

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Vehicle Lease Payments	118,834	79,713	67,276	79,365 *	
General Fund	95,952	55,882	60,482	72,571	
Reappropriated Funds	22,882	23,831	6,794	6,794	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	80,469	56,305	104,793	104,793	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	8,546	0	13,049	13,049	
Reappropriated Funds	37,507	21,889	37,507	37,507	
Federal Funds	4,503	4,503	24,324	24,324	
Leased Space	34,174	37,794	65,000	65,000	
General Fund	22,376	22,376	22,376	22,376	
Reappropriated Funds	11,798	15,418	42,624	42,624	
Federal Funds	0	0	0	0	
Capitol Complex Leased Space	418,529	416,744	592,358	531,293	
General Fund	163,800	160,000	201,822	183,854	
Cash Funds	14,699	24,463	35,761	32,078	
Reappropriated Funds	240,030	232,281	309,037	277,206	
Federal Funds	0	0	45,738	38,155	
Communication Services Payments	7,032	0	0	0 *	
General Fund	7,032	0	0	0	
Federal Funds	0	0	0	0	

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
COFRS Modernization	0	157,503	157,503	157,503	
General Fund	0	104,883	104,883	104,883	
Reappropriated Funds	0	52,620	52,620	52,620	
Federal Funds	0	0	0	0	
Information Technology Security	0	0	11,825	0 *	
General Fund	0	0	1,584	0	
Cash Funds	0	0	74	0	
Reappropriated Funds	0	0	5,767	0	
Federal Funds	0	0	4,400	0	
Moffat Tunnel Improvement District	0	20	137,444	137,444	
Cash Funds	0	20	137,444	137,444	
Payments to OIT	0	0	0	1,000,740 *	
General Fund	0	0	0	125,812	
Cash Funds	0	0	0	5,470	
Reappropriated Funds	0	0	0	490,841	
Federal Funds	0	0	0	378,617	
TOTAL - (1) Executive Director's Office	4,180,425	4,874,995	6,151,949	6,171,223	0.3%
FTE	12.7	0.0	14.2	14.2	0.0%
General Fund	1,245,106	1,439,056	983,247	1,278,194	30.0%
Cash Funds	230,690	334,706	549,826	650,858	18.4%
Reappropriated Funds	2,414,621	2,639,688	3,670,597	3,307,325	(9.9%)
Federal Funds	290,008	461,532	948,279	934,846	(1.4%)

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 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.					
Division of Property Taxation	2,419,257	2,542,807	2,635,455	2,704,129	
FTE	30.0	30.0	36.7	36.7	
General Fund	1,060,205	945,981	945,981	949,492	
Cash Funds	674,172	817,711	853,525	884,726	
Reappropriated Funds	684,880	779,115	835,949	869,911	
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	522,427	570,627	555,831	579,545 *	
FTE	11.9	11.9	13.2	13.2	
General Fund	182,039	331,341	350,212	446,862	
Cash Funds	0	0	150,000	77,064	
Reappropriated Funds	340,388	239,286	55,619	55,619	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	255,011	268,617	337,883	337,883	
Cash Funds	128,354	149,049	169,766	169,766	
Reappropriated Funds	126,657	119,568	168,117	168,117	
TOTAL - (2) Property Taxation	3,209,551	3,394,907	3,542,025	3,634,413	2.6%
FTE	41.9	41.9	49.9	49.9	0.0%
General Fund	1,255,100	1,290,178	1,309,049	1,409,210	7.7%
Cash Funds	802,526	966,760	1,173,291	1,131,556	(3.6%)
Reappropriated Funds	1,151,925	1,137,969	1,059,685	1,093,647	3.2%
Federal Funds	0	0	0	0	0.0%

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 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 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request		Request vs. Appropriation
Personal Services	2,024,401	2,848,666	2,517,207	2,198,586	*	
FTE	40.0	38.6	40.5	25.6		
General Fund	361,674	599,256	364,006	292,476		
Cash Funds	48,828	45,809	90,478	15,376		
Reappropriated Funds	147,859	149,909	149,909	85,039		
Federal Funds	1,466,040	2,053,692	1,912,814	1,805,695		
Operating Expenses	24,608	25,903	324,140	477,778	*	
General Fund	24,608	25,903	25,903	25,903		
Cash Funds	0	0	0	2,500		
Reappropriated Funds	0	0	0	0		
Federal Funds	0	0	298,237	449,375		
Private Activity Bond Allocation Committee	1,820	2,046	2,500	0	*	
Cash Funds	1,820	2,046	2,500	0		
SUBTOTAL -	2,050,829	2,876,615	2,843,847	2,676,364		(5.9%)
FTE	40.0	38.6	40.5	25.6		(36.8%)
General Fund	386,282	625,159	389,909	318,379		(18.3%)
Cash Funds	50,648	47,855	92,978	17,876		(80.8%)
Reappropriated Funds	147,859	149,909	149,909	85,039		(43.3%)
Federal Funds	1,466,040	2,053,692	2,211,051	2,255,070		2.0%

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(ii) Community Services					
Low Income Rental Subsidies	43,662,790	45,205,976	37,329,954	40,498,029 *	
General Fund	0	0	445,524	955,813	
Federal Funds	43,662,790	45,205,976	36,884,430	39,542,216	
Homeless Prevention Programs	0	0	0	1,434,449 *	
Cash Funds	0	0	0	110,000	
Federal Funds	0	0	0	1,324,449	
Homeless Prevention and Rapid Re-Housing Program	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Emergency Shelter Program	993,440	1,079,783	965,000	0 *	
Federal Funds	993,440	1,079,783	965,000	0	
SUBTOTAL -	44,656,230	46,285,759	38,294,954	41,932,478	9.5%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	0	0	445,524	955,813	114.5%
Cash Funds	0	0	0	110,000	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	44,656,230	46,285,759	37,849,430	40,866,665	8.0%
(iii) Fort Lyon Supportive Housing Program					
Fort Lyon Transitional Theraeutic Residential Community	2,788,851	3,223,851			
General Fund	2,788,851	3,223,851			
SUBTOTAL -	2,788,851	3,223,851	15.6%		
FTE	0.0	0.0	0.0%		
General Fund	2,788,851	3,223,851	15.6%		

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL - (A) Community and Non-Profit Services	46,707,059	49,162,374	43,927,652	47,832,693	8.9%
FTE	40.0	38.6	40.5	25.6	(36.8%)
General Fund	386,282	625,159	3,624,284	4,498,043	24.1%
Cash Funds	50,648	47,855	92,978	127,876	37.5%
Reappropriated Funds	147,859	149,909	149,909	85,039	(43.3%)
Federal Funds	46,122,270	48,339,451	40,060,481	43,121,735	7.6%
(B) Field Services					
Affordable Housing Program Costs	0	0	0	4,185,033 *	
FTE	0.0	0.0	0.0	26.7	
General Fund	0	0	0	284,432	
Cash Funds	0	0	0	783,757	
Reappropriated Funds	0	0	0	345,081	
Federal Funds	0	0	0	2,771,763	
Affordable Housing Grants and Loans	0	0	0	14,717,338 *	
General Fund	0	0	0	8,200,000	
Federal Funds	0	0	0	6,517,338	
Manufactured Buildings Program	419,485	586,577	692,830	0 *	
FTE	6.2	7.2	7.3	0.0	
Cash Funds	419,485	586,577	692,830	0	
Colorado Affordable Housing Construction Grants and Loans	2,000,000	2,200,000	4,310,000	0 *	
General Fund	2,000,000	2,200,000	4,200,000	0	
Cash Funds	0	0	110,000	0	

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Federal Affordable Housing Construction Grants and Loans	6,648,272	8,641,159	12,300,000	0 *	
Federal Funds	6,648,272	8,641,159	12,300,000	0	
SUBTOTAL - (B) Field Services	9,067,757	11,427,736	17,302,830	18,902,371	9.2%
FTE	6.2	7.2	7.3	26.7	265.8%
General Fund	2,000,000	2,200,000	4,200,000	8,484,432	102.0%
Cash Funds	419,485	586,577	802,830	783,757	(2.4%)
Reappropriated Funds	0	0	0	345,081	0.0%
Federal Funds	6,648,272	8,641,159	12,300,000	9,289,101	(24.5%)
(C) Indirect Cost					
Indirect Cost Assessment	95,668	477,793	581,550	581,550	
Cash Funds	56,195	125,194	182,297	182,297	
Reappropriated Funds	39,473	56,993	61,813	61,813	
Federal Funds	0	295,606	337,440	337,440	
SUBTOTAL - (C) Indirect Cost	95,668	477,793	581,550	581,550	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	56,195	125,194	182,297	182,297	0.0%
Reappropriated Funds	39,473	56,993	61,813	61,813	0.0%
Federal Funds	0	295,606	337,440	337,440	0.0%
TOTAL - (3) Division of Housing	55,870,484	61,067,903	61,812,032	67,316,614	8.9%
FTE	46.2	45.8	47.8	52.3	9.4%
General Fund	2,386,282	2,825,159	7,824,284	12,982,475	65.9%
Cash Funds	526,328	759,626	1,078,105	1,093,930	1.5%
Reappropriated Funds	187,332	206,902	211,722	491,933	132.3%
Federal Funds	52,770,542	57,276,216	52,697,921	52,748,276	0.1%

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 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					
(1) Administration					
Personal Services	1,106,689	1,186,590	1,296,075	1,345,839	
FTE	16.1	0.0	17.7	17.7	
General Fund	586,296	265,705	245,057	267,341	
Reappropriated Funds	520,393	920,885	920,885	937,469	
Federal Funds	0	0	130,133	141,029	
Operating Expenses	65,212	65,914	131,351	131,351	
General Fund	40,069	42,178	42,178	42,178	
Reappropriated Funds	25,143	23,736	25,146	25,146	
Federal Funds	0	0	64,027	64,027	
SUBTOTAL -	1,171,901	1,252,504	1,427,426	1,477,190	3.5%
FTE	16.1	0.0	17.7	17.7	0.0%
General Fund	626,365	307,883	287,235	309,519	7.8%
Reappropriated Funds	545,536	944,621	946,031	962,615	1.8%
Federal Funds	0	0	194,160	205,056	5.6%
(2) Local Government Services					
Local Utility Management Assistance	154,429	0	155,434	157,921	
FTE	2.0	1.9	2.0	2.0	
Cash Funds	154,429	0	155,434	157,921	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Conservation Trust Fund Disbursements	49,279,076	54,245,455	49,997,797	50,000,751	
FTE	2.0	2.0	2.0	2.0	
Cash Funds	49,279,076	54,245,455	49,997,797	50,000,751	
Volunteer Firefighter Retirement Plans	4,358,691	4,175,447	4,264,753	4,264,753	
General Fund	0	4,175,447	0	0	
General Fund Exempt	4,358,691	0	4,264,753	4,264,753	
Volunteer Firefighter Death and Disability Insurance	21,065	21,065	30,000	30,000	
General Fund	0	21,065	0	0	
General Fund Exempt	21,065	0	30,000	30,000	
Environmental Protection Agency Water/Sewer File Project	49,425	46,169	49,425	49,425	
FTE	0.3	0.5	0.5	0.5	
Federal Funds	49,425	46,169	49,425	49,425	
SUBTOTAL -	53,862,686	58,488,136	54,497,409	54,502,850	NaN
FTE	4.3	4.4	4.5	4.5	0.0%
General Fund	0	4,196,512	0	0	0.0%
General Fund Exempt	4,379,756	0	4,294,753	4,294,753	0.0%
Cash Funds	49,433,505	54,245,455	50,153,231	50,158,672	0.0%
Federal Funds	49,425	46,169	49,425	49,425	0.0%
(3) Community Services					
Community Services Block Grant	4,760,229	6,408,868	6,000,000	6,000,000	
Federal Funds	4,760,229	6,408,868	6,000,000	6,000,000	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL -	4,760,229	6,408,868	6,000,000	6,000,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Federal Funds	4,760,229	6,408,868	6,000,000	6,000,000	0.0%
SUBTOTAL - (A) Local Government and Community Services	59,794,816	66,149,508	61,924,835	61,980,040	0.1%
FTE	20.4	4.4	22.2	22.2	(0.0%)
General Fund	626,365	4,504,395	287,235	309,519	7.8%
General Fund Exempt	4,379,756	0	4,294,753	4,294,753	0.0%
Cash Funds	49,433,505	54,245,455	50,153,231	50,158,672	0.0%
Reappropriated Funds	545,536	944,621	946,031	962,615	1.8%
Federal Funds	4,809,654	6,455,037	6,243,585	6,254,481	0.2%
(B) Field Services					
Program Costs	2,305,001	2,271,628	5,344,543	5,420,466	
FTE	20.0	0.0	28.9	28.9	
General Fund	0	0	3,000,000	3,002,681	
Cash Funds	105,778	104,796	104,796	107,254	
Reappropriated Funds	1,962,052	2,170,009	1,945,826	1,996,219	
Federal Funds	237,171	(3,177)	293,921	314,312	
Community Development Block Grant	10,313,968	7,978,500	9,697,000	9,697,000	
Federal Funds	10,313,968	7,978,500	9,697,000	9,697,000	
Local Government Mineral and Energy Impact Grants and Disbursements	86,789,460	68,608,798	150,000,000	150,000,000	
Cash Funds	86,789,460	68,608,798	150,000,000	150,000,000	

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Local Government Limited Gaming Impact Grants	4,752,395	4,482,164	5,000,000	5,000,000	
General Fund	0	1,000,000	0	0	
Cash Funds	4,752,395	0	5,000,000	5,000,000	
Reappropriated Funds	0	3,482,164	0	0	
Local Government Geothermal Energy Impact Grants	0	0	0	50,000 *	
Cash Funds	0	0	0	50,000	
Other Local Government Grants	0	0	0	4,000 *	
Reappropriated Funds	0	0	0	4,000	
Search and Rescue Program	423,681	400,760	613,713	616,295	
FTE	1.1	0.7	1.3	1.3	
Cash Funds	423,681	400,760	613,713	616,295	
Colorado Heritage Communities Grants	0	27,050	100,000	100,000	
Cash Funds	0	27,050	100,000	100,000	
SUBTOTAL - (B) Field Services	104,584,505	83,768,900	170,755,256	170,887,761	0.1%
FTE	21.1	0.7	30.2	30.2	0.0%
General Fund	0	1,000,000	3,000,000	3,002,681	0.1%
Cash Funds	92,071,314	69,141,404	155,818,509	155,873,549	0.0%
Reappropriated Funds	1,962,052	5,652,173	1,945,826	2,000,219	2.8%
Federal Funds	10,551,139	7,975,323	9,990,921	10,011,312	0.2%

*This line item includes a decision item.

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(C) Indirect Cost Assessments					
Indirect Cost Assessments	855,045	838,818	1,018,950	1,018,950	
Cash Funds	74,741	94,923	147,595	147,595	
Reappropriated Funds	721,137	698,052	795,721	795,721	
Federal Funds	59,167	45,843	75,634	75,634	
SUBTOTAL - (C) Indirect Cost Assessments	855,045	838,818	1,018,950	1,018,950	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	74,741	94,923	147,595	147,595	0.0%
Reappropriated Funds	721,137	698,052	795,721	795,721	0.0%
Federal Funds	59,167	45,843	75,634	75,634	0.0%
TOTAL - (4) Division of Local Government	165,234,366	150,757,226	233,699,041	233,886,751	0.1%
FTE	41.5	5.1	52.4	52.4	(0.0%)
General Fund	626,365	5,504,395	3,287,235	3,312,200	0.8%
General Fund Exempt	4,379,756	0	4,294,753	4,294,753	0.0%
Cash Funds	141,579,560	123,481,782	206,119,335	206,179,816	0.0%
Reappropriated Funds	3,228,725	7,294,846	3,687,578	3,758,555	1.9%
Federal Funds	15,419,960	14,476,203	16,310,140	16,341,427	0.2%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 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.					
Administration	2,176,214	0	0		
FTE	30.1	0.0	0.0		
General Fund	559,347	0	0		
Reappropriated Funds	65,133	0	0		
Federal Funds	1,551,734	0	0		
Disaster Response and Recovery	6,640,295	0	0		
Cash Funds	6,267,233	0	0		
Federal Funds	373,062	0	0		
Preparedness Grants and Training	11,823,158	0	0		
Cash Funds	0	0	0		
Federal Funds	11,823,158	0	0		
Indirect Cost Assessment	8,076	0	0		
Reappropriated Funds	8,076	0	0		
Federal Funds	0	0	0		
TOTAL - (5) Division of Emergency Management	20,647,743	0	0		0.0%
FTE	30.1	0.0	0.0		0.0%
General Fund	559,347	0	0		0.0%
Cash Funds	6,267,233	0	0		0.0%
Reappropriated Funds	73,209	0	0		0.0%
Federal Funds	13,747,954	0	0		0.0%

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - Department of Local Affairs	249,142,569	220,095,031	305,205,047	311,009,001	1.9%
FTE	172.4	92.8	164.3	168.8	2.7%
General Fund	6,072,200	11,058,788	13,403,815	18,982,079	41.6%
General Fund Exempt	4,379,756	0	4,294,753	4,294,753	0.0%
Cash Funds	149,406,337	125,542,874	208,920,557	209,056,160	0.1%
Reappropriated Funds	7,055,812	11,279,405	8,629,582	8,651,460	0.3%
Federal Funds	82,228,464	72,213,951	69,956,340	70,024,549	0.1%

Appendix B: Recent Legislation Affecting Department Budget

2012 Session Bills

S.B. 12-158: Clarifies that the Division of Housing in the Department of Local Affairs is the sole public housing agency for the purpose of providing financial housing assistance to both households with low income and to persons with disabilities. Shifts administration of the Homeless Prevention Activities Program (HPAP) to the Division of Housing in the Department of Local Affairs and alters the composition of the advisory committee governing HPAP. Allows the Department of Local Affairs to use up to 5.0 percent of revenue received by the Homeless Prevention Activities Program Fund, or $15,000, whichever is greater, to be used for program administration costs. The Homeless Prevention Activities Program Fund is funded through a voluntary tax check-off and is expected to receive about $140,000 in FY 2012-13.

H.B. 12-1246: Eliminates the annual paydate date shift enacted in 2003 for certain General Fund employees. Increases appropriations to the Department of Local Affairs by $793 General Fund for FY 2012-13.

H.B. 12-1283: Consolidates Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030, into a new Division of Homeland Security and Emergency Management (DHSEM) within the Department of Public Safety (DPS). For the Department of Local Affairs, eliminates the Division of Emergency Management and transfers the functions, personnel, and resources of the Division into DHSEM, effective July 1, 2012. Reduces the appropriation to the Department of Local Affairs by $20.1 million total funds, including $380,575 General Fund, and 27.9 FTE in FY 2012-13.

H.B. 12-1335: General appropriations act for FY 2012-13.

2013 Session Bills

S.B. 13-096: Supplemental appropriations act to modify FY 2012-13 appropriations.

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.

S.B. 13-230: General appropriations act for FY 2013-14.

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

4. **All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2013, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2012-13. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2013.

   Comment: This information was submitted in the FY 2014-15 budget request.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The DOLA has administrative cost pool at department (Executive Director's Office or EDO) and division level. The costs in the EDO support all divisions. The division administrative cost pool supports the activities of the respective division. The pool costs are based on the most recent fiscal year actual costs, with a two year lag. It is important to note that because the Department has not completed its Indirect Cost Rate Proposal for FY 2014-15, the illustration contains FY 2011-12 actual data. The Department will complete its ICRP proposal by the end of January 2014 and revise this document at the ICRP's completion.

Table 1: Department of Local Affairs Indirect Cost Pool for FY 2013-14
Allocation of Indirect Cost Actual Expenditures FY 2011-12

Indirect Cost Pool	Executive Director's Office	Division of Property Taxation	Board of Assessment Appeals	Division of Housing	Division of Local Government	Division of Emergency Mgmt	Total
Statewide Indirect Costs Allocated to Divisions	$ 528,972	0	0	0	0	0	$ 528,972
Fixed Asset Depreciation, Leave Payoff, Indirect Cost Carry-forward Adjustments	$ 0	189,715	114,262	(6,178)	47,459	20,165	$ 365,422

Indirect at the Division level are as follows:

DOLA Division Indirect Costs

	Executive Director's Office	Division of Property Taxation	Board of Assessment Appeals	Division of Housing	Division of Local Government	Division of Emergency Mgmt	Total
Personal Services	$ 1,352,343	$ 0	$ 0	$ 128,241	$ 225,798	$0	$ 1,706,382
Operating	42,665		0	9,802	7,037	0	59,504
Workers' Compensation	4,109	0	0	402	713		5,225
Payment to Risk Management & Property Funds	1,218	0	0	119	211	0	1,549
Purchase of Services from Computer Center	39,017	0	0	0	0	0	39,017
Colorado State Network/Multi-use Network Payments	2,367	0	0	0	0	0	2,367

Management and Administration of OIT	6,142	0	0	0	0	0	6,142
IT Asset Maintenance	16,737	0	0	347	483	0	17,566
Capitol Complex Leased Space	58,842	0	0	9,675	6,607	0	75,123
Legal Services	13,677	0	0	0	97	0	13,774
Vehicle Lease Payments	2,829	0	0	0	0	0	2,829
Total Division Indirect Costs	**$ 1,539,946**	**$ 0**	**$ 0**	**$ 148,585**	**$ 240,946**	**$0**	**$,929,478**

Combining the Statewide indirect allocation to DOLA with the Adjustments and Divisional Indirect Costs, the total Indirect Cost Pool is:

Indirect Cost Pool	Executive Director's Office	Division of Property Taxation	Board of Assessment Appeals	Division of Housing	Division of Local Government	Division of Emergency Mgmt	Total
Total Indirect Costs	$ 2,068,918	189,715	114,262	142,407	288,405	20,165	**$ 2,823,872**
EDO Allocated to Divisions	$(2,068,918)	493,101	118,823	683,292	773,703	0	**$ 0**
Reallocated Indirect Costs	$ 0	682,816	233,085	825,699	1,062,108	20,165	**$ 2,823,872**

For illustrative purposes, Table 2 below show the indirect cost base for FY 2013-14 using FY 2011-12 actuals and in the current year. Table 3 illustrates how the Indirect Cost Rate is calculated. For each division, the calculation is determined by dividing the Indirect Cost Pool amount in Table 1 by the Indirect Cost Base amounts in Table 2.

Table 2: Department of Local Affairs Indirect Costs Base (Direct Salaries & Fringe Benefits)

Division	FY 2013-14 using FY 2011-12 actuals for illustrative purposes
Board of Assessment Appeals	$ 556,304
Division of Emergency Management	0
Division of Housing	3,073,120
Division of Local Government	3,400,708
Division of Property Taxation	2,308,591
Total Indirect Cost Base	**$ 9,338,723**

Table 3: Department of Local Affairs Indirect Cost Rate for FY 2013-14			
Division	Indirect Cost Base (Direct Salaries and Fringe Benefits)	Indirect Cost Pool	Indirect Cost Rate
Division of Property Taxation and BAA	2,864,895	915,901	32.0%
Division of Emergency Management	0	20,165	0.0%
Division of Housing	3,073,120	825,699	26.9%
Division of Local Government	3,400,708	1,062,108	31.2%
Total	**9,338,723**	**2,823,872**	**n/a**

Indirect Cost Assessment Request Estimates

Using the amounts above and applying the methodology, the Department is then able to estimate the indirect amounts assessed. These assessments are contained in Table 4 below. The Department will update the calculation to reflect the application of the finalized Indirect Cost Rate proposal upon completion in late January.

Table 4: Department of Local Affairs Indirect Cost Assessment Projection using Prior Year Amounts				
Division	Cash	Reappropriated	Federal	Total
Division of Property Taxation	$ 221,394	$ 217,687	$ 0	$ 439,080
Division of Housing	175,571	44,979	384,660	605,210
Division of Local Government	277,157	879,432	146,688	1,303,277
Total Indirect Cost Assessment Request	**$ 674,121**	**$ 1,142,097**	**$ 531,349**	**$ 2,347,568**

Appendix E: Change Requests' Relationship to Performance Measures

This appendix will show how the Department of Department of Local Affairs indicates each change request ranks in relation to the Department's top priorities and what performance measures the Department is using to measure success of the request.

Change Requests' Relationship to Measures			
R	**Change Request Description**	**Goals / Objectives**	**Performance Measures**
1	Board of Assessment Appeals GF Refinance	Continue providing a quasi-judicial tribunal for resolution of property tax disputes between counties and property owners by refinancing the Board of Assessment Appeals through the General Fund to make up for less revenue in non-assessment years.	The Department will know it succeeds if it can continue to increase the percent of appeals resolved within one year.
2	Housing Development Grant (HDG)	Increase the number of affordable housing units constructed per year by 800, including a majority of supportive housing, in a drive to end homelessness for the chronically homeless and veterans.	Recidivism rate of under 40% for parolees diagnosed with co-occurring mental illness and substance abuse. Improved grades and attendance for homeless children. Reduction in state mental hospital admissions.
3	Division of Housing Long Bill Reorganization	Reorganize the Long Bill structure for the Division of Housing to reflect recent changes in legislation and how the Division operates.	The proposed change has no impact on the program metrics or goals of DOH. DOLA can track success if stakeholders can obtain more information from the new Long Bill structure
4	Community Assessment Program—Downtown Revitalization Assistance	Streamline the application and remittance process for communities applying for Downtown Revitalization Assistance. Currently, communities must duplicate paperwork to receive repayment from both the Office of Economic Development and International Trade and the Division of Local Government.	The success of this request can be measured through reduced costs in administering the program and tracking local cash matches. Success will also be measured by the Program's success in involving four communities each year.
5	Geothermal Energy Impact Grants	To provide grants to cities, counties, school districts, and other political subdivisions of the state and state agencies to mitigate impacts from the development and production of geothermal resources. The grants are primarily for use by such entities in planning for and providing infrastructure, public facilities and services necessitated by development and production of geothermal resources.	Success of implementation of this request can be measured through tracking the number and monetary value of grants award to those stakeholder who may apply for the Geothermal Energy Impact Grants.