FY 2011-12 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF LOCAL AFFAIRS

Please note that the briefing document presented on November 15, 2010, has since been revised. Numbered pages 13, 15, 17, and 22 have been edited to accurately reflect legislative action.

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2011-12 STAFF BUDGET BRIEFING

DEPARTMENT OF LOCAL AFFAIRS

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

Prepared By:
Bernie Gallagher, JBC Staff
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For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

FY 2011-12 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF LOCAL AFFAIRS

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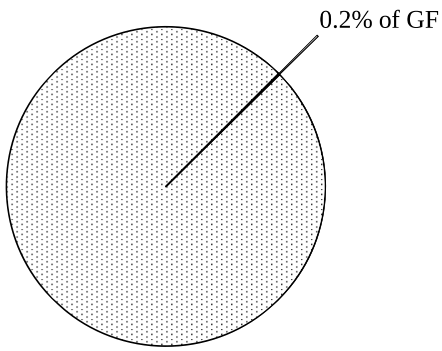
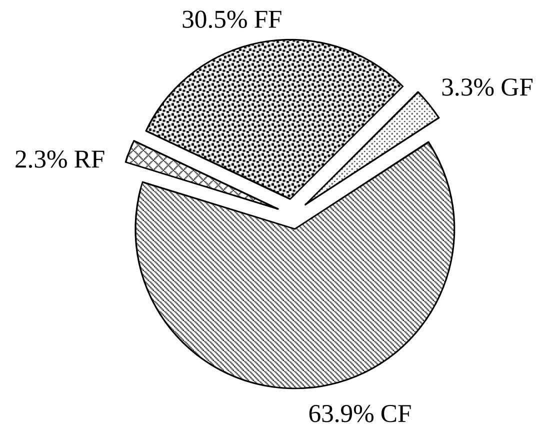
GRAPHIC OVERVIEW

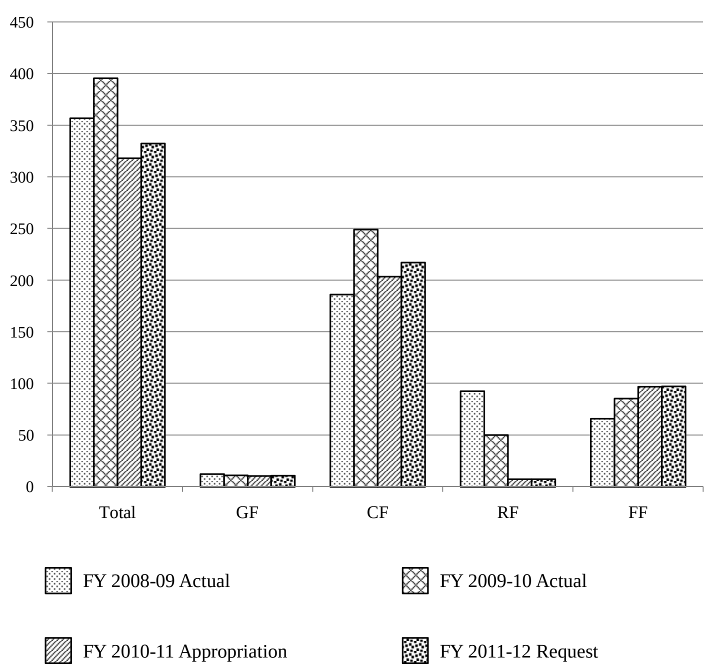
Department's Share of Statewide General Fund



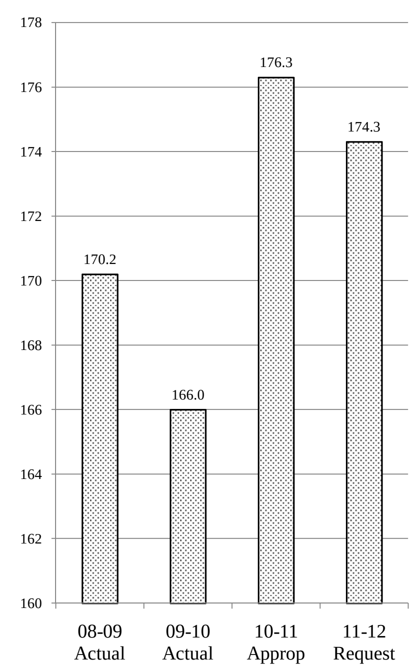
Department Funding Sources



Budget History
(Millions of Dollars)

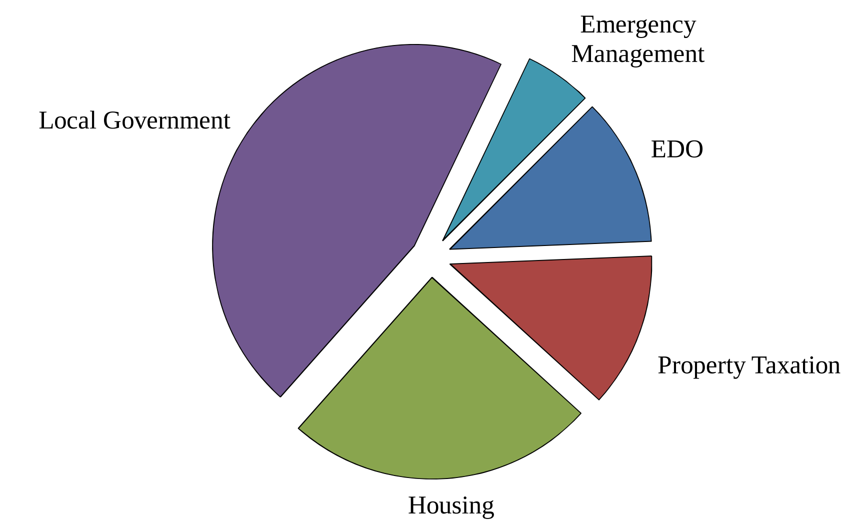


FTE History

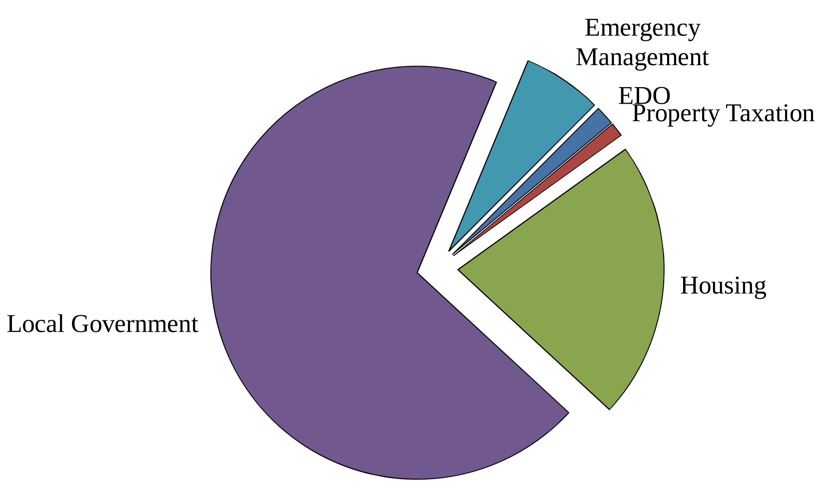


Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

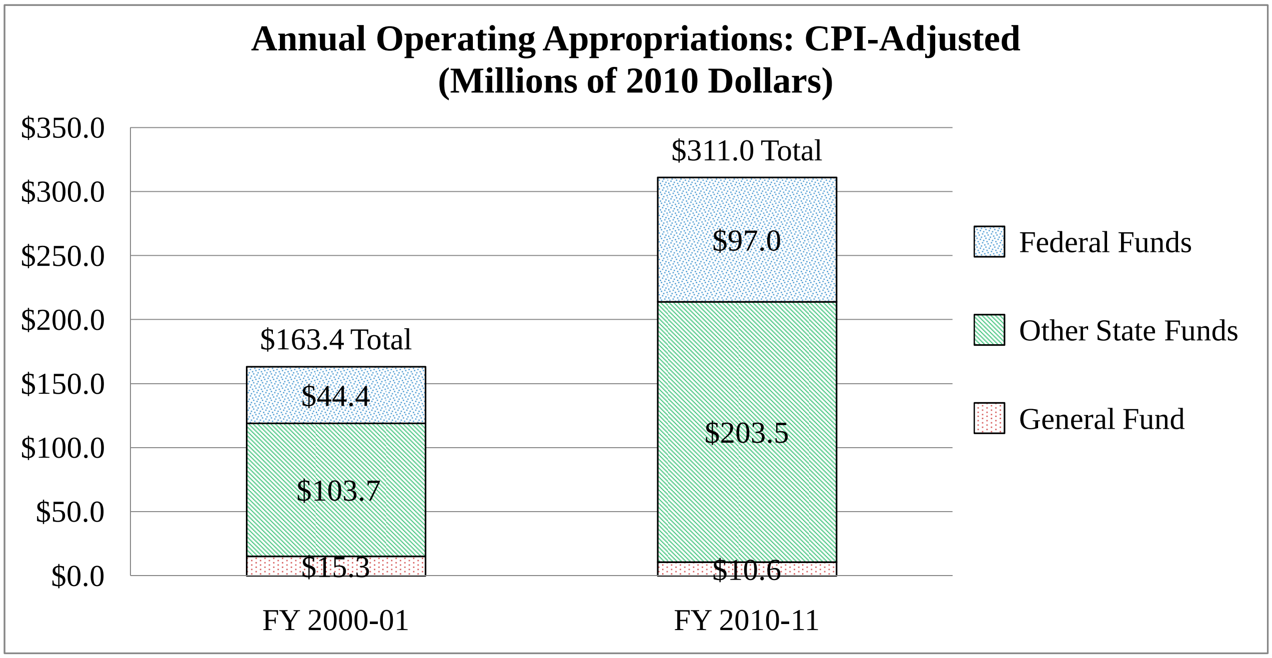
Distribution of General Fund by Division

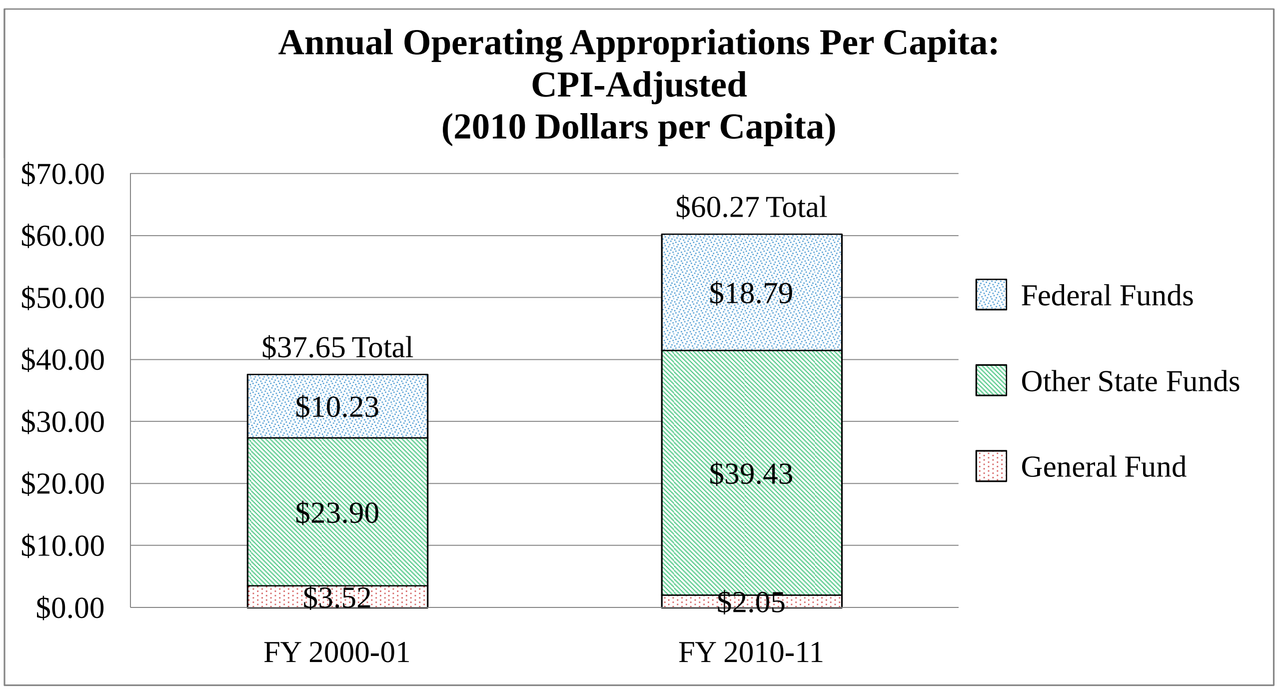


Distribution of Total Funds by Division



FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs
COMPARISON OF FY 2000-01 AND FY 2010-11 APPROPRIATIONS





NOTES: (1) All appropriations above *exclude* duplicate appropriations (i.e., these appropriations exclude reappropriated funds for FY 2010-11 and, for FY 2000-01, exclude amounts that would have been classified as reappropriated funds). For this department, these excluded amounts primarily reflect transfers from the transfer of state and federal funds within this department to support the administrative line items.

(2) For the purpose of providing comparable figures, FY 2000-01 appropriations are adjusted to reflect changes in the Denver-Boulder-Greeley consumer price index (CPI) from 2000 to 2010. Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, the CPI is projected to increase 21.9 percent over this period.

(3) In the per capita chart, above, appropriations are divided by the Colorado population (for 2000 and 2010, respectively). Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, Colorado population is projected to increase by 18.9 percent over this period.

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs

DEPARTMENT OVERVIEW

Key Responsibilities

The Department 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 and offices within the Department of Local Affairs[1], the Department currently consists of the following divisions and boards:

- The Property Tax Administrator and the **Division of Property Taxation**, 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 Government** provides technical assistance to local government officials in budget development, purchasing, demographics, land use planning, and the statutory responsibilities of local 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; administers the collection of fees for the search and rescue program; and allocating the state contribution for volunteer firefighter pension plans.

[1] Divisions, offices, and boards created in Sections 24-1-125, 24-32-2105, 39-2-101, 39-9-101, and 39-2-123, and Article 32 of Title 24,C.R.S., include: the Division of Local Government; 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 Disaster Emergency Services; the Division of Emergency Management; the Office of Smart Growth; the Division of Property Taxation; the State Board of Equalization; and the Board of Assessment Appeals.

- The **Division of Emergency Management** assists local governments in emergency preparedness and response.

Factors Driving the Budget

Funding for this department consists of 3.3 percent General Fund, 63.9 percent cash funds, 2.3 percent reappropriated funds, and 30.5 percent federal funds.

Dedicated Funding Sources

The Department of Local Affairs is responsible for a number of programs with dedicated cash revenue sources. The largest of these include (percentage of dedicated *cash revenues* in parentheses):

- **Local Government Mineral and Energy Impact Grants (67.8 percent)** - fifty percent 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 (25.3 percent)** - forty percent 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.

Please note that grants for the recycling, reuse, and removal of waste tires (a portion of waste tire fees distributed on a competitive basis to assist with conservation efforts) were transferred to the Department of Public Health and Environment beginning in FY 2010-11, pursuant to H.B. 10-1018. The following table summarizes recent actual and estimated revenues.

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

Revenues	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Prelim.	FY 2010-11 Estimated
Severance Tax[1]	$77.5	$82.7	$168.4	$24.1	$85.2
Federal Mineral Lease[1]	40.6	51.0	69.0	48.8	54.0
Conservation Trust Fund	47.6	48.9	48.0	48.0	51.4
Limited Gaming Fund[2]	6.9	6.5	5.5	6.3	6.0
Waste Tire Fees[3]	2.3	3.1	4.0	4.2	n/a
Total Dedicated Cash Revenues	**$174.9**	**$192.2**	**$294.9**	**$131.4**	**$196.6**
Annual percent change	*n/a*	*9.9%*	*53.4%*	*(55.4)%*	*49.6%*

[1] Preliminary and estimated fiscal years reflect projected revenues based on the September 2010 Legislative Council Staff economic and revenue forecast.
[2] Estimate provided by the Department of Revenue, Division of Gaming.
[3] House Bill 10-1018 consolidates authority over waste tire fees within the Department of Public Health and Environment and transfers administration of the Waste Tire Program from the Department of Local Affairs to the Department of Public Health and Environment beginning in FY 2010-11.

Federal Funds

Federal funds comprise nearly one-third of the Department of Local Affairs' FY 2010-11 appropriation. These federally-funded programs generally do not require state matching funds, and funding is provided at the discretion of federal authorities. The major on-going federal grants that are administered by this department are summarized in the following table. The Section 8 rental assistance grants, affordable housing development grants, community development block grants, and emergency shelter program grants are provided by the Department of Housing and Urban Development. Preparedness grants and training grants are provided by the Department of Homeland Security.

Major On-going Federal Grants Administered by Department of Local Affairs ($ millions)

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Approp.	FY 2010-11 Estimated
HUD Section 8 rental assistance[1]	$18.0	$18.4	$17.2	$18.0
HUD Affordable housing development[1, 2]	16.1	9.7	45.3	45.0
Preparedness grants and training[3]	35.5	13.2	12.0	12.0
HUD Community *Development* Block Grants[1]	8.0	12.4	9.9	9.7
Health and Human Services Community *Services* Block Grants[1]	5.0	5.9	14.2	6.0
HUD Emergency Shelter Program[1]	1.0	0.9	0.9	1.0
Total Federal Funds	**$83.6**	**$60.5**	**$99.5**	**$91.7**
Annual percent change	**n/a**	**(27.6)%**	**64.5%**	**(7.8)%**

[1] Amounts exclude portions used for administration and overhead.
[2] The increase from FY 2008-09 to FY 2009-10 includes the one-time receipt of $34.0 million in federal grant moneys for the Neighborhood Stabilization Program.
[3] The reduction from FY 2007-08 to FY 2008-09 reflects the transfer of approximately $19.7 million to the Office of the Governor, Office of Homeland Security. The majority of the remaining federal funds are from the Homeland Security Grant program, although the line item also includes spending authority for miscellaneous other federal grant programs.

American Recovery and Reinvestment Act (ARRA) of 2009

The FY 2011-12 budget reflects the elimination of $24.4 million federal funds and reappropriated funds anticipated to be received in FY 2009-10 from the American Recovery and Reinvestment Act (ARRA) of 2009. This reduction includes $12.9 million for rental assistance services and various wrap-around services, $8.7 million for the reduction of poverty, revitalization of low-income communities, and to assist low-income families and individuals to become fully self-sufficient, and $2.8 million for critical infrastructure projects.

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
NP-1	(1,889)	0	1,628	0	(261)	0.0
Annual Fleet Vehicle Replacement **Executive Director's Office.** The Department is requesting an increase to its Vehicle Lease Payments line item to accommodate increases in statewide vehicle costs including fuel, maintenance, and insurance. *Statutory authority: Section 24-30-1104 (2), C.R.S.*						
NP-4	0	0	660	0	660	0.0
Printing of Statewide Warrants and Mainframe Documents **Executive Director's Office.** The Department is requesting an increase of reappropriated spending authority to accommodate the need to capture costs associated with centralized printing services provided to state agencies. These costs will be offset with corresponding decreases in rates charged to the affected agencies through the Purchases of Services from the Computer Center line item that was included as a part of the Office of Information Technology (OIT) base reduction request in FY 2010-11. Such printing services include laser printing services for warrants produced by the State Controller's Office on behalf of state agencies and general mainframe printing including COFRS reports, W2s collection notices, and payroll advices. *Statutory authority: Section 24-30-101, et seq., C.R.S.*						
Total	**(1,889)**	**0**	**2,288**	**0**	**399**	**0.0**

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Department of Local Affairs

BUDGET REDUCTION ITEM PRIORITY LIST

Budget Reduction Item	GF	CF	RF	FF	Total	FTE
1	0	(123,607)	0	0	(123,607)	(2.0)
Reduction to the Building Regulation Program **Division of Housing.** The Department is requesting a reduction of $123,607 in cash funds spending authority and 2.0 FTE which support the Building Regulation Program in the Division of Housing. The Building Regulation Program reviews and approves manufactured housing plans for residential and commercial use. The program also inspects the site installation of manufactured housing, in-plant building inspections, and responds to manufactured housing consumer complaints. The two positions the Department recommends eliminating and replacing with as-needed contracted services include an Inspector III and a General Professional IV. Please note that JBC Staff has prepared an issue brief reviewing the Building Regulation Program expenditure and appropriation trends as well as this request. *Statutory authority: Section 24-32-3309 (1)(a), C.R.S.*						
NP-2	(54,925)	0	0	0	(54,925)	0.0
Across the Board 2.0 Percent General Fund Personal Services Reduction **Division of Local Government.** The Department is requesting, as part of a statewide General Fund reduction strategy, to decrease the appropriation for personal services funded with General Fund by 2.0 percent. *Statutory authority: Various.*						
NP-3	(66,014)	(38,943)	(109,656)	(63,985)	(278,598)	0.0
Statewide 2.5 Percent PERA Reduction **All Divisions.** The Department is requesting, a part of a statewide General Fund reduction strategy, to decrease the State's contribution to the Public Employees' Retirement Association (PERA) equal to 2.5 percent and increasing the employee contribution by a commensurate amount, a one-year continuation of S.B. 10-146 (Concerning a Modification of Contribution Rates to PERA). *Statutory authority: 24-51-401 (1.7), C.R.S.*						
Total	**(120,939)**	**(162,550)**	**(109,656)**	**(63,985)**	**(457,130)**	**(2.0)**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2010-11 appropriation and its FY 2011-12 request.

Total Requested Change, FY 2010-11 to FY 2011-12 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2010-11 Appropriation	$10.6	$203.5	$7.2	$97.0	$318.3	176.3
FY 2011-12 Request	10.7	217.1	7.5	97.1	332.3	174.3
Increase / (Decrease)	$0.1	$13.6	$0.2	$0.1	$14.0	(2.0)
Percentage Change	1.2%	6.7%	3.1%	0.1%	4.4%	-1.1%

The following table highlights the individual changes contained in the Department's FY 2011-12 budget request, as compared with the FY 2010-11 appropriation, by Long Bill division. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2010-11 to FY 2011-12

Category	GF	CF	RF	FF	Total	FTE
Executive Director's Office						
Common Policy Adjustments	$48,800	$26,375	$222,562	$107,268	$405,005	0.0
Restore FY 2010-11 PERA reduction	0	0	26,307	0	26,307	0.0
Printing of statewide warrants and mainframe documents	0	0	660	0	660	0.0
Statewide PERA adjustment (NP-3)	0	0	(33,189)	0	(33,189)	0.0
Annual fleet vehicle replacement (NP-1)	(1,889)	0	1,628	0	(261)	0.0
Subtotal	**$46,911**	**$26,375**	**$217,968**	**$107,268**	**$398,522**	**0.0**

Category	GF	CF	RF	FF	Total	FTE
Div. of Property Taxation						
Restore FY 2010-11 PERA reduction	$24,708	$13,890	$33,217	$0	$71,815	0.0
Statewide PERA adjustment (NP-3)	(29,962)	(13,850)	(36,377)	0	(80,189)	0.0
Subtotal	**($5,254)**	**$40**	**($3,160)**	**$0**	**($8,374)**	**0.0**
Div. of Housing						
Restore FY 2010-11 PERA reduction	$6,218	$15,484	$3,639	$20,513	$45,854	0.0
Manufactured Housing Inspection Program Reduction (BR #1)	0	(123,607)	0	0	(123,607)	(2.0)
Statewide PERA adjustment (NP-3)	(6,218)	(15,337)	(3,639)	(23,970)	(49,164)	0.0
Subtotal	**$0**	**($123,460)**	**$0**	**($3,457)**	**($126,917)**	**(2.0)**
Div. of Local Government						
Federal mineral lease revenues	0	10,600,000	0	0	10,600,000	0.0
Severance tax revenues	0	4,500,000	0	0	4,500,000	0.0
Vol. Firefighter Retirements	150,390	0	0	0	150,390	0.0
Restore FY 2010-11 PERA reduction	12,720	4,971	41,918	5,516	65,125	0.0
Conservation Trust Adj. (Lottery Proceeds)	0	(1,400,000)	0	0	(1,400,000)	0.0
Statewide PERA adjustment (NP-3)	(15,268)	(9,756)	(35,574)	(9,904)	(70,502)	0.0
Statewide 2% personal services reduction	(54,925)	0	0	0	(54,925)	0.0
Subtotal	**$92,917**	**$13,695,215**	**$6,344**	**($4,388)**	**$13,790,088**	**0.0**
Div. of Emergency Management						
Restore FY 2010-11 PERA reduction	$10,968	$0	$877	$30,537	$42,382	0.0
Statewide PERA adjustment (NP-3)	(14,566)	0	(877)	(30,111)	(45,554)	0.0
Subtotal	**($3,598)**	**$0**	**$0**	**$426**	**($3,172)**	**0.0**
Total Change	**$130,976**	**$13,598,170**	**$221,152**	**$99,849**	**$14,050,147**	**(2.0)**

"Adj." is the estimated adjustment.

BRIEFING ISSUE

ISSUE: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget

Total appropriations to the Department of Local Affairs have increased since FY 2007-08 due largely to the *anticipated* increase in cash funds revenues generated from the extraction of natural resources in the state. Since the most recent economic downturn started in 2008, the General Assembly has taken several actions to reduce General Fund expenditures in this department. As a result, the General Fund appropriation to the Department of Local Affairs has decreased by $0.5 million (3.9 percent) from FY 2007-08 to FY 2010-11.

SUMMARY:

- ❑ Cash funds appropriated by the General Assembly during this period have increased by over 54 percent ($71.5 million), however actual cash revenues increased by 12 percent ($14.9 million).

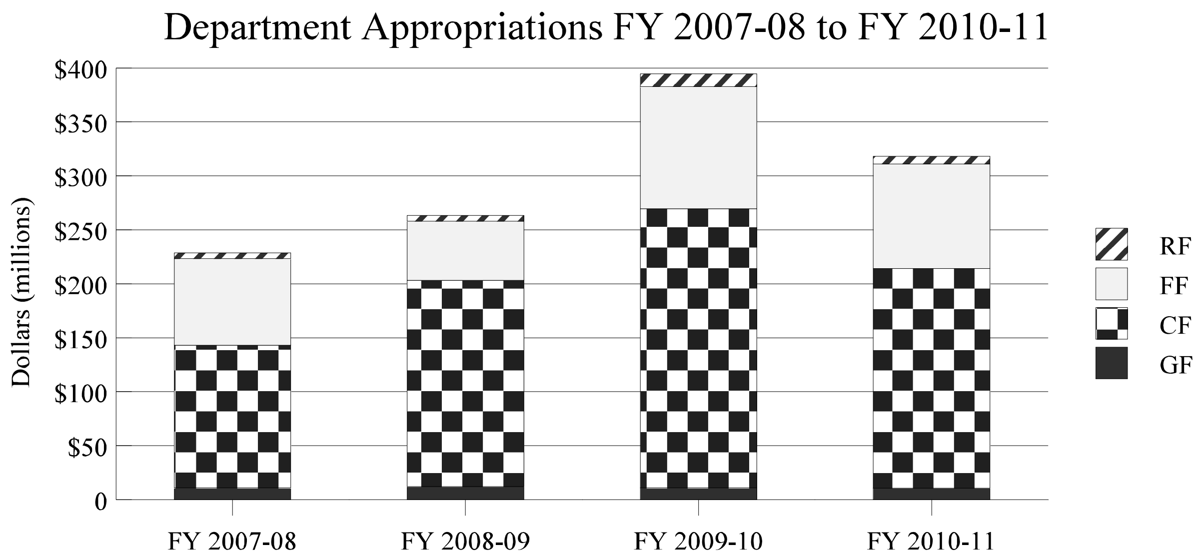
- ❑ The General Assembly refinanced staff funded with General Fund with cash funds.

- ❑ The General Assembly eliminated the General Fund subsidy provided to the Property Tax Exemption Program with cash funds generated from fee-for-service revenue.

- ❑ By refinancing department programs from General Fund to other fund sources, indirect cost recoveries have been generated offsetting General Fund elsewhere in the Department.

DISCUSSION:

From FY 2007-08 to FY 2010-11, total appropriations to the Department of Local Affairs increased by nearly 40 percent ($90 million). This increase is largely attributable to appropriations made by the General Assembly from state funds, namely severance taxes ($51 million) and federal mineral lease tax revenue ($23 million). This increase is traceable to assumptions made that revenues generated from the extraction of natural resources would continue to be strong, specifically oil and natural gas prices. Unexpected factors related to the weak economy as well as low natural gas prices coupled with the large severance tax credits claimed by producers in FY 2009-10 reduced the amount of revenue collected by the state. The appropriation and actual revenues for FY 2009-10 have not been reconciled through the supplemental process to reflect this variance. Other notable changes include the increase of federal funds ($17 million) as a result of the state receiving federal grant moneys for the Neighborhood Stabilization Program ($34 million). However the magnitude of this increase was mitigated by the transfer of the homeland security program ($19 million) from the Department of Local Affairs to the Office of the Governor in FY 2008-09.



Appropriations to the Department of Education for FY 2007-08 through FY 2010-11 are illustrated in the bar chart and detailed in the table below.

Department of Local Affairs Appropriations FY 2007-08 to FY 2010-11					
	Total Funds	**General Fund**	**Cash Funds**	**Federal Funds**	**Reappropriated Funds**
FY 2007-08 /a	$228,645,092	$10,989,371	$132,053,713	$80,261,842	$5,340,166
FY 2008-09	263,367,107	12,352,639	190,783,749	54,905,997	5,324,722
FY 2009-10	394,429,210	10,912,921	258,601,220	112,986,814	11,928,255
FY 2010-11	318,292,163	10,561,511	203,509,756	96,977,419	7,243,477
Increase/(Decrease.) /b	$89,647,071	($427,860)	$71,456,043	$16,715,577	$1,903,311
Percent Change /b	39.2%	(3.9)%	54.1%	20.8%	35.6%

a/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 335 of the FY 2008-09 Appropriations Report.
b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

As illustrated in the bar chart above, appropriations to the Department peaked in FY 2009-10 primarily due to large increases in anticipated severance tax and federal mineral lease revenues. In hindsight, the actual revenues garnered from the extraction of natural resources was significantly less than was appropriated. Actual FY 2009-10 severance tax revenues were $94.9 million less than had been appropriated ($119 million). Actual FY 2009-10 federal mineral lease tax revenues were $73 million less than was appropriated ($122 million). Thus, the chart does not accurately reflect actual

Department revenues for FY 2009-10. With respect to federal revenues, the biggest changes as mentioned previously reflect the $34.4 million received for the Neighborhood Stabilization Program and additional moneys received in FY 09-10 from the American Reinvestment and Recovery Act (ARRA) of 2009 which awarded the Department with a one-time provision of $19 million in federal stimulus dollars. These increases were offset by the transfer of the Homeland Security Program ($19 million) to the Office of the Governor in FY 2008-09.

Major Budget Balancing Actions from FY 2007-08 to FY 2010-11

1. In FY 2009-10, the General Assembly refinanced 6.9 FTE in the Field Services Section and State Demographer's Office funded with General Fund with funds from severance tax and federal mineral lease revenues. Specifically, the General Fund appropriation was reduced by $943,127 and the reappropriated funds appropriation was increased by $1,124,289. The difference reflects the increased indirect costs that were collected from the non-General Fund sources.

2. By refinancing department programs away from General Fund to other fund sources and the increase in new cash fund and federal fund revenues, the General Assembly generated nearly $400,000 in indirect cost recoveries that were used to offset General Fund elsewhere in the Department, namely the Executive Director's Office and the Board of Assessment Appeals.

3. Beginning in FY 2008-09, the General Assembly began eliminating the funding for the Heritage Planning Grant Program reducing the Department's appropriation by $200,000 General Fund over two years. This program advised the Governor, the General Assembly, and local governments on growth issues; for providing technical assistance (particularly regarding cooperative planning) to communities dealing with growth; and for coordinating mediation of disputes between local governments when requested.

Actions Taken to Increase Available State Revenues

Please note that JBC staff has prepared an issue brief providing a more detailed overview of department cash fund transfers to the General Fund for budget balancing purposes.

Since FY 2008-09, the General Assembly has transferred $112.2 million from various cash funds administered by the Department to the General Fund for budget balancing purposes, not including one-day transfers. The following transfers were made or have been proposed, by state fiscal year:

1. In FY 2008-09, the General Assembly transferred $12.6 million from various cash funds administered by the Department to the General Fund for budget balancing purposes. Of this amount, $7.5 million was from severance tax revenues (i.e., grant moneys only), $1.05 million was from limited gaming tax revenues, and $1million was from federal mineral lease revenues (grant moneys only), with the remainder coming from five other cash fund balances. In addition, $123.9 million in one-day transfers were made on June 30, 2009 and then were reversed back to the original funds on July 1, 2009 for budget balancing purposes.

2. In FY 2009-10, the General Assembly transferred \$89.6 million from various cash funds administered by the Department to the General Fund for budget balancing purposes. Of this amount, \$50.3 million was from severance tax revenues (grant moneys only), \$22.6 million from federal mineral lease revenues (grant moneys only), \$14.3 million from the federal mineral lease permanent fund, and \$2.4 million from waste tire fee revenues.

3. For FY 2010-11, the General Assembly transferred \$10.0 million from severance tax revenues (grant moneys only) to the General Fund for budget balancing purposes. In addition to this amount, to accommodate an anticipated General Fund shortfall of \$320.8 million, *the Governor has proposed that an additional \$85.4 million be transferred from various cash funds administered by the Department to the General Fund*. Of this amount, \$60.0 million would be from severance tax revenues (grant moneys only), \$15.0 million in federal mineral lease revenues (grant moneys only), and \$10.4 million from the local government federal mineral lease permanent fund.

BRIEFING ISSUE

INFORMATIONAL ISSUE: Cash Fund Transfers to the General Fund for Budget Balancing Purposes

This issue brief provides a status update of cash fund transfers and proposed transfers to the General Fund for budget balancing purposes for fiscal years 2008-09 through FY 2010-11 for funds administered by the Department of Local Affairs.

SUMMARY:

❑ Since FY 2008-09, the General Assembly has transferred $112.2 million from various cash funds administered by the Department to the General Fund for budget balancing purposes.

❑ The Governor's budget balancing plan for FY 2010-11 and FY 2011-12 includes proposed transfers from DOLA cash funds totaling $85.4 million and $42.0 million, respectively.

❑ Cash fund transfers that have already occurred and those which are being proposed are discussed.

DISCUSSION:

Cash Fund Transfers. The following table reflects cash fund transfers to the General Fund for budget balancing purposes for fiscal years 2008-09 through FY 2010-11for funds administered by the Department of Local Affairs

DOLA Cash Fund	FY 08-09	FY 09-10	FY 10-11	Total
Local Government Severance Tax Fund	$7,500,000	$50,327,796	$10,000,000	$67,827,796
Local Government Mineral Impact Fund	1,000,000	22,600,000	0	23,600,000
Local Government Permanent Fund	0	14,305,697	0	14,305,697
Local Government Limited Gaming Impact Fund	1,050,000	0	0	1,050,000
Other funds	3,035,349	2,400,000	0	5,435,349
Total	**$12,585,349**	**$89,633,493**	**$10,000,000**	**$112,218,842**

Overview by Cash Fund. For the four largest revenue sources listed in Table 1, the following provides the additional background and details regarding these cash funds' relevant statute, purpose, revenue sources and projections, known distributions, previously taken action and proposed action. Funds are listed in the same order as they appear above.

LOCAL GOVERNMENT SEVERANCE TAX FUND

Relevant Statute: Section 39-29-110 et seq., C.R.S. The fund is created in subsection (1)(a)(I) of this section.

Purpose: This fund provides: (1) direct distribution; and (2) grant opportunities for counties and municipalities affected by mineral development. Funds also are distributed to political subdivisions to compensate them for loss of property tax revenue resulting from the deduction of severance taxes paid in the determination of the valuation for assessment of producing mines. Seventy percent of the moneys deposited in the fund are distributed as grants and loans by the Department and thirty percent is directly distributed by formula to impacted localities, pursuant to Section 39-29-110 (1)(a), C.R.S. The Department combines moneys from severance tax revenues and federal mineral lease revenues for administrative efficiency and applicant convenience into the Local Government Mineral and Energy Impact Assistance Program. Entities eligible to receive grants and loans include municipalities, counties, school districts, special districts and other political subdivisions, and state agencies for the planning, construction, and maintenance of public facilities and public services, with priority given to schools and local governments socially or economically impacted by the mineral extraction industry on state lands. Funded projects include water and sewer improvements, road projects, construction of fire protection buildings, purchase of fire protection equipment, local government planning, and construction of improvements to recreation centers, senior centers, hospitals, local government administrative buildings, K-12 school classrooms, and other public infrastructure.

Revenue Source: The Local Government Severance Tax Fund consists of 50 percent of total gross receipts realized from the severance taxes imposed on extracted minerals and mineral fuels. Revenues are deposited in the fund on a monthly basis. Severance tax revenues are very volatile. Revenue volatility is generally a product of: (1) the value of oil and gas production after various costs and exemptions are applied; and (2) the interaction of the final cost of production with local property taxes.

Revenue Offsets: Statutes allow 87.5 percent of local property taxes on production, excluding equipment and facilities, as a credit that reduces or eliminates the severance tax liability. Thus, severance tax revenues are only produced when 87.5 percent of local property taxes due is less than the state severance taxes due. This situation may occur as a result of a lag in the local property tax assessment or a low local property tax rate or both. Local property taxes can lag current production value by two years, because the property tax assessment is based on a valuation conducted in the prior year, which used actual data from the year prior. As was the case in FY 2009-10 when there was a sharp drop in natural gas prices coupled with large severance tax credits claimed by producers. These large ad valorem credits were based on the value of real estate when it was higher in 2008. In addition, statute also allows tax exemption for oil produced from any wells that produce 15 barrels or less per day or gas produced from wells that produce 90,000 cubic feet or less per day (i.e., "stripper wells"). In addition, transportation, processing, and manufacturing expenses are deductible from gross income. For more on the State's severance tax structure, reference Appendix D.

Revenue Projections: According to the September 2010 Legislative Council Staff's Economic and Revenue Forecast (LCS Revenue Forecast) the tax revenue received by the Local Government Severance Tax Fund in FY 2010-11 will be approximately $85.2 million, an increase of $61.1 million or two and a half times. However, revenues remain $83.2 million less (49 percent) than the amount of revenue received by the fund two years earlier in FY 2008-09. See Appendix E for actual and projected revenues associated with the Local Government Severance Tax Fund. As identified in the LCS Revenue Forecast, revenues for FY 2011-12 and onward are anticipated to increase as a result of a strengthening economy and the opening of the new "Ruby" natural gas pipeline in the spring of 2011 permitting Colorado producers to export more gas to west coast markets.

Anticipated Distributions: Based on the September 2010 Legislative Council Staff's Economic and Revenue Forecast, it is anticipated that the amount of revenue deposited into the fund in FY 2010-11 for grants and loans will be approximately $59.7 million and $25.6 million for direct distribution. However, it is important to note that the moneys from the fund made available for direct distribution to energy-impacted political subdivisions is distributed on August 31 of each year, based on the previous year's revenues (plus interest). The amount directly distributed by formula on August 31, 2010 was approximately $11.9 million (based on FY 2009-10 revenues).

Action Taken: The following action was taken, by fiscal year, by the General Assembly affecting the Local Government Severance Tax Fund:

- <u>FY 2008-09:</u> During the 2009 legislative session, S.B. 09-279 (Augment FY 2008-09 and FY 2009-10 General Fund Revenues), transferred $7.5 million from the Local Government Severance Tax Fund to the General Fund as a part of a budget balancing action for FY 2008-09. In addition, the act provided the authority for a one-day transfer of $109.6 million to the General Fund on June 30, 2009, which was reversed back to the fund on July 1, 2009.

- <u>FY 2009-10:</u> During the 2010 legislative session, H.B. 10-1327 (Cash Fund Transfers to Augment General Fund), transferred $50,327,796 from the Local Government Severance Tax Fund to the General Fund for FY 2009-10 budget balancing purposes. This action effectively halted Energy and Mineral Impact grant awards from severance tax revenues.

- <u>FY 2010-11:</u> During the 2010 legislative session, H.B. 10-1388 (Cash Fund Transfers to Augment General Fund), transferred $10 million from the Local Government Severance Tax Fund to the General Fund for FY 2010-11 budget balancing purposes. This action effectively left what was estimated at the time to be $32 million for grants and loans.

Action Proposed: The following proposals from the Governor have been made to transfer funds from the Local Government Severance Tax Fund to the General Fund for budget balancing purposes. For more information, please see Appendix G.

- August 23, 2010 Proposal: As a result of the $59.1 million General Fund shortfall indicated by the Governor's June 2010 economic forecast, the Governor submitted a proposal to transfer $5.0 million from the Local Government Severance Tax Fund to the General Fund for FY 2010-11 budget balancing purposes. In addition, the Governor directed the State Controller to withhold from distribution (i.e., "freeze") an additional $30 million to be made available for budget balancing purposes, should such action be necessary later in the fiscal year.

- October 22, 2010 Proposal: As a result of the additional $261.7 million General Fund shortfall indicated by the Governor's September 2010 economic forecast, the Governor submitted a proposal to transfer $55.0 million from the Local Government Severance Tax Fund to the General Fund for FY 2010-11 budget balancing purposes. **This proposal compounds with the August 23, 2010 request**, thus making the total proposed transfer to the General Fund $60 million and when combined with the $10 million transfer included in H.B. 10-1388, a grand total of $70 million.

In conjunction with a proposed transfer of $15 million from the Local Government Mineral Impact Fund to the General Fund (as described below), the proposed plan will result in the suspension of the Energy & Mineral Impact Assistance Program for FY 2010-11. However, the plan includes an additional $10.0 million in severance tax revenue to be made available in FY 2010-11 for grants. **The proposed action will require a statutory change (i.e., a bill) by the General Assembly.**

LOCAL GOVERNMENT MINERAL IMPACT FUND

Relevant Statute: Section 34-63-102 et seq., C.R.S. The fund is created in subsection (5)(a)(I) of this section.

Purpose: This fund provides direct distribution and grant opportunities for counties, municipalities, and school districts impacted by mineral development on federal lands. The Department combines moneys from severance tax revenues and federal mineral lease revenues for administrative efficiency and applicant convenience into the Local Government Mineral and Energy Impact Assistance Program. Please see a list of eligible recipients and uses within the purpose section for the Local Government Severance Tax Fund (above).

Revenue Source: This fund consists of 41.7 percent of all the "non-bonus" revenues (i.e., rents, royalties, and earnings) the state receives. Of the total amount of non-bonus revenues received by the fund, 48 percent are directly distributed by formula to impacted counties and municipalities, 48 percent are distributed as grants by the Department, and 4 percent are distributed by formula to state school districts. A one-time transfer of $17 million was transferred from the Local Government Permanent Fund to the Local Government Mineral Impact Fund for use in FY 2009-10, pursuant to S.B. 09-232 (for more information about the Permanent Fund, please reference its description below). Revenues are deposited in this fund on a quarterly basis. Collections are mostly determined by the value of energy production and are exempt from the provisions of Section 20 of Article X of the State Constitution (TABOR).

Revenue Projections: According to the September 2010 Legislative Council Staff's Economic and Revenue Forecast (LCS Revenue Forecast) the tax revenue received by the Local Government Mineral Impact Fund in FY 2010-11 will be approximately $54 million, an increase of $5.2 million or over 10 percent. However, revenues remain $15 million less (22 percent) than the amount of revenue received by the fund two years earlier in FY 2008-09. See Appendix F for actual and projected revenues associated with this fund. As identified in the LCS Revenue Forecast and is the case for severance taxes, revenues for FY 2011-12 and onward are anticipated to increase as a result of a strengthening economy and the opening of the new Ruby natural gas pipeline to west coast markets in the spring of 2011.

Anticipated Distributions: Based on the September 2010 Legislative Council Staff's Economic and Revenue Forecast, it is anticipated that the amount of revenue deposited into the fund in FY 2010-11 for grants and loans will be approximately $25.9 million, $25.9 million for direct distribution to counties and municipalities, and $2.2 million for direct distribution to school districts. However, it is important to note that the moneys from the fund made available for direct distribution to energy-impacted political subdivisions is distributed on August 31 of each year, based on the previous year's revenues (plus interest). The most recent allocation of FY 2009-10 FML revenues directly distributed by formula to counties and municipalities was approximately $23.4 million and $2.0 million to school districts on August 31, 2010.

Action Taken: The following action was taken, by fiscal year, by the General Assembly affecting the Local Government Mineral Impact Fund:

- FY 2008-09: During the 2009 legislative session, S.B. 09-279 (Augment FY 2008-09 and FY 2009-10 General Fund Revenues), transferred $1 million from the Local Government Mineral Impact Fund to the General Fund for FY 2008-09 budget balancing purposes. In addition, the act provided the authority for a one-day transfer of $14.3 million to the General Fund on June 30, 2009, which was reversed back to the fund on July 1, 2009.

- FY 2009-10: During the 2009 legislative session, S.B. 09-279 (Augment FY 2008-09 and FY 2009-10 General Fund Revenues), transferred $22.6 million from the Local Government Mineral Impact Fund to the General Fund for FY 2009-10 budget balancing purposes.

- FY 2010-11: The General Assembly has not taken any action.

Action Proposed: As a result of the General Fund shortfall indicated by the Governor's June 2010 economic forecast, on August 23, 2010, the Governor submitted a proposal to transfer $15.0 million from the Local Government Mineral Impact Fund to the General Fund for budget balancing purposes. To date, the Governor has not yet made any other proposed transfers from this fund to the General Fund for FY 2010-11 budget balancing purposes. For more information, please see Appendix G.

In conjunction with a proposed transfer of $60.0 million from the Local Government Severance Tax Fund to the General Fund and the additional frozen funds (as described above), the proposed plan will result in the suspension of the Energy & Mineral Impact Assistance grant program for FY 2010-11. **The proposed action will require a statutory change (i.e., a bill) by the General Assembly.**

LOCAL GOVERNMENT PERMANENT FUND

Relevant Statute: Section 34-63-102 et seq., C.R.S. The fund is created in subsection (5.3)(a)(I)(A) of this section.

Purpose: To help assist localities mitigate fluctuations in federal mineral lease revenues. Statute provides that in the event that federal mineral lease revenues deposited into the fund decline by 10 percent or more than the preceding fiscal year, the General Assembly may appropriate moneys from the fund to the Department, which then must directly distribute to localities by formula.

Revenue Source: This fund consists of 50 percent the State's share of all "bonus" (fixed and up-front) payments made to the federal government in consideration for granting a lease. Mining rights are awarded based on a bidding process, and thus the amount of revenues collected are subject to market demand for natural resources. Revenues are deposited as they come in on an ongoing basis from the federal government. Please reference Appendix F for actual and projected revenues associated with this fund.

Revenue Projections: According to the September 2010 Legislative Council Staff's Economic and Revenue Forecast (LCS Revenue Forecast) the tax revenue received by the Local Government Permanent Fund in FY 2010-11 will be approximately $3.4 million, an increase of $0.8 million or over 31 percent. See Appendix F for actual and projected revenues associated with this fund. As is the case for the Local Government Severance Tax Fund and the Local Government Mineral Impact Fund, revenues for FY 2011-12 and onward are anticipated to increase as a result of a strengthening economy and the opening of the new Ruby natural gas pipeline to west coast markets in the spring of 2011.

Action Taken: The following action was taken, by fiscal year, by the General Assembly affecting the Local Government Permanent Fund:

- <u>FY 2008-09:</u> During the 2009 legislative session, no moneys from this fund were transferred to the General Fund for budget-balancing purposes. However it should be noted that in FY 2008-09, $17 million was transferred from the Local Government Permanent Fund to the Local Government Mineral Impact Fund for use in FY 2009-10, pursuant to S.B. 09-232 for the purposes of for infrastructure projects with priority given to communities most directly impacted by energy production, and to grant applications that are submitted jointly by multiple local governments or seek funding for multi-jurisdictional projects.

- FY 2009-10: During the 2010 legislative session, H.B. 10-1327 (Cash Fund Transfers to Augment General Fund), transferred $14,305,697 from the Local Government Permanent Fund to the General Fund for FY 2009-10 budget balancing purposes. This action effectively eliminated most of the fund's balance.

- FY 2010-11: The General Assembly has not taken any action.

Action Proposed: As a result of the General Fund shortfall indicated by the Governor's June 2010 economic forecast, the Governor has submitted a proposal to transfer $11,442,755 from the Local Government Permanent Fund to the General Fund for FY 2010-11 budget balancing purposes. On October 22, 2010, the Governor revised this transfer to be $10,412,254 to accommodate an estimated decrease in revenues deposited in to the Fund for FY 2010-11. For more information, please see Appendix G. The proposed transfer is based on OSPB forecasted amounts of FML bonus revenues that will be received in FY 2010-11 for fixed and up-front payments. For FY 2010-11, the OSPB anticipates approximately $15.6 million in bonus payments, of which half ($7.8 million) is deposited into the Permanent Fund. The remainder, approximately $2.6 million, reflects fund balance from revenues received in FY 2009-10. This action would likely eliminate the fund's balance until future bonus revenues are received. **The action described requires a statutory change (i.e., a bill) by the General Assembly.**

LOCAL GOVERNMENT LIMITED GAMING IMPACT FUND

Relevant Statute: Section 9 et seq. of Article XVIII of the State Constitution and codified by Section 12-47.1-701 et seq., C.R.S. The fund is created in subsection (1)(a) of this section.

Purpose: To provide financial assistance to designated local governments for documented gaming impacts. Assistance is provided in the form of grants under the authority of the Executive Director. Of the amount deposited into the fund, 98 percent of moneys are distributed as grants to qualifying impacted localities and special districts. The remaining 2 percent is appropriated to the Department of Human Services to provide gambling addiction services to Colorado residents. Eligible recipients of these funds include Teller and Gilpin counties, and an eight county area contiguous to these counties, which includes Boulder, Clear Creek, Grand, Jefferson, El Paso, Fremont, Park, and Douglas counties. Archuleta, La Plata, and Montezuma counties are also eligible because they are contiguous to tribal lands where gaming activities are being conducted. Further municipalities within gaming counties (except for gaming cities of Black Hawk, Central City, and Cripple Creek), and special districts which provide emergency services within eligible counties are permitted to apply.

Revenue Source: This fund consists of 13 percent of all limited gaming tax revenues (less administrative expenditures) received by the State that would otherwise be transferred to the General Fund (50 percent). Thus, essentially 6.5 percent of all limited gaming tax revenues received by the state. Gaming revenues are distributed by the state treasurer at the end of each fiscal year, thus these moneys are made available for distribution in the subsequent fiscal year.

Action Taken: The following action was taken, by fiscal year, by the General Assembly affecting the Local Government Limited Gaming Impact Fund:

- FY 2008-09: During the 2009 legislative session, S.B. 09-208 (Augment FY 2008-09 General Fund Revenues), transferred $950,000 from the Local Government Limited Gaming Impact Fund to the General Fund and S.B. 09-279, transferred $100,000 to the General Fund for FY 2008-09 budget balancing purposes.

- FY 2009-10: During the 2010 legislative session, H.B. 10-1339 (FY 2009-10 Limited Gaming Revenue Distributions), transferred $2.0 million of the FY 2009-10 distribution to the General Fund for FY 2009-10 budget balancing purposes. This action reduced the amount available for distribution to communities impacted by gaming activity by $2.0 million in the subsequent year (FY 2010-11) as these revenues would have otherwise been deposited into the Fund at the end of FY 2009-10.

- FY 2010-11: The General Assembly has not taken any action.

Action Proposed: None.

Summary of Budget Balancing Cash Transfers Since FY 2008-09: Since FY 2008-09, the General Assembly transferred $657.9 million from various state cash funds to the General Fund for budget balancing purposes over three fiscal years. Of this amount, $112.2 million, or 17 percent, were from cash funds administered by DOLA. If the amounts identified for FY 2010-11 budget balancing purposes are transferred to the General Fund the amount of transfers will increase to $197.6 million, or 26 percent of all cash funds transferred to the General Fund for budget balancing purposes. The following table reflects the total funds transferred or proposed to be transferred and the relative share that DOLA cash funds make of the total amount of cash funds augmenting General Fund revenues for budget balancing purposes since FY 2008-09.

	Cash Transfers Since FY 2008-09 For Budget Balancing Purposes				
Cash Fund	**FY 2008-09**	**FY 2009-10**	**FY 2010-11 *Proposed***	**3-Year Total**	**% of Total**
Local Government Severance Tax Fund	$7,500,000	$50,327,796	$70,000,000	$127,827,796	16.9%
Local Government Mineral Impact Fund	1,000,000	22,600,000	15,000,000	38,600,000	5.1%
Local Government Permanent Fund	0	14,305,697	10,412,254	24,717,951	4.3%
Other DOLA funds	4,085,349	2,400,000	0	6,485,349	0.9%
Subtotal: DOLA Funds	*12,585,349*	*89,633,493*	*95,412,254*	*197,631,096*	*26.1%*
Other state funds	325,583,809	204,629,397	48,887,746	579,100,952	76.5%
Total	**$338,169,158**	**$294,262,890**	**$144,300,000**	**$756,732,048**	

Summary of Budget Balancing Cash Transfers For FY 2010-11. The Governor has proposed a total transfer of $128.8 million from various state cash funds to the General Fund for FY 2010-11 budget balancing purposes. This amount, plus the $25.5 million transferred to in H.B. 10-1388, totals to $144.3 million. Of this amount, $95.4 million, or 66 percent, are from cash funds administered by DOLA which would otherwise be made available for distribution to local governments for projects or, in the case of the Permanent Fund, for when state revenues from energy and mineral extraction contracts. The following table reflects the total funds transferred or proposed to be transferred and the relative share that DOLA cash funds make of the total amount of cash funds augmenting General Fund revenues for FY 2010-11 budget balancing purposes.

Cash Fund	FY 2010-11			
	H.B. 10-1388	***Proposed***	**Total**	**% of Total**
Local Government Severance Tax Fund	$10,000,000	$60,000,000	$70,000,000	48.5%
Local Government Mineral Impact Fund	0	15,000,000	15,000,000	10.4%
Local Government Permanent Fund	0	10,412,254	10,412,254	7.2%
All other state funds	15,500,000	33,387,746	48,887,746	33.9%
Total	**$25,500,000**	**$118,800,000**	**$144,300,000**	

Reaction to the Governor's Proposal. Staff contacted both the Colorado Municipal League (CML) and Colorado Counties, Inc. (CCI) to better understand their concerns related to the Governor's proposed budget balance actions to transfer moneys to the General Fund that would otherwise go to localities. Key concerns these entities shared with staff reflect the same concerns as when JBC staff contacted both these organizations last year in light of similar action taken by the General Assembly and proposals made by the Governor at that time. These concerns include:

- Budget conditions in many local governments are as bad or worse than the state;

- The redirection of energy and gaming moneys to the General Fund shifts the burden of the state's budget shortfall to local government;

- The lack of the energy and gaming impact moneys that would have otherwise gone to local governments prohibits the mitigation of the impacts for which these moneys were intended (i.e., impact of Amendment 50 has augmented this impact); and

- Property tax assessments are expected to have a large impact on county budgets and the loss of other revenue streams such as from DOLA's energy and gaming impact grant programs will further exacerbate the strain on local governments.

In October, the membership of CCI ratified their policy statement related to natural resources, severance tax and federal mineral lease revenues, and limited gaming revenues. In this policy statement, their membership indicated the following: (a) their strong opposition to any diversion or taking of the local government severance and or mineral lease tax funds by the Governor or the General Assembly; (b) their strong opposition to the diversion of local gaming revenue by the Governor or General Assembly; and (c) made other proposals of how these moneys should be managed.

2010 Municipal Survey Results: Annually, CML conducts their *State of our Cities and Towns Survey*. The survey is designed to gather key data from municipalities, including tax information, infrastructure projects and needs, economic development activity, revenue challenges, and actions regarding energy efficiency. Surveys were submitted by 107 of Colorado's 271 municipalities (39 percent). Approximately 80 percent of the largest municipalities (populations greater than 19,000) responded to the survey whereas only 26 percent of the smallest municipalities (population less than 800) responded. Overall, 38 percent of respondents indicated that their financial situation is about the same as last year, 30 percent believed their situation to be better or much better, and 26 percent indicated their situation was worse or much worse. Here are some other statistics gathered from the survey:

- Unfunded Street/Road Maintenance and Improvement Needs: 53 percent of respondents indicated that their unfunded need represents a major fiscal challenge in 2011, 30 percent indicate that it reflects a moderate challenge, with the remainder indicating it was not applicable or no response.

- Decline in State Funding: 30 percent of respondents indicated that a decline in state funding represents a major fiscal challenge in 2011, 27 percent indicated it was a moderate challenge, 23 percent reported it was a minor challenge, with remainder indicating it was not applicable or no response.

- Streets: 56 percent report unfunded needs. The municipalities with the largest need are those with populations between 800 and 4,000 with 67 percent reporting an unfunded need averaging \$2.8 million. Additionally, 55 percent of municipalities with populations greater than 19,000 report an unfunded need averaging \$58.9 million.

- Bridges: 24 percent report unfunded needs. The municipalities with the largest need are those with populations greater than 19,000 with 50 percent reporting an unfunded need averaging \$13.9 million.

- Drinking Water Treatment Facilities: 20 percent report unfunded needs. The municipalities with the largest need are those with populations between 800 and 4,000 with 37 percent reporting an unfunded need averaging \$10 million.

BRIEFING ISSUE

INFORMATIONAL ISSUE: Energy & Mineral Impact Assistance Program Expenditures

This issue brief discusses the Energy & Mineral Impact Assistance Program expenditure trends over the last ten years.

SUMMARY:

❑ Over the last ten years, $977 million in revenues have been received by the Energy & Mineral Impact Assistance Program and over $923 million has been expended as grants, direct distributions, or have been transferred to the General Fund for budget balancing purposes.

❑ Despite large revenue fluctuations, per capita spending has increased significantly over this time period.

DISCUSSION:

Background: Local Government Energy and Mineral Impact Assistance Program is intended to assist communities impacted by the growth and decline of mineral and energy industries. For administrative efficiency and applicant convenience, this program provides grant funding from two statutory programs including 50 percent of the total state severance tax revenues and 40 percent of the state's share of payments to the federal government for mineral and mineral fuel production on federal lands. In administering this grant program, the Department is assisted by the nine-member Energy and Mineral Impact Assistance Advisory Committee. Final funding decisions are made by the Executive Director of the Department. Entities eligible to receive grants and loans include municipalities, counties, school districts, special districts and other political subdivisions, and state agencies for the planning, construction, and maintenance of public facilities and public services, with priority given to schools and local governments socially or economically impacted by the mineral extraction industry on state & federal lands. Funded projects include water and sewer improvements, road projects, construction of fire protection buildings, purchase of fire protection equipment, local government planning, and construction of improvements to recreation centers, senior centers, hospitals, local government administrative buildings, K-12 school classrooms, and other public infrastructure.

Ten Year History of Revenues and Expenditures: The following table exhibits the last ten years of revenues received, expenditures made, and transfers to the General Fund for budget balancing purposes.

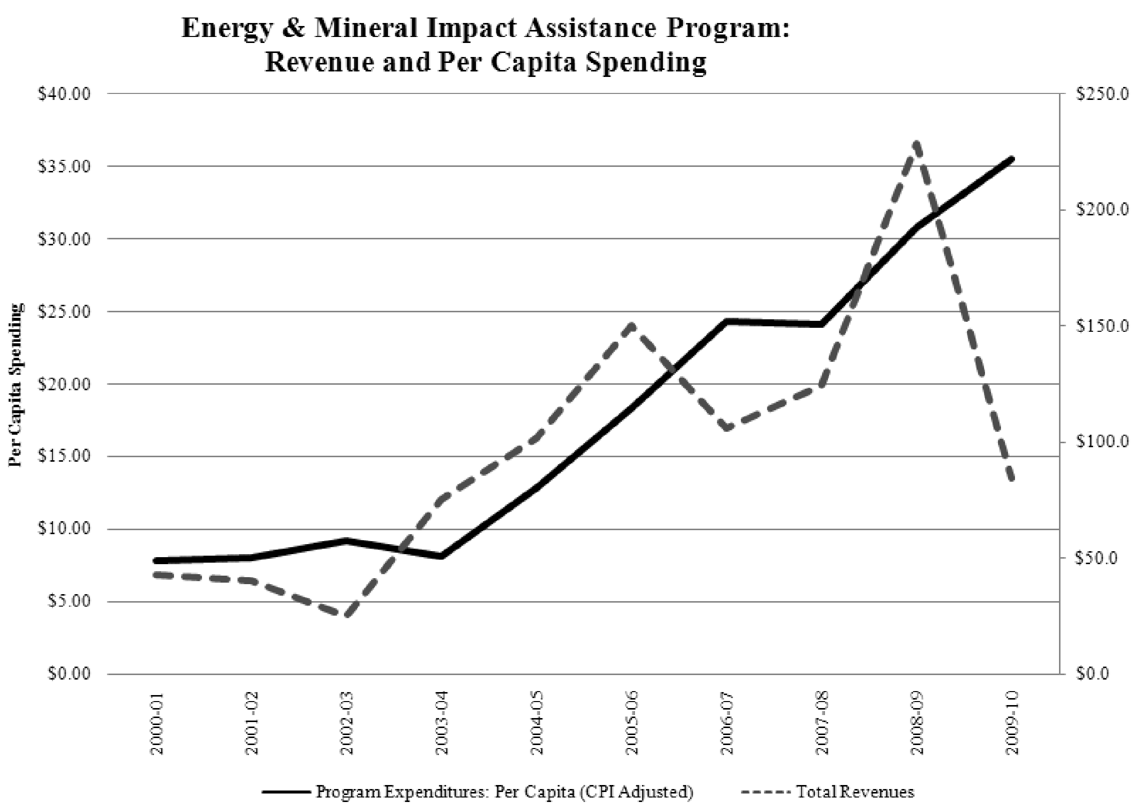
Energy & Mineral Impact Assistance Program: 10 Year History of Revenues and Expenditures					
		Expenditures			
Fiscal Year	Revenues	Grants	Direct Distributions	Transfers to the General Fund	Total
2000-01	$42,400,376	$26,770,159	$2,917,270	$0	$29,687,429
2001-02	40,037,853	26,248,114	5,901,340	0	32,149,454
2002-03	24,797,401	33,106,685	4,565,403	0	37,672,088
2003-04	75,165,429	30,422,224	3,600,007	0	34,022,230
2004-05	101,416,629	43,196,233	11,433,800	3,796,129	58,426,162
2005-06	150,096,045	69,426,846	11,490,783	0	80,917,628
2006-07	105,846,853	89,772,017	23,384,586	0	113,156,603
2007-08	123,921,488	100,209,433	16,127,194	0	116,336,628
2008-09	228,482,691	124,553,674	32,326,410	8,500,000	165,380,084
2009-10	84,603,603	102,626,542	80,395,632	72,297,796	255,319,969
Total	**$976,768,368**	**$646,331,927**	**$192,142,424**	**$84,593,925**	**$923,068,276**

Per Capita Expenditures: The following table exhibits programmatic per capita expenditures over the last 10 years, adjusted by the Denver-Boulder-Greely Consumer Price Index. Please note that major changes to how either severance or federal mineral lease revenues were allocated occurred over this period. Total expenditures do not include transfers to the General Fund for fiscal year budget balancing purposes. As is shown, the per capita expenditures have increased over three and a half times, due largely in part to statutory changes to how the two revenue sources are allocated.

Energy & Mineral Impact Assistance Program: Per Capita Expenditures					
Fiscal Year	Total Expenditures *less* GF Transfers	Statewide Population	Denver-Boulder-Greely CPI	Per Capita Expenditures (CPI adjusted)	Notes
2000-01	$29,687,429	4,456,263	173.2	$7.79	For FY 00-01 through FY 04-05, DOLA distributed "third tier" distributions.
2001-02	32,149,454	4,526,039	181.3	$8.03	
2002-03	37,672,088	4,586,239	184.8	$9.15	
2003-04	34,022,230	4,650,126	186.8	$8.08	
2004-05	54,630,033	4,714,371	187.0	$12.79	
2005-06	80,917,628	4,808,146	190.9	$18.25	FML distributions were delayed to accommodate federal administrative changes. These moneys were later distributed in FY 06-07.
2006-07	113,156,603	4,895,652	197.7	$24.32	

Energy & Mineral Impact Assistance Program: Per Capita Expenditures					
2007-08	116,336,628	4,987,672	202.0	$24.05	H.B. 07-1139 changed the proportion of distributions from severance revenues from 85 percent grants / 15 percent direct distribution to 70 percent grants / 30 percent direct distribution.
2008-09	156,880,084	5,074,528	209.9	$30.71	(1) S.B. 08-218 changed the revenue distribution formula from a complicated multi-tier, quarterly , overflow formula to a fiscal year, percentage-based formula which distributed an increased share allocated for direct distribution. (2) S.B. 09-232 transferred $17 million from the Local Government Permanent Fund to the Mineral Impact Fund for distribution in FY 09-10.
2009-10	183,022,173	5,160,189	208.5	$35.47	

Revenue and Per Capita Spending: As is shown in the following chart, despite rather large fluctuations in revenue due in part to: (1) statutory changes to how the revenue sources are allocated; and (2) the inherent volatility of these revenue streams, per capita expenditures have increased over time.



BRIEFING ISSUE

ISSUE: Building Regulation Program Workload

This briefing issue provides an overview of the Building Regulation Program, reviews its workload performance measures, and makes recommendations for a mid-year appropriation adjustment.

SUMMARY:

- ❑ Program workload has decreased by nearly half since FY 2007-08.
- ❑ The current year appropriation is significantly higher than recent-year actual expenditures.
- ❑ A recommendation to make a mid-year reduction to the Program's spending authority and authorized FTE is provided.

RECOMMENDATION:

JBC staff recommends that the current appropriation for the Building Regulation Program be reduced to $860,000 and 8.5 FTE for FY 2010-11 through the regular supplemental bill for the Department of Local Affairs to more accurately reflect actual programmatic expenditures.

DISCUSSION:

Background: Manufactured housing is a type of housing unit that is largely assembled in factories and then transported to sites of use. Senate Bill 03-182 established new provisions regarding the regulation of the manufacture of factory-built structures and the sales and installation of manufactured homes [Sections 24-32-3301 through 3327, C.R.S]. The Building Regulation Program reviews and approves manufactured housing plans for residential and commercial use. The program also inspects the site installation of manufactured housing and responds to manufactured housing consumer complaints, and in-plant building inspections. In addition, the act:

- requires factory-built structures to be sold within the state to bear an insignia of approval issued by the Division and affixed by the Division or an authorized agent;
- requires any installer of manufactured homes to annually register and be certified by the Division;
- provides the Division of Housing other certification and enforcement authority including civil penalties up to $1,000 as well as injunctive relief from the court; and

- prohibits any other political subdivision of the state from imposing any additional registration, escrow and bonding, or contract requirements on sellers.

Other Programmatic Information:

- In-state manufacturers have the option to contract with the Colorado Division of Housing or an Authorized Inspection Agency to perform inspection and certification functions whereas out-of-state manufacturers must use an Authorized Inspection Agency for in-plant quality assurance and certification inspections. The Department reports that in-state manufacturer's prefer to use the Building Regulation Program as their in-plant inspection agency citing price and competency as reasons; and
- There are 17 active factory built manufacturer's of residential and non-residential buildings in Colorado. Of active manufacturers, 4 build residential buildings, 13 build non-residential buildings, and 3 perform both. The various locations in which the manufacturers operate include: Denver, Milikin, Berthoud, Fort Collins, Fort Morgan, Lafayette, Salida, Englewood, Arvada, Commerce City, Golden, and Longmont; and
- Other duties including:
    - Post-disaster damage assessment (2007 Holly tornado & 2008 Weld County tornado);
    - Analyzing mold infestation problems (Breckenridge factory-built affordable housing project & Granby low-income housing project);
    - Technical training (County Assessors & Colorado Building Officials);
    - Construction code development (ICC code development, SEAC Colorado wind speed study);
    - Dispute resolution (typically assisting consumers in resolving project issues);
    - Construction consulting (with Architects, Engineers, developers, local building and planning departments).

Program Appropriation History: The following table exhibits appropriations made by the General Assembly for the purpose of supporting the Building Regulation Program. Funding is provided by fees charged for inspections and plan reviews that are deposited in the Building Regulation Fund, pursuant to Section 24-32-3309 (1)(a), C.R.S.

Building Regulation Program: Appropriation History

Fiscal Year[1]	Approp.	FTE	Adjustment Description
2003-04	$675,570	8.9	S.B. 03-182 enacted
2004-05	674,344	8.9	Annual adjustments
2005-06	699,503	8.9	Annual adjustments
2006-07	1,031,963	10.0	H.B. 06-1085 expanded the program's responsibilities to include education and training and appropriated $308,724 cash funds and 1.1 FTE for this purpose.
2007-08	1,033,437	10.0	Annual adjustments

Building Regulation Program: Appropriation History			
Fiscal Year[1]	Approp.	FTE	Adjustment Description
2008-09	1,137,098	11.7	H.B. 08-1319 added $113,632 and 1.7 FTE. Supplemental bill S.B. 09-193 reduced $30,089 for the hiring freeze and $1,457 for OIT adjustments.
2009-10	1,199,423	11.7	Increase of $33,592 for salary survey and performance-based pay approved in FY 2008-09 and other reductions totaling $1,356.
2010-11	1,183,372	11.7	Long Bill (H.B. 10-1376) restored $24,812 for 09-10 furloughs, and reductions including $14,914 for PERA contribution adjustment per S.B. 10-001 and $494 for common policy adjustments.
	$507,802	**2.8**	**Appropriation growth/(reduction)**
	75.2%	**31.5%**	**Percentage growth/(reduction)**

[1] Prior to FY 2003-04, the Building Regulation Program was comprised of four programs including: manufactured home inspection, factory built commercial building inspection, manufactured homes installation, and manufactured housing dealer registration. Senate Bill 03-182 consolidated these programs and created the Building Regulation Fund to finance a fee-for-service operation.

Department Budget Reduction Request: The Department is requesting a reduction of $123,607 in cash funds spending authority from the Building Regulation Fund and 2.0 FTE which support the Building Regulation Program in the Division of Housing. The two positions the Department recommends eliminating and replacing with as-needed contracted services include an Inspector III ($59,272) and a General Professional IV ($64,335). The reduction reflects a 10.5 percent reduction in appropriated cash funds spending authority and a 17 percent decrease in authorized FTE. Contracted services would be rendered by Authorized Inspection Agencies.

Program Expenditures: From FY 2007-08 to FY 2009-10, program expenditures have decreased significantly. Over this time period, expenditures have decreased from $1,298,364 and 9.9 FTE to $692,830 and 7.3 FTE, a 47 percent decrease in expenditures over three years. Paradoxically, while the program expenditures have dropped significantly, the appropriation has increased as a result of the passage of H.B. 08-1319 which added additional educational charges, but has remained relatively unchanged over this time period. No adjustments were initiated by the General Assembly due to inconclusive evidence that the demand for the program's services were diminishing and as such would warrant a decrease in the program's current appropriation. As is exhibited in the following table, the appropriation for the program and actual expenditures in recent years have started to get out of alignment.

Building Regulation Program: Comparison of Appropriation and Expenditures							
	Appropriation		Expenditures		Variance		
Fiscal Year[1]	Amount	FTE	Amount	FTE	Amount	Amt. %	FTE
2007-08	$1,137,098	10.0	$1,298,364	9.9	$161,266	14.2%	(0.1)
2008-09	1,199,423	11.7	1,132,696	10.8	(66,727)	(5.6)%	(0.9)
2009-10	1,183,372	11.7	692,830	7.3	(490,542)	(41.5)%	(4.4)

Fund Balance: In FY 2008-09, $1.1 million was transferred from the Building Regulation Fund to the General Fund for FY 2008-09 budget balancing purposes (S.B. 09-279). The fund's accrual of $1.1 million reflected reduced programmatic expenditures compared to revenues. As of October 14, 2010, the fund had a balance of $379,105.

Performance Measures: The following table shows the workload completed by program staff in fiscal years 2007-08 and 2009-10. Units are in hours. The average time in hours to complete each task is provided.

Program Task	Hours	FY 2007-08 Workload	FY 2009-10 Workload	Variance	Var. %
Inspections	7.0	20,923	11,550	(9,373)	(44.8)%
Plan Reviews	3.5	3,878	1,344	(2,534)	(65.3)%
Consumer Complaints & Education	2.5	435	325	(110)	(25.3)%
Dealer Registrations	1.5	368	243	(125)	(34.0)%
Installer / Inspector Registrations	1.5	198	243	45	22.7%
Local Building Code Inspections*	7.0	28	14	(14)	(50.0)%
Total workload hours		**25,830**	**13,719**	**(12,111)**	**(46.9)%**

* Includes hotels, motels, and multiple-family dwellings in areas where standards do not exist. Currently there are 15 counties that do not provide building inspection services.

Workload Decrease: Program workload has decreased by nearly half since FY 2007-08. Over the last two years, the number of inspection-hours conducted by staff has decreased by 45 percent and the number of plan review-hours had decreased by over 65 percent. Decreases in workload are seen in all other tasks performed by program staff with the exception of registrations for installers and inspectors, however this increase is a one-time event as annual registrations became tri-annual registrations. The two-year compounded percentage decrease in total workload hours since FY 2007-08 and FY 2009-10 is 27.121 percent. The Program adjusts its staffing needs proportionately to the number of hours worked and as such the actual FTE used has also decreased significantly.

Possible Cause for Decreased Workload: A key driver of program workload is the health of the housing economy. The reduction of plan reviews, units sold, and units installed reflects the general availability of obtaining loans and new restrictions that have been put in place related to borrower credit worthiness. Both in Colorado and nationally, there has been a corresponding reduction in credit availability and real estate loans. Since the financial collapse in the fall of 2008, bank credit has contracted significantly, thus affecting the housing market in the state and therefore this program.

STAFF RECOMMENDATION:

Upon reviewing Departmental performance measures as compared to the amount appropriated by the General Assembly, JBC staff has determined that the appropriation for this program should be adjusted to more accurately reflect actual expenditures. While the Department has submitted a request for a budget reduction in response to "reductions in revenue, fund balance, and staff" as well as due to the reorganizing of its internal operations, JBC staff does not believe the amount inclusive of the budget reduction is adequate.

JBC staff's recommendation applies a reduction to the current year appropriation based on the calculated compound percentage change from FY 2007-08 to FY 2009-10 (27.121 percent). The benefits of adjusting the appropriation to be more in line with actual program expenditures includes allowing the JBC more programmatic oversight. Thus, if there are large shifts in expenditures, then the JBC would be made aware as the Department would need to request additional spending authority to accommodate any anticipated increases. Another benefit is that having little variance between the appropriation and actual expenditures more accurately reflects the relative size of state government services provided for these purposes. A drawback may include the costs associated with the Department resources necessary to properly prepare a funding request and the costs associated with JBC staff analyzing the request as well as having the General Assembly to consider such a request.

The following table provides a comparison between the Department's requested budget reduction and JBC Staff's recommended FY 2011-12 appropriation for this program:

Comparison: Department and JBC Staff Recommended Appropriations[1]

Item	Cash Funds	FTE
Department Recommendation		
FY 2010-11 Long Bill	$1,183,372	11.7
FY 2011-12 Department of Local Affairs Budget Reduction Request (reflects the costs associated with the reduction of 2.0 FTE)	(123,607)	(2.0)
Department recommended FY 2011-12 appropriation	**$1,059,765**	**9.7**
JBC Staff Recommendation		
FY 2010-11 Long Bill	$1,183,372	11.7
Two-year compounded workload-hours decrease of 27.1 percent	(320,942)	(3.2)
Rounding adjustment	(2,430)	
JBC Staff recommended appropriation	**$860,000**	**8.5**
Recommendation variance: JBC Staff (less)/greater than Department	**($199,765)**	**(1.2)**

[1] Recommendations do not include any statewide adjustments or other changes that could change the appropriation for this line item.

The JBC Staff recommendation is preliminary: JBC staff will work with the Department prior to figure setting to make any adjustments to factor in any other action taken by the JBC that affects this line item and accommodate any market trends impacting this program for the JBC's further consideration. However, JBC staff recommends that the FY 2010-11 appropriation be adjusted through the regular supplemental bill to readjust the base in a more timely fashion. This will effectively reset the base appropriation for this line item for use in setting the FY 2011-12 appropriation.

Program Demand Buffer: In the event that the housing market expands and additional services are required by the Building Regulation Program, the JBC Staff recommendation includes a "buffer" to accommodate a moderate increase of $167,170 and 1.2 FTE over the FY 2009-10 actual program expenditures. This buffer is important as the State Housing Board recently passed a resolution (No. 36), which requires specified time frames for plan review tasks. If activity related to manufactured housing increases, it will be necessary to contract with third parties to accommodate the regulatory requirements for this program.

JBC Staff Recommended Appropriation Accommodates Programmatic Demand[1]

Item	Cash Funds	FTE
JBC Staff Recommendation	$860,000	8.5
FY 2009-10 actual expenditures	(692,830)	(7.3)
JBC Staff recommended appropriation "buffer"	**$167,170**	**1.2**

[1] Recommendations do not include any statewide adjustments or other changes that could change the appropriation for this line item.

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
DEPARTMENT OF LOCAL AFFAIRS **Executive Director: Susan Kirkpatrick**						
(1) EXECUTIVE DIRECTOR'S OFFICE						
This section provides funding for management and administration of the Department, including human resources, accounting, and budgeting. This section also includes funding for the Moffat Tunnel Improvement District. Significant Reappropriated Funds sources include: the transfer of severance tax and federal mineral lease tax revenues from the Division of Local Government, and indirect cost recoveries.						
Personal Services	1,120,483	1,032,703		1,245,439	1,238,557	
FTE	12.7	11.5		13.7	13.7	
General Fund	39,785	0		0	0	
FTE	0.5	0.0		0.0	0.0	
Cash Funds	0	0		0	0	
Reappropriated Funds	1,080,698	1,032,703	S	1,245,439	1,238,557	
FTE	12.2	11.5		13.7	13.7	
Federal Funds	0	0		0	0	
Health, Life and Dental	1,075,731	1,023,585		897,953	1,025,108	
General Fund	562,973	442,756	S	401,921	398,414	
Cash Funds	139,277	132,526	S	110,384	133,968	
Reappropriated Funds	172,119	256,703	S	195,263	311,683	
Federal Funds	201,362	191,600	S	190,385	181,043	
**RF: Mineral & Energy Impact*	*172,119*	*256,703*	S	*195,263*	*311,683*	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Short-term Disability	15,738	18,032		16,785	18,608	
General Fund	5,241	5,902	S	5,052	4,409	
Cash Funds	2,129	2,857	S	2,757	2,601	
Reappropriated Funds	4,238	5,287	S	5,310	7,324	
Federal Funds	4,130	3,986	S	3,666	4,274	
**RF: Mineral & Energy Impact*	*4,238*	*5,287*	S	*5,310*	*7,324*	
Disbursements	193,694	243,456		259,884	294,368	
General Fund	64,510	80,307	S	78,218	69,751	
Cash Funds	26,498	38,341	S	42,692	41,148	
Reappropriated Funds	51,858	70,289	S	82,208	115,862	
Federal Funds	50,828	54,519	S	56,766	67,607	
**RF: Mineral & Energy Impact*	*51,858*	*70,289*	S	*82,208*	*115,862*	
S.B. 06-235 Supplemental Amortization Equalization Disbursements	90,794	152,115		189,500	236,546	
General Fund	30,239	50,147	S	57,034	56,050	
Cash Funds	11,663	23,963	S	31,130	33,065	
Reappropriated Funds	25,066	43,931	S	59,944	93,104	
Federal Funds	23,826	34,074	S	41,392	54,327	
**RF: Mineral & Energy Impact*	*25,066*	*43,931*	S	*59,944*	*93,104*	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Salary Survey and Senior Executive Service	458,469	0		0	0	
General Fund	161,726	0		0	0	
Cash Funds	68,068	0		0	0	
Reappropriated Funds	94,235	0		0	0	
Federal Funds	134,440	0		0	0	
**RF: Mineral & Energy Impact*	*94,235*	*0*		*0*	*0*	
Performance-based Pay	184,590	0		0	0	
General Fund	92,714	0		0	0	
Cash Funds	18,125	0		0	0	
Reappropriated Funds	26,488	0		0	0	
Federal Funds	47,263	0		0	0	
**RF: Mineral & Energy Impact*	*26,488*	*0*		*0*	*0*	
Workers' Compensation	34,064	48,462		49,163	55,557	
General Fund	31,674	45,061	S	45,713	51,658	
Cash Funds	1,073	1,527	S	1,484	1,677	
Reappropriated Funds	1,317	1,874	S	1,966	2,222	
**RF: Mineral & Energy Impact*	*1,317*	*1,874*	S	*1,966*	*2,222*	
Operating Expenses	144,625	218,537		144,175	144,835	
General Fund	34,493	0		0	0	
Reappropriated Funds	97,525	126,959		132,413	133,073	**NP-4**
Federal Funds	12,607	91,578		11,762	11,762	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Legal Services	74,871	123,862		131,331	131,331	
General Fund	74,740	122,425		119,160	119,160	
Cash Funds	131	165		6,167	6,167	
Reappropriated Funds	0	1,272		1,238	1,238	
Federal Funds	0	0		4,766	4,766	
Hours	*993.2*	*1,643.2*		*1,790.0*	*1,790.0*	
**RF: Mineral & Energy Impact*	*0*	*1,272*		*1,238*	*1,238*	
Purchase of Services from Computer Center - GF	40,303	38,639		669,800	756,016	
General Fund	40,303	38,639	S	200,536	226,349	
Reappropriated Funds	0	0		153,436	173,186	
Federal Funds	0	0		315,828	356,481	
Multi-use Network Payments	67,409	67,409		119,545	181,005	
General Fund	37,835	37,835		15,066	22,811	
Cash Funds	3,241	3,241		1,291	1,955	
Reappropriated Funds	4,777	4,777		1,902	2,880	
Federal Funds	21,556	21,556		101,286	153,359	
**RF: Mineral & Energy Impact*	*4,777*	*4,777*		*1,902*	*2,880*	
Management and Administration of OIT	13,682	3,527		72,123	73,634	
General Fund	5,671	3,527	S	5,804	5,926	
Reappropriated Funds	0	0		56,372	57,553	
Federal Funds	8,011	0	S	9,947	10,155	
**RF: Mineral & Energy Impact*	*0*	*0*		*56,372*	*57,553*	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Payment to Risk Management and Property Funds	17,928	17,730		5,411	17,426	
General Fund	16,673	16,489	S	5,032	16,205	
Cash Funds	1,122	1,110	S	258	831	
Reappropriated Funds	133	131	S	121	390	
**RF: Mineral & Energy Impact*	*133*	*131*	S	*121*	*390*	
Vehicle Lease Payments	89,085	105,761		132,945	132,684	
General Fund	77,430	90,483	S	102,349	100,460	**NP-1**
Reappropriated Funds	11,655	15,278	S	30,596	32,224	**NP-1**
Federal Funds	0	0		0	0	
**RF: Mineral & Energy Impact*	*11,655*	*15,278*	S	*30,596*	*32,224*	**NP-1**
Information Technology Asset Maintenance	127,913	103,286		104,793	104,793	
General Fund	29,913	29,913		29,913	29,913	
Cash Funds	13,049	13,049		13,049	13,049	
Reappropriated Funds	37,507	29,416		37,507	37,507	
Federal Funds	47,444	30,908		24,324	24,324	
**RF: Mineral & Energy Impact*	*37,507*	*29,416*		*37,507*	*37,507*	
Leased Space	79,685	89,617		105,801	105,801	
General Fund	16,692	22,376		22,376	22,376	
Reappropriated Funds	11,127	2,682		18,866	18,866	
Federal Funds	51,866	64,559		64,559	64,559	
**RF: Mineral & Energy Impact*	*11,127*	*2,682*		*18,866*	*18,866*	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Capitol Complex Leased Space	473,484	477,888		470,185	496,573	
General Fund	346,132	168,970	S	160,064	171,539	
Cash Funds	24,391	24,673	S	24,279	25,405	
Reappropriated Funds	55,408	236,638	S	236,366	251,246	
Federal Funds	47,553	47,607	S	49,476	48,383	
Square Feet	*0*	*53,770*		*53,770*	*0*	
**RF: Mineral & Energy Impact*	*55,408*	*236,638*	*S*	*236,366*	*251,246*	
Communication Services Payments	27,788	27,788		26,314	26,827	
General Fund	6,947	6,947		6,290	6,418	
Federal Funds	20,841	20,841		20,024	20,409	
Moffat Tunnel Improvement District - CF	0	0		137,444	137,444	
						Req. v. Approp.
(1) SUBTOTAL - EXECUTIVE DIRECTOR'S OFFICE	**4,330,336**	**3,792,397**		**4,778,591**	**5,177,113**	**8.3%**
FTE	**12.7**	**11.5**		**13.7**	**13.7**	**0.0%**
General Fund	1,675,691	1,161,777		1,254,528	1,301,439	3.7%
FTE	0.5	0.0		0.0	0.0	0.0%
Cash Funds	308,767	241,452		370,935	397,310	7.1%
Reappropriated Funds	1,674,151	1,827,940		2,258,947	2,476,915	9.6%
FTE	12.2	11.5		13.7	13.7	0.0%
Federal Funds	671,727	561,228		894,181	1,001,449	12.0%
FTE	0.0	0.0		0.0	0.0	0.0%
**Mineral & Energy Impact - RF*	*495,928*	*668,278*		*727,659*	*932,099*	*28.1%*

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(2) PROPERTY TAXATION						
This section provides funding for the Division of Property Taxation, which: issues appraisal standards and provides training and technical assistance to county assessors; values multi-county companies; and grants taxation exemptions. This section also provides funding for the State Board of Equalization, which supervises the administration of property tax laws by local county assessors, as well as the Board of Assessment Appeals, which hears petitions for appeal on valuation, abatements, exemptions, and valuation of state-assessed properties. Cash funds are from the Property Tax Exemption Fund. Significant Reappropriated Funds sources include the transfer of severance tax and federal mineral lease tax revenues from the Division of Local Government, and indirect cost recoveries.						
Division of Property Taxation	2,604,356	2,430,660		2,664,455	2,657,832	
FTE	36.0	31.4		36.7	36.7	
General Fund	1,303,831	1,324,537	S	1,107,330	1,102,076	
FTE	15.7	15.7		14.9	14.9	
Cash Funds	598,843	617,129	S	860,619	860,659	
FTE	11.1	11.1		11.1	11.1	
Reappropriated Funds	701,682	488,994	S	696,506	695,097	
FTE	9.2	4.6		10.7	10.7	
**RF: Mineral & Energy Impact*	*701,682*	*488,994*	*S*	*696,506*	*695,097*	
State Board of Equalization - GF	12,856	12,856		12,856	12,856	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Board of Assessment Appeals	657,059	656,919		543,416	541,665	
FTE	14.8	15.1		13.2	13.2	
General Fund	657,059	304,656		188,864	188,864	
FTE	14.8	7.0		7.0	7.0	
Reappropriated Funds	0	352,263	S	354,552	352,801	
FTE	0.0	8.1		6.2	6.2	
Indirect Cost Assessment	66,718	102,526		259,339	259,339	
Cash Funds	0	0		131,331	131,331	
Reappropriated Funds	66,718	102,526		128,008	128,008	
**RF: Mineral & Energy Impact*	*66,718*	*102,526*		*128,008*	*128,008*	
						Req. v. Approp.
(2) SUBTOTAL - PROPERTY TAXATION	**3,340,989**	**3,202,961**		**3,480,066**	**3,471,692**	**(0.2%)**
FTE	**50.8**	**46.5**		**49.9**	**49.9**	**0.0%**
General Fund	1,973,746	1,642,049		1,309,050	1,303,796	(0.4%)
FTE	30.5	22.7		21.9	21.9	0.0%
Cash Funds	598,843	617,129		991,950	991,990	0.0%
FTE	11.1	11.1		11.1	11.1	0.0%
Reappropriated Funds	768,400	943,783		1,179,066	1,175,906	(0.3%)
FTE	9.2	12.7		16.9	16.9	0.0%
**Mineral & Energy Impact - RF*	*768,400*	*591,520*		*824,514*	*823,105*	*(0.2%)*

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(3) DIVISION OF HOUSING						
This division assists local communities in meeting their housing goals, administers various state and federal affordable housing programs, and regulates the manufacture of factory-built residential and commercial buildings. Cash funds are from certification and registration fees paid by the producers and installers of manufactured homes. Reappropriated funds are from severance tax and federal mineral lease tax revenues transferred from the Division of Local Government.						
(A) Administration						
Personal Services	1,600,553	1,631,789		1,301,344	1,297,887	
FTE	22.2	22.2		21.4	21.4	
General Fund	341,403	363,615	S	367,276	367,276	
FTE	4.6	4.6		4.6	4.6	
Cash Funds	75,915	43,176	S	76,884	76,884	
FTE	0.9	0.9		0.9	0.9	
Reappropriated Funds	144,997	149,322		150,166	150,166	
FTE	1.7	1.5		1.7	1.7	
Federal Funds	1,038,238	1,075,676	S	707,018	703,561	
FTE	15.0	15.2		14.2	14.2	
**RF: Mineral & Energy Impact*	*144,997*	*149,322*		*150,166*	*150,166*	
Operating Expenses	331,089	281,435		322,845	322,845	
General Fund	25,903	25,903		24,608	24,608	
Federal Funds	305,186	255,532		298,237	298,237	
Manufactured Buildings Program - CF	844,115	462,116	S	1,183,372	1,059,912	**BR #1**
FTE	10.8	7.3		11.7	9.7	**BR #1**

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Colorado Affordable Housing Construction Grants & Loans - GF	2,225,000	2,225,000		2,225,000	2,225,000	
Federal Affordable Housing Construction Grants & Loans - FF	9,655,524	11,349,564		45,000,000	45,000,000	
Homeless Prevention and Rapid Re-Housing Program		5,718,277		0	0	
Reappropriated Funds		3,915,055	S	0	0	
Federal Funds		1,803,222	S	0	0	
Emergency Shelter Program - FF	906,070	854,136		965,000	965,000	
Private Activity Bond Allocation Committee - CF	1,460	570		2,500	2,500	
Low Income Rental Subsidies - FF	18,349,217	17,987,631		18,000,000	18,000,000	
Foreclosure Prevention Grant Fund - GF	100,000	0		0	0	
Foreclosure Prevention Grants - Reappropriated Funds/	0	0		0	0	
Indirect Cost Assessment	354,611	470,811		252,579	252,579	
Cash Funds	134,113	117,808		47,498	47,498	
Reappropriated Funds	23,542	17,769		61,462	61,462	
Federal Funds	196,956	335,234		143,619	143,619	
**RF: Mineral & Energy Impact*	*23,542*	*17,769*		*61,462*	*61,462*	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
					Req. v. Approp.
(3) SUBTOTAL - DIVISION OF HOUSING	**34,367,639**	**40,981,329**	**69,252,640**	**69,125,723**	**(0.2%)**
FTE	**33.0**	**29.5**	**33.1**	**31.1**	**(6.0%)**
General Fund	2,692,306	2,614,518	2,616,884	2,616,884	0.0%
FTE	4.6	4.6	4.6	4.6	0.0%
Cash Funds	1,055,603	623,670	1,310,254	1,186,794	(9.4%)
FTE	11.7	8.2	12.6	10.6	(15.9%)
Reappropriated Funds	168,539	4,082,146	211,628	211,628	0.0%
FTE	1.7	1.5	1.7	1.7	0.0%
Federal Funds	30,451,191	33,660,995	65,113,874	65,110,417	(0.0%)
FTE	15.0	15.2	14.2	14.2	(0.0%)
**Mineral & Energy Impact - RF*	*168,539*	*167,091*	*211,628*	*211,628*	*0.0%*

(4) DIVISION OF LOCAL GOVERNMENT

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

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(A) Local Government and Community Services						
(1) Administration						
Personal Services	1,430,470	1,577,282		1,288,148	1,254,920	
FTE	18.7	19.4		17.7	17.7	
General Fund	851,354	736,914	S	598,005	567,459	**NP-2**
FTE	10.3	8.3	S	7.0	7.0	
Reappropriated Funds	470,718	556,627	S	560,305	558,649	
FTE	7.0	7.2	S	8.1	8.1	
Federal Funds	108,398	283,741	S	129,838	128,812	
FTE	1.4	3.9		2.6	2.6	
**RF: Mineral & Energy Impact*	*470,718*	*556,627*	*S*	*560,305*	*558,649*	
Operating Expenses	94,010	111,528		129,242	129,242	
General Fund	42,178	42,178		40,069	40,069	
Reappropriated Funds	25,146	25,146		25,146	25,146	
Federal Funds	26,686	44,204		64,027	64,027	
**RF: Mineral & Energy Impact*	*25,146*	*25,146*		*25,146*	*25,146*	
(2) Local Government Services						
Local Utility Management Assistance - CF	151,817	154,018	S	154,709	154,709	
FTE	2.0	1.8		2.0	2.0	
Conservation Trust Fund Disbursements - CF	47,790,781	45,149,838	S	51,400,000	49,996,557	
FTE	1.9	1.8		2.0	2.0	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Volunteer Firefighter Retirement Plans - GF	4,009,590	4,222,528		4,114,363	4,264,753	
†*GF: General Fund Exempt Account*	*4,009,590*	*0*		*4,114,363*	*4,264,753*	
Volunteer Firefighter Death and Disability Insurance - GF	25,500	24,225		30,000	30,000	
†*GF: General Fund Exempt Account*	*25,500*	*0*		*30,000*	*30,000*	
Environmental Protection Agency Water/Sewer File Project - FF	50,000	49,118	S	49,890	49,890	
FTE	0.4	0.3		0.5	0.5	
(3) Community Services						
Community Services Block Grant - FF	5,886,541	9,400,980	S	6,000,000	6,000,000	
(4) Waste Tire Fund						
Waste Tire Recycling, Reuse and Removal Grants	4,919,602	3,586,743		*Transferred to Department of Public Health and Environment pursuant to H.B. 10-1018*		
FTE	0.4	0.5				
Cash Funds	3,382,634	3,586,743	S			
FTE	0.4	0.5				
Reappropriated Funds	1,536,968	0				

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
					Req. v. Approp.
Subtotal: (A) Local Government and Community Services	64,358,311	64,276,260	63,166,352	61,880,071	**(2.0%)**
FTE	23.4	23.8	22.2	22.2	**0.0%**
General Fund	4,928,622	5,025,845	4,782,437	4,902,281	2.5%
FTE	10.3	8.3	7.0	7.0	(0.0%)
Cash Funds	51,325,232	48,890,599	51,554,709	50,151,266	(2.7%)
FTE	4.3	4.1	4.0	4.0	0.0%
Reappropriated Funds	2,032,832	581,773	585,451	583,795	(0.3%)
FTE	7.0	7.2	8.1	8.1	0.0%
Federal Funds	6,071,625	9,778,043	6,243,755	6,242,729	(0.0%)
FTE	1.8	4.2	3.1	3.1	0.0%
†*General Fund Exempt Account*	*4,035,090*	*0*	*4,144,363*	*4,294,753*	*3.6%*
**RF: Mineral & Energy Impact*	*495,864*	*581,773*	*585,451*	*583,795*	*(0.3%)*

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(B) Field Services						
Program Costs	2,510,639	2,721,680		2,387,801	2,365,512	
FTE	25.9	26.6		28.2	28.2	
General Fund	461,436	0	S	26,927	0	**NP-2**
FTE	4.9	0.0	S	0.3	0.0	
Cash Funds	97,308	105,315		105,289	105,289	
FTE	1.0	1.0		1.0	1.3	
Reappropriated Funds	1,348,240	1,615,806	S	1,957,844	1,965,844	
FTE	15.3	16.5	S	22.6	22.6	
Federal Funds	603,655	1,000,559	S	297,741	294,379	
FTE	4.7	9.1		4.3	4.3	
**RF: Mineral & Energy Impact*	*1,348,240*	*1,615,806*	*S*	*1,957,844*	*1,965,844*	
Community Development Block Grant (Business and Infrastructure Development) - FF	12,412,618	23,717,017	S	9,697,000	9,697,000	
Local Government Mineral and Energy Impact Grants and Disbursements	211,857,880	232,269,508		137,900,000	153,000,000	
Cash Funds	125,900,000	192,000,000		137,900,000	153,000,000	
Reappropriated Funds	85,957,880	40,269,508		0	0	
For Information Only, Non-add						
State Severance Tax	*119,099,971*	*119,000,000*		*91,500,000*	*96,000,000*	
Federal Mineral Lease	*92,757,909*	*73,000,000*		*46,400,000*	*57,000,000*	

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
CF	5,855,103	6,170,412		6,000,000	6,000,000	
Search and Rescue Program	423,683	433,052		615,000	613,658	
FTE	1.3	1.3		1.3	1.3	
Cash Funds	423,683	433,052	S	615,000	613,658	
FTE	1.3	1.3		1.3	1.3	
Reappropriated Funds/Cash Funds Exempt	0	0		0	0	
Colorado Heritage Communities Grant Fund - GF	62,000	0		0	0	
Colorado Heritage Communities Grants - Reappropriated Funds	200,000	200,000		200,000	200,000	
						Req. v. Approp.
Subtotal: (B) Field Services	233,321,923	265,511,669		156,799,801	171,876,170	**9.6%**
FTE	27.2	27.9		29.5	29.5	**0.0%**
General Fund	523,436	0		26,927	0	(100.0%)
FTE	4.9	0.0		0.3	0.0	(100.0%)
Cash Funds	132,276,094	198,708,779		144,620,289	159,718,947	10.4%
FTE	2.3	2.3		2.3	2.6	13.0%
Reappropriated Funds/Cash Funds Exempt	87,506,120	42,085,314		2,157,844	2,165,844	0.4%
FTE	15.3	16.5		22.6	22.6	0.0%
Federal Funds	13,016,273	24,717,576		9,994,741	9,991,379	(0.0%)
FTE	4.7	9.1		4.3	4.3	(0.0%)
**RF: Mineral & Energy Impact*	*1,348,240*	*1,615,806*		*1,957,844*	*1,965,844*	*0.4%*

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(C) Indirect Cost Assessment	690,293	1,032,048		1,033,715	1,033,715	
Cash Funds	125,645	97,873		150,631	150,631	
Reappropriated Funds/Cash Funds Exempt	432,143	641,998	S	769,750	769,750	
Federal Funds	132,505	292,177		113,334	113,334	
**RF: Mineral & Energy Impact*	*432,143*	*641,998*		*769,750*	*769,750*	
						Req. v. Approp.
(4) SUBTOTAL - DIVISION OF LOCAL GOVERNMENT	**298,370,527**	**330,819,977**		**220,999,868**	**234,789,956**	**6.2%**
FTE	**50.6**	**51.7**		**51.7**	**51.7**	**0.0%**
General Fund	5,452,058	5,025,845		4,809,364	4,902,281	1.9%
FTE	15.2	8.3		7.3	7.0	(4.1%)
Cash Funds	183,726,971	247,697,251		196,325,629	210,020,844	7.0%
FTE	6.6	6.4		6.3	6.6	4.8%
Reappropriated Funds	89,971,095	43,309,085		3,513,045	3,519,389	0.2%
FTE	22.3	23.7		30.7	30.7	0.0%
Federal Funds	19,220,403	34,787,796		16,351,830	16,347,442	(0.0%)
FTE	6.5	13.3		7.4	7.4	0.0%
†General Fund Exempt Account	*4,035,090*	*0*		*4,144,363*	*4,294,753*	*3.6%*
**RF: Mineral & Energy Impact*	*2,276,247*	*2,839,577*		*3,313,045*	*3,319,389*	*0.2%*

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	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
(5) Division of Emergency Management						

This division assists local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation. The Division is responsible for preparing and maintaining a state disaster plan, as well as taking part in the development and revision of local and inter-jurisdictional disaster plans. Cash funds are nearly entirely from the Disaster Emergency Fund, with a small amount received from fees paid for emergency training programs. Reappropriated funds are from severance tax revenues and federal mineral lease revenues transferred from the Division of Local Government. Federal funds are from grant moneys received from the Department of Homeland Security for emergency preparedness, chemical stockpile readiness, and other programs.

	FY 2008-09 Actual	FY 2009-10 Actual		FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Administration	2,637,283	3,429,147		2,599,828	2,596,656	
FTE	23.6	26.7		27.9	27.9	
General Fund	501,027	572,559	S	571,685	568,087	
FTE	7.2	8.1		8.2	8.2	
Reappropriated Funds	63,302	65,065		65,392	65,392	
FTE	0.1	1.0		1.0	1.0	
Federal Funds	2,072,954	2,791,523	S	1,962,751	1,963,177	
FTE	16.3	17.6		18.7	18.7	
**RF: Mineral & Energy Impact*	*63,302*	*65,065*		*65,392*	*65,392*	
Disaster Response and Recovery	537,905	0		4,950,000	4,950,000	
Cash Funds	448,750	0		4,500,000	4,500,000	
Federal Funds	89,155	0		450,000	450,000	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
Preparedness Grants and Training	13,242,730	13,103,249	12,010,988	12,010,988	
Cash Funds	0	0	10,988	10,988	
Federal Funds	13,242,730	13,103,249	12,000,000	12,000,000	
Indirect Cost Assessment	192,931	465,252	220,182	220,182	
Cash Funds	0	0	0	0	
Reappropriated Funds	6,421	13,383	15,399	15,399	
Federal Funds	186,510	451,869	204,783	204,783	
**RF: Mineral & Energy Impact*	*6,421*	*13,383*	*15,399*	*15,399*	
					Req. v. Approp.
(5) SUBTOTAL - DIVISION OF EMERGENCY MANAGEMENT	**16,610,849**	**16,997,648**	**19,780,998**	**19,777,826**	**(0.0%)**
FTE	**23.6**	**26.7**	**27.9**	**27.9**	**0.0%**
General Fund	501,027	572,559	571,685	568,087	(0.6%)
FTE	7.2	8.1	8.2	8.2	0.0%
Cash Funds	448,750	0	4,510,988	4,510,988	0.0%
Reappropriated Funds	69,723	78,448	80,791	80,791	0.0%
FTE	0.1	1.0	1.0	1.0	0.0%
Federal Funds	15,591,349	16,346,641	14,617,534	14,617,960	0.0%
FTE	16.3	17.6	18.7	18.7	0.0%
**RF: Mineral & Energy Impact*	*69,723*	*78,448*	*80,791*	*80,791*	*0.0%*

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 OSPB Request	Change Requests
					Req. v. Approp.
TOTAL: DEPARTMENT OF LOCAL AFFAIRS	**357,020,340**	**395,794,312**	**318,292,163**	**332,342,310**	**4.4%**
FTE	**170.7**	**165.9**	**176.3**	**174.3**	**(1.1%)**
General Fund	12,294,828	11,016,748	10,561,511	10,692,487	1.2%
FTE	58.0	43.7	42.0	41.7	(0.7%)
Cash Funds	186,138,934	249,179,502	203,509,756	217,107,926	6.7%
FTE	29.4	25.7	30.0	28.3	(5.7%)
Reappropriated Funds	92,651,908	50,241,402	7,243,477	7,464,629	3.1%
FTE	45.5	50.4	64.0	64.0	0.0%
Federal Funds	65,934,670	85,356,660	96,977,419	97,077,268	0.1%
FTE	37.8	46.1	40.3	40.3	0.0%
†GF: General Fund Exempt Account	*4,035,090*	*0*	*4,144,363*	*4,294,753*	*3.6%*
**RF: Mineral & Energy Impact*	*3,778,837*	*4,344,914*	*5,157,637*	*5,367,012*	*4.1%*

KEY:
ITALICS = non-add figure, included for informational purposes
A = impacted by a budget amendment submitted after the November 1 request
S = impacted by a supplemental appropriation

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

❑ **H.B. 10-1018 (Looper and Primavera/Gibbs): Increased Authority to Regulate Waste Tires and Program Consolidation.** Consolidates authority over waste tire fees within the Department of Public Health and Environment and transfers administration of the Waste Tire Program from the Department of Local Affairs to the Department of Public Health and Environment. Reduces the appropriation to the Department of Local Affairs for FY 2010-11 by $4.2 million cash funds and 0.7 FTE.

❑ **H.B. 10-1176 (Vaad/Mitchell): Mandated Government Audit Recoveries.** Requires the Office of the State Controller to contract with a third party to perform an audit of state executive agencies to determine whether overpayments to individuals, vendors, and others occur as a result of pricing errors, neglected rebates, discounts, unclaimed refunds, or other related general errors. The act applies to state executive agencies that spend more than $25 million annually and authorizes the Office of the State Controller to retain a portion of any amount recovered due to an audit to defray the administrative costs incurred in contracting for and providing oversight of the recovery audit. General Fund expenditures in FY 2010-11 and FY 2011-12 will be reimbursed from the savings generated by the implementation of H.B. 10-1338 (Probation Eligibility After Two Prior Felonies). Appropriates $26,927 General Fund, including $20,327 and 0.3 FTE for program administration and $6,600 for copying costs.

❑ **H.B. 10-1327 (Pommer/White): Cash Fund Transfers to Augment the General Fund.** Augments General Fund revenues in FY 2009-10 with $84.9 million in transfers from various cash funds, including $67 million in transfers from funds in the Department of Local Affairs. Please reference the following table which exhibits impacted cash funds.

Cash Fund Transfers in H.B. 10-1327	
Cash Funds	**FY 2009-10**
Local Government Severance Tax Fund	$50,327,796
Local Government Permanent Fund	14,305,697
Waste Tire Cleanup Fund	1,900,000
Processors and End Users of Waste Tires Cash Fund	500,000
Total	**$67,033,493**

❑ **H.B. 10-1386 (Ferrandino/White): Property Tax Exemption Program Fees.** Adjusts the filing fees for tax-exempt status applications on real and personal property to recover sufficient revenues to offset the Property Tax Exemption Program's direct and indirect expenditures in the Department of Local Affairs, thus relieving the necessity for fee revenue shortfalls to be backfilled with General Fund. The Property Tax Administrator is authorized to waive late filing fees for good cause shown. Reduces the General Fund appropriation to the Division of Property Taxation by $169,742 and increases the cash funds appropriation from the Property Tax Exemption Fund by $301,073 for FY 2010-11. The difference between the increased cash funds spending authority and the General Fund savings ($131,331) reflects the increased indirect cost assessment applied to the new cash fund revenue.

❑ **S.B. 09-208 (Tapia/Pommer): Augment FY 2008-09 General Fund Revenues.** Augments General Fund revenues for FY 2008-09 with $224.0 million in transfers from various cash funds, including $950,000 from the Local Government Limited Gaming Impact Fund.

❑ **S.B. 09-232 (Schwartz/McFadyen): State Financial Assistance for Local Government Construction.** Transfers $17.0 million from the Local Government Permanent Fund to the Local Government Mineral Impact Fund. Requires the entire transfer to be distributed by the Executive Director of the Department in accordance with purposes and priorities described in law, giving priority to the communities most directly and substantially impacted by production of energy resources on federal mineral lands.

❑ **S.B. 09-279 (Tapia/Pommer): Cash Fund Transfers to Augment the General Fund.** Augments General Fund revenues for FY 2008-09 and FY 2009-10 with transfers from various cash funds, including the following transfers from funds in this Department. Please reference the following table which exhibits impacted cash funds.

Cash Fund Transfers in S.B. 09-279		
Cash Funds	**FY 2008-09**	**FY 2009-10**
Local Government Mineral Impact Fund	$1,000,000	$22,600,000
Local Government Severance Tax Fund	7,500,000	
Home Investment Trust Fund	1,284,000	
Building Regulation Fund	1,101,349	
Waste Tire Cleanup Fund	500,000	
Waste Tire Recycling Development Cash Fund	150,000	
Moffat Tunnel Cash Fund	86,758	
Total	**$11,622,107**	**$22,600,000**

This act also included the following options for one-day transfers on June 30, 2009 to augment the General Fund if needed. These transfers were reversed back to the original funds on July 1, 2009.

June 30th, 2009 One-Day Cash Fund Transfers		
Cash Fund	**Maximum Amount**	**Actual July 1, 2009 Transfer**
Local Government Severance Tax Fund	$128,000,000	$109,633,992
Local Government Mineral Impact Fund	72,000,000	14,248,358
Total	**$200,000,000**	**$123,882,350**

❏ **S.B. 08-218 (Schwartz and Penry/Buescher and Balmer): Allocation of Federal Mineral Lease Revenues.** Increases the amount of federal mineral lease (FML) revenues allocated by the Department of Local Affairs (DOLA) to local governments through direct distribution and decreases the amount allocated through grants, resulting in a net increase in the total amount allocated by DOLA. Creates the Local Government Permanent Fund, consisting of 50 percent of FML revenues attributable to bonus payments. Allows the General Assembly to appropriate moneys from this new fund to DOLA under certain circumstances to prevent a decrease in the amount of formula-based direct distributions to counties and municipalities. Increases the cash funds appropriation from the Local Government Mineral Impact Fund to DOLA for FY 2008-09 for local government grants and disbursements by $6,900,000 to reflect the anticipated impact of the new FML allocation formula. Appropriated $16,292 reappropriated funds (which originate from the Local Government Mineral Impact Fund) and 0.3 FTE to DOLA for FY 2008-09 for establishing guidelines concerning the factors and weights to be used for direct distribution of FML revenues at the sub-county level.

❏ **S.B. 08-231 (Veiga/Vaad): Transfer of the Workforce Development Council.** Transfers the state Work Force Development Council from the Department of Local Affairs to the Department of Labor and Employment. Transferred the following FY 2008-09 appropriations from the Department of Local Affairs to the Department of Labor and Employment: $466,016 reappropriated funds (federal funds transferred from various state agencies) and 4.0 FTE for the Work Force Development Council; and $870,000 and 1.0 FTE (including $850,000 federal funds and $20,000 cash funds from donations) for Work Force Improvement Grants.

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APPENDIX C: UPDATE OF FY 2010-11
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

None.

Requests for Information

1 **All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2010, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2009-10. 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 2010-11.

Comment: Prior to FY 2008-09, this request for information has historically been submitted in the annual appropriations bill as a footnote and was repeatedly lined through by the Governor. However, the May 27, 2010 letter from the Governor to the JBC included the following in response to this request for information, "Due to the substantial resources and other department priorities, I am directing the departments to comply to the extent to which this information can be provided without adversely impacting the operation of the executive branch or the delivery of government services, by November 1, 2010." To date the Joint Budget Committee has not received a report pursuant to this request for information.

3 **Governor - Lieutenant Governor - State Planning and Budgeting, Office of State Planning and Budgeting; and Department of Local Affairs, Division of Emergency Management, Disaster Response and Recovery --** The Division of Emergency Management is requested to work with the Office of State Planning and Budgeting and provide an annual report to the Joint Budget Committee by November of each year concerning revenues credited to and expenditures made from the Disaster Emergency Fund in the previous fiscal year. The report is requested to include the following: (a) amounts authorized to be transferred to the Disaster Emergency Fund, by Executive Order and fund source; (b) amounts actually transferred to the Fund, by date and fund source; and (c) actual expenditures from the Fund, by date and declared disaster emergency.

Comment: The Office of the Governor furnished a report in response to this request for information dated November 5, 2010. As is shown in the following table, in FY 2009-10, there were two declared emergencies where $200,000 was authorized in one instance and no state moneys in the other instance for transfer into the Disaster Emergency Fund by executive order. To date the entire amount has been expended. The balance of the Disaster Emergency fund is $6,392,380 (as of October 14, 2010).

Authorized Transfers to the Disaster Emergency Fund in FY 2009-10					
Executive Order	**Nature of Disaster**	**Authorized Transfer**	**Total Expenses**	**Balance**	**Funding Source**
D 004 10 (3/8/10)	Glenwood Canyon Rock Slide	$0	$0	$0	Federal funds only.
D 005 09 (3/26/09)	Severe Statewide Blizzard	200,000	200,000	0	Disaster Emergency Fund
D 003 09 (1/16/09)	Wildfire Preparedness Plan	672	672	0	Wildfire Preparedness Fund carryover
D 001 07 (11/28/06)	Severe Winter Storm in Southern Colorado and El Paso County	626	626	0	Disaster Emergency Fund; remaining funds
Total		**$201,298**	**$201,298**	**$0**	

APPENDIX D: SEVERANCE TAX STRUCTURE

State severance tax revenues are generated based on the following statutory provisions as provided for in Article 29 of Title 39 of the Colorado Revised Statutes.

Extracted Material	Statutory Provisions
Oil & Natural Gas (§ 39-29-105, C.R.S.)	Sliding tax rate applied to gross income: - 2 percent under $25,000 - 3 percent between $25,000 and $100,000 - 4 percent between $100,000 and $300,000 - 5 percent above $300,000
	Exemptions: (1) stripper well exemption includes oil produced from any wells that produce 15 barrels or less per day or gas produced from wells that produce 90,000 cubic feet or less per day; (2) transportation, processing, and manufacturing expenses are deductible from gross income; and (3) 87.5 percent tax credit allowed for property taxes paid on oil and gas production (excluding personal property and stripper well production).
Oil Shale (§ 39-29-107, C.R.S.)	Sliding tax rate of 1 percent of gross income, increasing to 4 percent of gross income over a 4 year period at 1 percentage point per year.
	Exemption: first 15,000 tons/day of shale or 10,000 barrels/day of oil, whichever is greater, is tax exempt.
Coal (§ 39-29-106, C.R.S.)	$0.54 per ton. The statutory rate was designed to change with the producers' price index, but TABOR locked the current rate.
	Exemptions: (1) first 300,000 tons produced every quarter are tax exempt; (2) 50 percent credit for coal produced underground; and (3) an additional 50 percent credit for the production of lignitic coal.
Molybdenum (§ 39-29-104, C.R.S.)	$0.05 per ton of ore.
	Exemption: first 625,000 tons produced every quarter are tax exempt.
Metallic Minerals (§ 39-29-103, C.R.S.)	2.25 percent of gross income over $19,000,000.
	Exemption: 50 percent ad valorem tax credit on producing mines.

APPENDIX E: SEVERANCE TAX REVENUES
September 2010 Legislative Council Staff Economic and Revenue Forecast
(Thousands of Dollars)

Source	Actual FY 08-09	Prelim FY 09-10	Forecast FY 10-11	Forecast FY 11-12	Forecast FY 12-13
Oil and Gas	**$307,008**	**$28,410**	**$150,442**	**$169,604**	**$174,499**
Annual variance	*119.4%*	*(90.7%)*	*429.5%*	*12.7%*	*2.9%*
Coal	**$10,709**	**$6,262**	**$6,007**	**$6,117**	**$6,014**
Annual variance	*25.2%*	*(41.5%)*	*(4.1%)*	*1.8%*	*(1.7%)*
Molybdenum and Metallics	**$1,341**	**$1,409**	**$1,831**	**$1,667**	**$1,692**
Annual variance	*(59.2%)*	*5.0%*	*30.0%*	*(9.0%)*	*1.5%*
Total Severance Tax Revenue	**$319,058**	**$36,081**	**$158,280**	**$177,387**	**$182,204**
Annual variance	*110.3%*	*(88.7%)*	*338.7%*	*12.1%*	*2.7%*
Interest Earnings	$17,743	$12,167	$12,209	$15,798	$16,902
Annual variance	*(3.0%)*	*(31.4%)*	*0.3%*	*29.4%*	*7.0%*
Total Severance Tax Fund Revenue	**$336,801**	**$48,248**	**$170,489**	**$193,185**	**$199,106**
Annual variance	*98.1%*	*(85.7%)*	*253.4%*	*13.3%*	*3.1%*
50 percent to the Local Government Severance Tax Fund	**$168,400**	**$24,124**	**$85,245**	**$96,593**	**$99,553**
Annual Variance $	*83,398*	*(144,276)*	*61,121*	*11,348*	*2,960*
Annual Variance %	*98.1%*	*(85.7%)*	*253.4%*	*13.3%*	*3.1%*
Direct Distribution (30%)	**$50,520**	**$7,237**	**$25,573**	**$28,978**	**$29,866**
Grants and Loans (70%)	**$117,880**	**$16,887**	**$59,671**	**$67,615**	**$69,687**

APPENDIX F: FEDERAL MINERAL LEASE TAX REVENUES
September 2010 Legislative Council Staff Economic and Revenue Forecast
(Millions of Dollars)

	FY 08-09 actual	FY 09-10 prelim.	FY 10-11 estimate	FY 11-12 estimate	FY 12-13 estimate	Notes
Total FML Revenue	**$227.3**	**$122.5**	**$136.5**	**$150.7**	**$158.5**	FML moneys are received quarterly
Annual Variance	**48.0%**	**(46.1%)**	**11.5%**	**10.4%**	**5.2%**	Annual percentage change
Bonus	61.9	5.2	6.8	10.6	12.7	Fixed/Up-front Payments
Non-Bonus	165.4	117.2	129.7	140.1	145.8	Rents, Royalties, Earnings
Bonus Payments	**61.9**	**5.2**	**6.8**	**10.6**	**12.7**	Fixed/Up-front Payments
Local Government Permanent Fund	30.9	2.6	3.4	5.3	6.3	50% of Bonus Payments
Higher Ed Maint. & Reserve Fund	30.9	2.6	3.4	5.3	6.3	50% of Bonus Payments
Non-Bonus Payments	**148.0**	**117.2**	**129.7**	**140.1**	**145.8**	Rents, Royalties, Earnings
State Public School Fund	65.0	56.6	62.6	67.6	70.3	48.3% of Non-Bonus Payments[1]
Colorado Water Conservation Board	14.0	11.7	13.0	14.0	14.6	10% of Non-Bonus Payments[2]
DOLA Grants	33.1	23.4	25.9	28.0	29.2	20% of Non-Bonus Payments
DOLA Direct Distrib. to Counties/Muni.	33.1	23.4	25.9	28.0	29.2	20% of Non-Bonus Payments
DOLA Direct Distrib. to School Districts	2.8	2.0	2.2	2.4	2.5	1.7% of Non-Bonus Payments[3]
Spillover Payments	**17.4**	**0.0**	**0.0**	**0.0**	**0.0**	Moneys received above the statutory caps
Higher Ed FML Revenue Fund	17.4	0.0	0.0	0.0	0.0	From Non-Bonus spillover (cap: $50M)
Higher Ed Maint. & Reserve Fund	0.0	0.0	0.0	0.0	0.0	From the FML Revenue Fund after the cap of $50M is exceeded.

[1] Cap by fiscal year: $65M for FY 08-09 - FY 10-11, $67.6M for FY 11-12, and $70.3M for FY 12-13.

[2] Cap by fiscal year: $14M for FY 08-09, $14.6M for FY 09-10, $15.1M for FY 10-11, $15.7M for FY 11-12, and $16.4M for FY 12-13.

[3] Cap by fiscal year: $3.3M for FY 08-09, $3.4M for FY 09-10, $3.6M for FY 10-11, $3.7M for FY 11-12, and $3.9M for FY 12-13.

Appendix G: Cash Fund Transfers to the General Fund for Budget Balancing Purposes Since FY 2008-09

DOLA Cash Fund	FY 2008-09 Total	FY 2009-10 Total	FY 2010-11 House Bill 10-1388	FY 2010-11 *Proposed Transfer*	FY 2010-11 *Proposed Total*	FY 2011-12 *Proposed Total*	Transfer Total	*Proposed Transfer Total*
Local Government Severance Tax Fund	$7,500,000	$50,327,796	$10,000,000	*$60,000,000*	*$70,000,000*	*$27,000,000*	**$67,827,796**	***$154,827,796***
Local Government Mineral Impact Fund	1,000,000	22,600,000		*15,000,000*	*15,000,000*	*15,000,000*	**23,600,000**	***53,600,000***
Local Government Permanent Fund	0	14,305,697		*10,412,254*	*10,412,254*	*0*	**14,305,697**	***24,717,951***
Local Govt Limited Gaming Impact Fund	1,050,000	0			*0*	*0*	**1,050,000**	***1,050,000***
Other	3,035,349	2,400,000			*0*	*0*	**5,435,349**	***5,435,349***
Total	$12,585,349	$89,633,493	$10,000,000	*$85,412,254*	*$95,412,254*	*$42,000,000*	**$112,218,842**	***$239,631,096***