

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF BUDGET BRIEFING

DEPARTMENT OF LOCAL AFFAIRS

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

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**FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

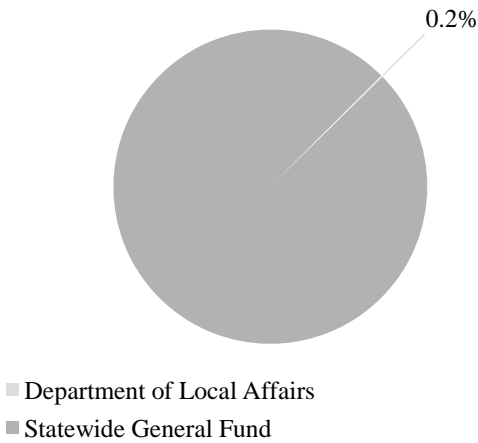
DEPARTMENT OF LOCAL AFFAIRS

Table of Contents

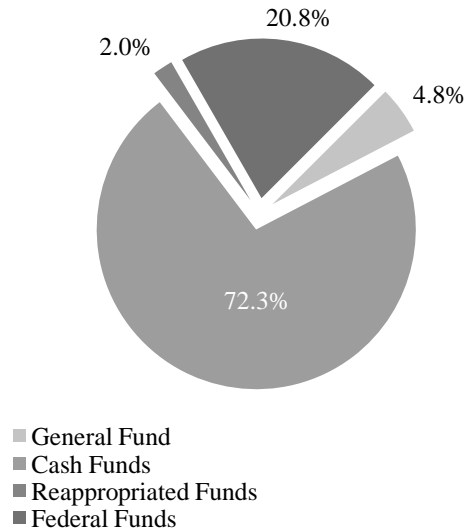
Graphic Overview	1
Department Overview	3
Decision Items	6
Overview of Numbers Pages	8
Issues:	
Changes to Federal Mineral Lease Revenue Distributions	10
Federal Response to the Effects of High Foreclosures	15
Appendices:	
A - Numbers Pages	18
B - Summary of Major Legislation from 2008 Legislative Session	36
C - Update on Long Bill Footnotes and Requests for Information	38
D - Flow Chart of Federal Mineral Lease Distributions	40

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs
GRAPHIC OVERVIEW**

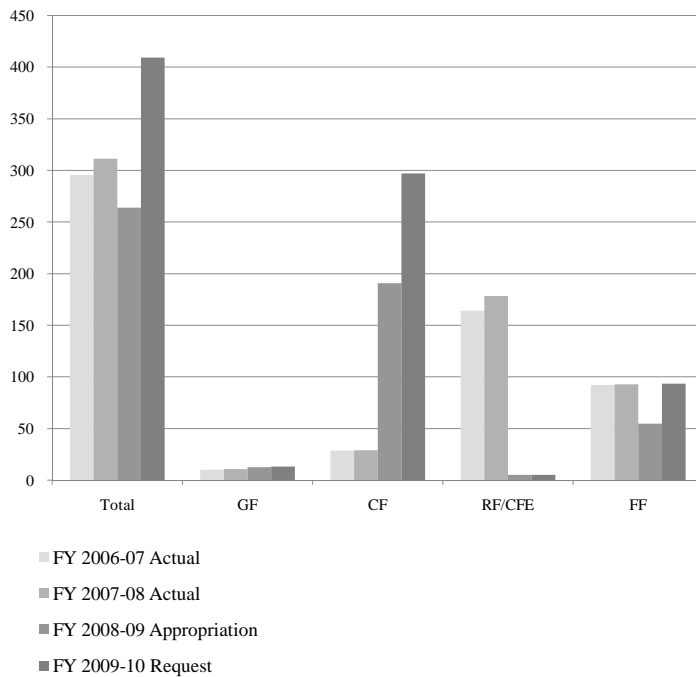
Department's Share of Statewide General Fund



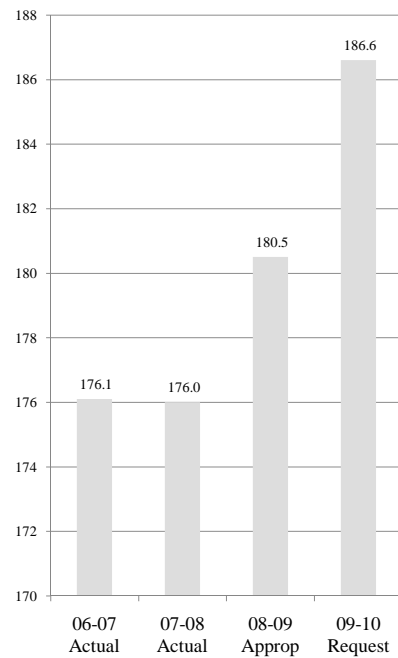
Department Funding Sources



**Budget History
(Millions of Dollars)**

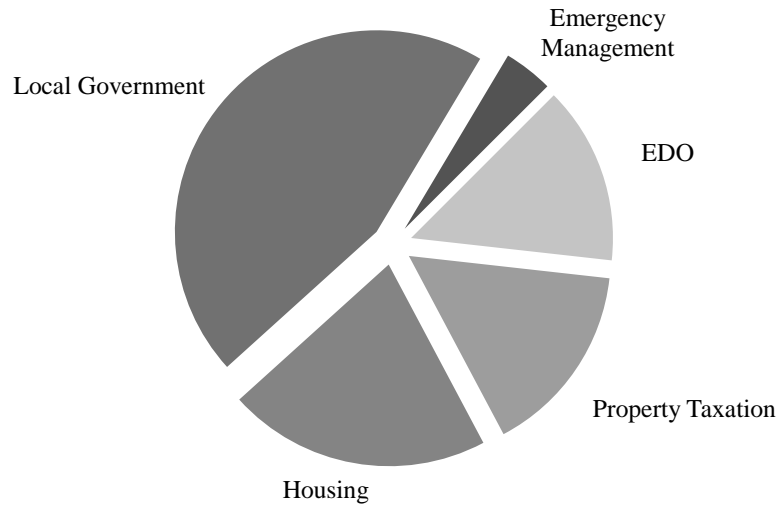


FTE History

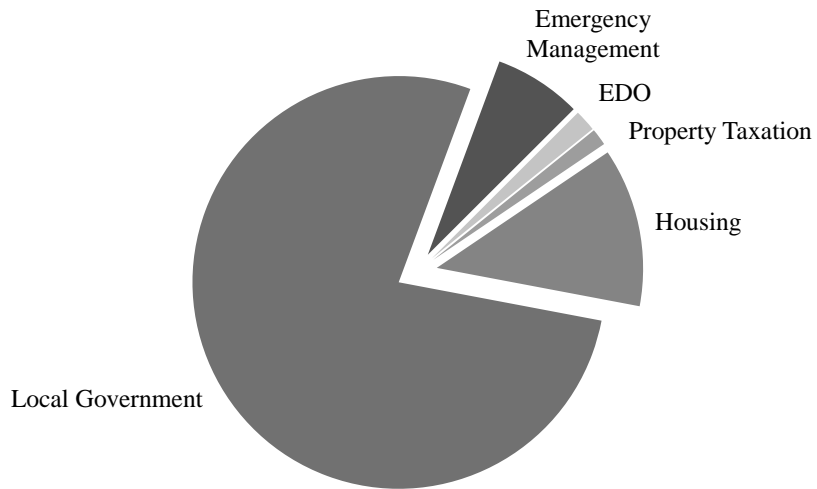


Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



**FY 2009-10 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 Affairs¹, 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; making grants related to waste tire recycling, reuse, and removal; 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 72.4 percent cash funds, 20.8 percent federal funds, 4.8 percent General Fund, and 2.0 percent reappropriated 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:

- ▶ *Local Government Mineral and Energy Impact Grants* - a portion of state severance tax revenues as well as federal mineral lease revenues distributed to local governments affected by mineral extraction activities;
- ▶ *Conservation Trust Fund Disbursements* - a portion of state lottery proceeds distributed to local entities on a formula basis for parks, recreation, and open space purposes;
- ▶ *Limited Gaming Impact Grants* - a portion of limited gaming tax revenues distributed to communities impacted by gaming activities; and
- ▶ *Waste Tire Recycling, Reuse, and Removal Grants* - a portion of waste tire fees distributed on a competitive basis to assist with conservation efforts.

Program expenditures fluctuate with changes in the revenue available from these various dedicated funding sources. 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 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Approp.	FY 2008-09 Estimated
Severance Tax	\$71.5	\$77.5	\$82.7	\$75.0	\$156.8
Federal Mineral Lease	27.9	40.6	51.0	50.9	83.8
Conservation Trust Fund	50.0	47.6	48.9	46.6	48.0
Limited Gaming Fund	5.8	6.9	6.5	7.2	7.1
Waste Tire Fees	2.9	2.3	3.1	3.0	4.0

Federal Funds

Federal funds comprise about one-fifth (\$54.9 million) of the Department of Local Affairs' FY 2008-09 appropriation. These federally-funded programs generally do not require state matching funds, and funding is provided at the discretion of federal authorities. Major on-going federal grants that are administered by this department are summarized in the following table.

Major On-going Federal Grants Administered by Department of Local Affairs (\$ millions)				
	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Approp.
HUD Section 8 rental assistance/1	17.1	16.6	17.0	17.2
Preparedness grants and training/2	59.1	37.7	35.5	10.5
HUD Affordable housing development/1	15.2	14.7	8.9	9.1
HUD Community Development Block Grants/1	8.1	9.1	6.7	6.8
Health and Human Services Community Services Block Grants/1	5.7	4.7	5.2	5.2
HUD Emergency Shelter Program/1	1.0	1.0	1.0	1.0

/1 Amounts exclude portions used for administration and overhead.

/2 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.

HUD refers to the Department of Housing and Urban Development

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1	70,874	0	0	218,862	289,736	3.9
<p>General Fund to Match Federal Pre-Disaster Mitigation Program Funds and FTE</p> <p>Executive Director's Office/Emergency Management. The department is requesting General Fund in a 3:1 federal to state match for FTE and operating expenses for the Pre-Disaster Mitigation (PDM) Program. The PDM program dedicates mitigation specialists to ensure Colorado communities develop mitigation approaches through planning and projects that protect citizens in the most effective manner possible. The Federal Emergency Management Administration (FEMA) will not distribute mitigation relief moneys to local governments or special districts unless they have an updated mitigation plan in place and approved by the Department prior to any qualifying disaster. The Department requires additional staff to accommodate the workload associated with assisting local governments and special districts with preparing local multi-hazard mitigation plans and is seeking to leverage a federal matching grant program in order to do so. The 0.9 FTE funded with General Fund will annualize to 1.0 FTE in FY 2010-11. <i>Statutory authority: Section 24-32-2101, C.R.S.</i></p>						
2	51,767	0	0	0	51,767	0.0
<p>Training and County Assistance for Property Taxation</p> <p>Property Taxation. The department is requesting an increase in General Fund to help further educate division staff in an effort to provide county assessment staff up-to-date training and guidance related to laws concerning the valuation and administration of real and personal property as well as training on various tools, theory, and techniques that these professionals apply that are continually being refined and changed. The request includes funding for staff to attend specialized training seminars, provide remote county training, and provide on-site county assistance. The department cites that there is significant turn-over in assessor staff at the county level, thus the need for training and assistance for county assessors and their staff is necessary to address these changes. <i>Statutory Authority: Sections 39-2-109 (1) (b) and 39-2-110, C.R.S.</i></p>						
NP-1	39,227	0	0	0	39,227	0.0
<p>State Fleet Variable Cost</p> <p>Executive Director's Office. The Department is requesting an increase to its Vehicle Lease Payments line item to accommodate increases in statewide vehicle variable costs including fuel, maintenance, and insurance (DPA, DI #1). <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i></p>						

Decision Item	GF	CF	RF	FF	Total	FTE
NP-2 Ombuds Program Increase Executive Director's Office. The Department is requesting an increase to its Workers' Compensation line item to accommodate increases in statewide expenses related to the Department of Personnel's Ombuds Program to mitigate certain state business risks related to employee concerns about issues in the workplace (DPA, DI #7). <i>Statutory authority: Section 24-50-604, C.R.S.</i>	48	2	2	0	52	
NP-3 Intentionally Left Blank	0	0	0	0	0	0.0
NP-4 Capitol Complex Leased Space Executive Director's Office. The Department is requesting an increase to its Capitol Complex Leased Space line item to accommodate statewide increases in state building leasing costs. Funding will be from federal grant awards. <i>Statutory authority: 24-1-125, C.R.S.</i>	0	0	0	2,642	2,642	0.0
NP-5 Postage Increase Department Operating Lines. The Department is requesting an increase to its various operating lines an increase to accommodate increases in postage rates (DPA, DI #5). Funding will be from various cash funded sources, General Fund, and from federal grants. <i>Statutory authority: Section 24-30-1104, C.R.S.</i>	4,327	643	873	2,224	8,067	0.0
NP-6 State Fleet Reconciliation Commissioner's Office. The Department is requesting an increase to its Vehicle Lease Payment line item to accommodate the replacement of fleet vehicles within the State Fleet Management Program (DPA, DI #8). <i>Statutory authority: Section 24-30-1117, C.R.S.</i>	13,880	0	3,318	0	17,198	0.0
Total	180,123	645	4,193	221,086	406,047	3.9

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$12.8	\$190.8	\$5.3	\$54.9	\$263.8	180.5
FY 2009-10 Request	13.2	297.1	5.3	93.4	409.1	186.6
Increase / (Decrease)	\$0.4	\$106.3	\$0.0	\$38.5	\$145.3	6.1
Percentage Change	3.4%	55.7%	0.8%	70.2%	55.1%	3.4%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total	FTE
Executive Director's Office						
Other Benefits	\$5,084	\$6,078	\$18,149	\$15,746	\$45,057	0.0
Moffat Tunnel Spend Auth.	0	44,486	0	0	44,486	0.0
Fleet Variable (NP-1)	39,227	0	0	0	39,227	0.0
Disaster Mitigation (DI #1)	4,726	0	0	14,177	18,903	0.0
Fleet Lease (NP-6)	13,880	0	3,318	0	17,198	0.0
Annualizations	2,684	0	4,799	3,693	11,176	0.0
Capitol Complex (NP-4)	0	0	0	2,642	2,642	0.0
Ombuds Program (NP-2)	48	2	2	0	52	0.0
Performance-based Pay	(92,714)	(18,125)	(26,488)	(47,488)	(184,815)	0.0
Salary Survey	<u>(65,219)</u>	<u>(27,450)</u>	<u>(38,002)</u>	<u>(54,215)</u>	<u>(184,886)</u>	<u>0.0</u>
Subtotal	(\$92,284)	\$4,991	(\$38,222)	(\$65,445)	(\$190,960)	0.0

Category	GF	CF	RF	FF	Total	FTE
Division of Property Taxation						
Assessor Training (DI #2)	\$51,761	\$0	\$0	\$0	\$51,761	0.0
Postage (NP-5)	<u>4,327</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,327</u>	<u>0.0</u>
Subtotal	\$56,088	\$0	\$0	\$0	\$56,088	0.0
Division of Housing						
Affordable Housing	\$0	\$0	\$0	\$36,232,661	\$36,232,661	0.0
Postage (NP-5)	0	643	0	1,025	1,668	0.0
Emergency Shelter Program	0	0	0	(43,987)	(43,987)	0.0
Annualizations	<u>(100,000)</u>	<u>(3,456)</u>	<u>0</u>	<u>0</u>	<u>(103,456)</u>	<u>0.0</u>
Subtotal	(\$100,000)	(\$2,813)	\$0	\$36,189,699	\$36,086,886	0.0
Division of Local Government						
Mineral/Energy Impacts Adj.	\$0	\$104,100,000	\$0	\$0	\$104,100,000	0.0
Conservation Trust Adj.	0	1,400,000	0	0	1,400,000	0.0
Waste Tire Fund Adj.	0	1,000,000	0	0	1,000,000	0.0
Community Services Block Grant	0	0	0	309,053	309,053	0.0
Vol. Firefighter Retirements*	257,760	0	0	0	257,760	0.0
Community Development Block Grant	0	0	0	230,024	230,024	0.0
Postage (NP-5)	0	0	873	0	873	0.0
Annualizations	0	0	(17,275)	0	(17,275)	0.0
Limited Gaming Adj.	0	(83,111)	0	0	(83,111)	0.0
United Health Rural Assistance	<u>0</u>	<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>(150,000)</u>	<u>0.0</u>
Subtotal	\$257,760	\$106,266,889	(\$16,402)	\$539,077	\$107,047,324	0.0
Division of Emergency Management						
Preparedness Grants Adj.	\$0	\$0	\$0	\$1,464,648	\$1,464,648	0.0
Disaster Mitigation (DI #1)	66,148	0	0	204,685	270,833	3.9
Postage (NP-5)	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,199</u>	<u>1,199</u>	<u>0.0</u>
Subtotal	\$66,148	\$0	\$0	\$1,670,532	\$1,736,680	3.9
Total Change	\$187,712	\$106,269,067	(\$54,624)	\$38,333,863	\$144,736,018	3.9

"Adj." is the estimated adjustment.

* General Fund Exempt

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Changes to Federal Mineral Lease Revenue Distributions

Senate Bill 08-218 modified the allocation of the state's portion of Federal Mineral Lease (FML) revenue, thus changing the amount of FML revenue that is available for the Energy and Mineral Impact Assistance Program for discretionary grants and direct distributions to counties.

SUMMARY:

- ❑ It has been the General Assembly's intention to set aside a portion of federal mineral lease revenues for use by local governments affected by natural resource development. Senate Bill 08-218 modified the allocation of FML payment revenue, affecting the funding of K-12 Education, water projects, higher education construction projects, and public projects for energy industry impacted areas of the state.
- ❑ Senate Bill 08-218 reduced the amount of FML moneys returned to local governments through the Energy and Mineral Impact Assistance Program however, increased the amount of FML moneys returned to local governments and school districts through direct distributions.

DISCUSSION:

Federal Mineral Lease Revenues. Private entities that want to extract mineral resources from federal lands pay a rental fee to occupy the space, and then a royalty fee once production begins, based on the value of the resource. They may also pay bonuses for the development rights, if there is competition from other companies. The federal government follows general standard principles in developing mineral leases, but each lease is individually negotiated. Under the Federal Mineral Leasing Act, 50 percent of these rentals, royalties, and bonuses (after federal administrative costs) are returned to the state of origin.

Federal mineral lease revenues are tied to the extraction of finite resources. When those resources are exhausted, the federal mineral lease revenues cease. Also, worldwide fluctuations in production and consumption can dramatically alter the value of production in Colorado, and thus the amount of federal mineral lease revenues. This makes the revenue source well suited for developing large balances that are then spent over time (this is how the Department manages the mineral and energy impact grant program), or balances that are held in reserve (such as in a TABOR reserve or a rainy day fund). Federal mineral lease revenues are considered exempt from TABOR for both the state and any locality receiving a grant.

Federal Mineral Leasing Revenue Distributions. The following table provides FML revenue distributions as estimated by Legislative Council Staff September 2008 Economic and Revenue Forecast. The compounded annual growth over this 10 year period is estimated to be 19.2 percent. Note the volatility of FML payment revenues.

Federal Mineral Leasing Revenue Distributions (10-yr Period)		
Fiscal Year	Distributions (\$ millions)	Annual Percent Change
2002-03	\$50.0	12.1%
2003-04	79.4	58.8%
2004-05	101.0	27.2%
2005-06	143.4	42.0%
2006-07	123.0	-14.2%
2007-08	153.6	24.9%
2008-09 est.	223.4	45.4%
2009-10 est.	300.9	34.7%
2010-11 est.	265.4	-11.8%
2011-12 est.	288.9	8.9%

The Energy and Mineral Impact Assistance Program was created in 1977 through legislation directing a portion of state severance tax and federal mineral lease funds be distributed by the Department of Local Affairs to "political subdivisions socially or economically impacted" by the development, processing, or energy conversion of minerals and mineral fuels. These funds are to be used by those local governments for "planning, construction, and maintenance of public facilities and for the provision of public services." The program is intended to assist communities impacted by the growth and the decline of mineral and energy industries.

Local Government Mineral and Energy Impact Grants and Disbursements. This line item, the largest single line item in the Department's budget and located in the Long Bill within the Division of Local Governments - Field Services subsection, combines two statutory programs for administrative efficiency and applicant convenience. In FY 2008-09, \$240.6 million is estimated to be available from state severance tax and federal mineral lease revenues. Of this amount, approximately \$156.8 million (65 percent) is expected to be from state severance tax and \$83.8 million (35 percent) is expected to be from federal mineral lease revenues.

Program Administration. 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 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.

Federal Mineral Lease Revenue Allocation Prior to S.B. 08-218. Prior to FY 2008-09, the FML revenue received from the federal government was allocated according to a complicated "cascade" formula. Between FY 2002-03 and FY 2006-07, the State Public School Fund received the largest amount of FML revenues, approximately 48.9 percent (\$264.4 million), followed next by DOLA Mineral and Energy Impact Assistance Grants (25.5 percent, \$138.0 million), and Colorado Water Conservation Board Construction Fund (10.0 percent, \$54.1 million). Please note that following table reflects calendar years.

Allocated Federal Mineral Lease Revenues CY 2003 to CY 2007 Prior to the Passage of S.B. 08-218 (\$ millions)							
Recipient	2003	2004	2005	2006	2007	Total	Pct
State Public School Fund	\$31.2	\$44.1	\$55.9	\$70.4	\$62.8	\$264.4	48.9%
DOLA Grants	13.0	21.7	29.6	39.4	34.3	138.0	25.5%
CWCB Construction Fund	6.3	9.0	11.5	14.4	12.9	54.1	10.0%
Counties	5.2	5.6	6.2	6.2	6.2	29.4	5.4%
DOLA Direct Distributions	1.2	2.7	4.1	5.9	5.0	18.9	3.5%
Municipalities	2.9	3.4	3.8	4.0	3.8	17.9	3.3%
School Districts	3.0	3.4	3.7	3.8	3.7	17.6	3.3%
Total	\$62.8	\$89.9	\$114.8	\$144.1	\$128.7	\$540.3	100.0%
Annual Growth Percent	~12.1%	43.2%	27.7%	25.5%	-10.7%	319.8%	n/a

Reallocation of Revenues by S.B. 08-218. Beginning July 1, 2008 this bill modified the allocation of the state's portion of federal mineral lease (FML) revenue in several ways. First, the bill segregates FML bonus payment revenue and provides for reallocation of these moneys. Second, the bill specifies the reallocation of non-bonus (rent and royalty) FML revenue. These reallocations are depicted in the flowchart in Appendix D, found on page 40 of this briefing document. Finally, the bill creates a new Higher Education FML Revenues Fund and a new Higher Education Maintenance and Reserve Fund, and specifies the uses of moneys in these funds.

Non-Bonus FML revenue consists of the state's share of royalty and rent payments, and any other non-bonus payment moneys resulting from FMLs granted by the federal government. It is estimated that non-bonus payments constitute 90 percent of the total state FML revenues (approximately \$270

million in FY 2009-10). The bill requires these moneys in the Mineral Leasing Fund be distributed quarterly to: (1) the State Public School Fund; (2) the Colorado Water Conservation Board Construction Fund; and (3) the Local Government Mineral Impact Fund. *The bill effectively reduces allocations from the Mineral Leasing Fund to the State Public School Fund and the CWCB Construction Fund, and uses the difference to transfer money to the newly created Higher Education FML Revenues Fund and the Higher Education Maintenance and Reserve Fund.* Specifically, the bill reallocates the state's non-bonus FML revenue as follows:

- ▶ *State Public School Fund.* This fund will receive 48.3 percent of this revenue, with a cap of \$65 million, to support K-12 education. Beginning in FY 2011-12, the amount transferred to this fund is permitted to grow by 4 percent annually. In FY 2009-10, the cap of \$65 million will likely be transferred to this fund.
- ▶ *Local Government Mineral Impact Fund.* This fund will receive 40.0 percent of this revenue, with no cap, to support impacted communities. This money is divided equally between DOLA direct distributions to impacted counties and DOLA grants. In FY 2009-10, it is estimated that \$108 million will be transferred to this fund.
- ▶ *Colorado Water Conservation Board Construction Fund.* This fund will receive 10.0 percent of this revenue, with a cap of \$14 million, to support water projects. The amount transferred to this fund is permitted to grow by 4 percent annually. In FY 2009-10, it is estimated that \$14.6 million will be transferred to this fund.
- ▶ *Local Government Mineral Impact Fund.* This fund will receive an additional 1.7 percent of this revenue, with a cap of \$3.3 million, to be distributed proportionately to counties that receive DOLA direct distributions, and allocated within the county among schools according to student enrollment. The amount transferred to this fund for this purpose is permitted to grow by 4 percent annually. In FY 2009-10, it is estimated that \$3.4 million will be transferred to this fund.

Bonus payments consist of the state's share of fixed, up-front payments to the federal government in consideration for granting a FML, regardless of the company's extent of use of that mineral interest. Bonus payments are fixed and certain in amount, and do not include any compensation that varies with production. It is estimated that bonus payments constitute 10 percent of the total state FML revenues (approximately \$30 million in FY 2009-10). The bill requires that these moneys be distributed quarterly, and divides them equally between the newly created Local Government Permanent Fund and the Higher Education Maintenance and Reserve Fund.

If, based on the Legislative Council's March forecast, the amount of money projected to be deposited into the permanent fund is 10 percent less than the amount deposited in the previous fiscal year, the bill allows the General Assembly to appropriate money from the permanent fund to the Department of Local Affairs (DOLA) for the current fiscal year. The bill caps the amount of money that may be appropriated at the difference between the previous years direct distributions to local governments and the current years projected direct distributions.

appropriated at the difference between the previous years direct distributions to local governments and the current years projected direct distributions.

Impact to DOLA. The bill directs moneys transferred to the Local Government Mineral Impact Fund to be split evenly between DOLA direct distributions and DOLA grants. The bill significantly changes the share of FML revenues that are allocated to impacted areas under each of these two mechanisms. Prior to S.B. 08-218, as a percentage of all FML revenue distributed in FY 2006-07, DOLA Grants accounted for one-fourth of all distributions, where as DOLA Direct Distributions accounted for only 4 percent. The bill equalized these two types of FML distributions.

- ▶ *Grant programs.* By changing the allocation formula for FML moneys and segregating bonus payments, **the bill reduced the money returned to local governments through DOLA grants.**
- ▶ *Direct Distributions to Local Governments and School Districts.* By changing the allocation formula for FML moneys, **the bill increased the money returned to local governments and school districts through direct distributions.**

Local Government Impact. In general, local governments will receive higher amounts of direct distributions and lower amounts of DOLA grants. In addition, the bill affects the allocation of FML moneys among affected counties. Direct distributions of FML revenue from DOLA to counties is now based on the following two factors: (1) the proportion of FML money derived from each county; and (2) the share of mineral industry employees living in each county. The weighting of the second factor may not exceed 35 percent and is based on employee residence reports filed by industry. Allocation of FML revenue at the local government level will depend on distribution of mineral industry employees, total population, and the share of county road miles in municipalities and unincorporated areas within the county.

Roan Plateau. On August 14, 2008, the federal Bureau of Land Management auctioned 55,000 acres on the Roan Plateau for mineral leasing and production. This acreage generated one-time bonus payments of about \$114 million, of which the state will receive \$56 million (49 percent). It should be noted that the amount collected from the auction was less than half of what was anticipated. Further, several protests have been filed regarding the auction and an outstanding lawsuit is seeking to overturn the results of the auction. As a result, receipt of this revenue is not expected until FY 2009-10.

One-time FML Reduction. Recent legislation passed by Congress and passed by President Bush reduced the state's share of FML revenue. Instead of receiving 50 percent of FML revenue, 2 percent of what Colorado would have received in FML revenue will be retained by the federal government. This effectively reduces the state's share from 50 to 49 percent over two years. Although the change in allocation was only effective for the federal FY 2007-08 (October 1, 2007 - September 30, 2008), the federal calendar bridges and impacts two state fiscal years, FY 2007-08 and FY 2008-09.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Federal Response to the Effects of High Foreclosures

The federal government made available to the states emergency assistance to address the effects of high foreclosures. Colorado will receive \$53.1 million in assistance to mitigate impacts of high foreclosures in the state.

SUMMARY:

- In late September 2008, the federal government made available emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.
- The Department anticipates receipt of the emergency assistance in January and is currently formalizing an implementation plan which will be submitted to the Department of Housing and Urban Development by December 1, 2008.

DISCUSSION:

Federal Response to Foreclosures. In late September 2008, the U.S. Housing and Urban Development (HUD) Secretary allocated \$3.92 billion to all states and particularly hard-hit areas in an effort to respond to the effects of high foreclosures. Named the *Neighborhood Stabilization Program (NSP)*, this initiative will provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The NSP provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The program is authorized under Title III of the Housing and Economic Recovery Act of 2008 which became law on July 30, 2008.

How these Moneys can be Used. This funding is intended to stabilize neighborhoods. To do this, State and local governments can: (1) buy abandoned or foreclosed homes; (2) redevelop demolished or vacant properties; (3) demolish or rehabilitate abandoned, foreclosed or blighted properties; (4) offer down payment and closing cost assistance to low- to moderate-income homebuyers; and (5) reuse properties for affordable rental housing. In addition, these grantees can create “land banks” to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of property.

NSP Allocation to Colorado. Colorado received \$53.1 million as a part of the HUD Neighborhood Stabilization Program allocation. The state received the 19th greatest award, or 1.4 percent of the total \$3.92 billion available for grants related to this program. For perspective on how much this relates to what other states received, Florida (\$541.4 million), California (\$529.6 million), Michigan (\$263.6 million), and Ohio (\$258.1 million) received 40.6 percent of the total allocation. Congress intended this funding to go to areas of greatest need based on the number and percent of foreclosures, as well as subprime-related mortgages, delinquencies, and defaults. Congress stipulated that each state receive a minimum of \$19.6 million, however many states received significantly more than this mandatory minimum.

Program Requirements. There are no matching requirements however, 25 percent of funds must benefit those earning less than 50 percent of the Average Median Income (AMI) of the locality receiving the funds and these funds may not be used to benefit those with AMI above 120 percent. Further, NSP funds must be expended within 18 months of receipt, however any moneys earned on the grants received can be reinvested over a five year period ending July 30, 2013. Any properties that are purchased cannot be held longer than 10 years (land banking) and families purchasing the properties must undergo a minimum of 8 hours of home ownership counseling. HUD strongly encourages green building and energy efficient improvements in all NSP activities and long-term affordability.

Funding Formula. The statute calls for allocating NSP funds based on the number and percent of foreclosures, subprime loans, and loans delinquent or in default. HUD developed its funding allocation model based primarily on data collected by the Mortgage Bankers Association National Delinquency Survey (MBA-NDS), and supplemented this survey with an assortment of other data sources. The statewide allocation is calculated using the following weight-based formula:

National Stabilization Plan Funding Formula	
Formula Variables	Percent of Distribution Weighting
Number and percent of state foreclosures started in last 6 quarters	70%
State's number of subprime loans	15%
State's number of loans in default	10%
State's number of loans 60-89 days delinquent	5%

The higher formulaic weighting placed on foreclosures is based on the emphasis the statute places on targeting foreclosed homes.

Federal NSP Allocation Methodology. The initial grantee universe is comprised of the 1,201 state and local governments currently funded in federal FY 2008 under the regular Community Development Block Grant (CDBG) formula. However, if a local government receives an allocation based on their relative need of less than \$2 million, its allocation amount is rolled up into the state government grant. Of the 1,201 eligible state and local governments, 308 grants were made to states and local governments. In Colorado, five grants were allocated as shown in the following table.

Neighborhood Stabilization Program -- Grant Allocations to Colorado	
Grantee	NSP Grant Amount
State Program (all grants < \$2.0 million) ¹	\$34,013,566
City of Denver	6,060,170
Adams County	4,600,211
City of Aurora	4,474,097
City of Colorado Springs	3,904,989
Total	\$53,053,033

¹ Reflects the amount to be administered by DOLA.

What is Being Done in Colorado. Colorado is still finalizing its plan that will be submitted to the Department of Housing and Urban Development. However, the plan is targeting areas with the greatest need, per the spirit of the federal legislation. The Department understands that different strategies are necessary for different neighborhoods. Thus, the Department will seek to combine and leverage all state- and federally-based resources currently available, to better leverage all funding, enabling the Department to assist more local governments (e.g., HOME grants, Community Development Block Grant, Mineral and Energy Impact Assistance Grants, and Private Activity Bonds). The Department is also heavily collaborating with other state recipients including Adams County and the cities of Aurora and Colorado Springs and has begun initiating requests for proposals from realtors, appraisers, title companies, inspection companies, commercial lenders, community development financing institutions, and other professionals to implement the legislation.

Estimated Impact of the NSP Grant. The Department provided staff an analysis of how much impact that these federal moneys will have on the foreclosure problem in Colorado. Due to the availability of data, the analysis *example* was specific to Denver. The Department anticipates that 133 properties (\$30.6 million divided by the average purchase price of a home of \$230,000) will be rehabilitated and rented within the 18 month implementation period. Of an estimated pool of 12,000 foreclosures, the 133 properties in the program will have a **net impact of 1.1 percent**. Based on an estimated two percent annual appreciation on the value of these properties through July 30, 2013, the Department estimates a value gain of \$18,900 on each property in the program, or a net increase of \$2.5 million in long-term affordability that will be gained as a result of the NSP investment. The state must then determine how that net gain in value (current market value less the NSP grant award) is distributed when it must divest of all properties, pursuant to federal law. The Department will require guidance about whether there should be a lottery for people to have the opportunity to purchase these refurbished and renovated properties at the discounted (original) purchase price or provide non-profits with the first right of refusal. *These are policy issues which will need to be determined.*

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 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: Local Government Severance Tax Fund, the Local Government Mineral Impact Fund, indirect cost recoveries, and transfers from other agencies.					
Personal Services	1,069,059	1,209,880	1,155,424	1,207,606	
FTE	<u>12.3</u>	<u>12.0</u>	<u>13.2</u>	<u>13.2</u>	
General Fund	88,718	109,761	40,513	118,378	
FTE	0.0	0.0	0.5	0.5	
Cash Funds	0	0	0	(13,544)	
Reappropriated Funds/Cash Funds Exempt	980,341	1,100,119	1,114,911	1,085,477	
FTE	12.3	12.0	12.7	12.7	
Federal Funds	0	0	0	17,295	
Group Health and Life a/	<u>712,596</u>	<u>812,957</u>	<u>1,075,731</u>	<u>1,023,585</u>	
General Fund	336,564	409,854	562,973	535,683	
Cash Funds	94,164	74,727	139,277	132,526	
Reappropriated Funds/Cash Funds Exempt	95,208	121,956	172,119	163,776	
Federal Funds	186,660	206,420	201,362	191,600	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Short-term Disability a/	<u>11,787</u>	<u>14,996</u>	<u>15,738</u>	<u>15,286</u>	
General Fund	4,813	5,823	5,241	5,091	
Cash Funds	1,489	1,892	2,129	2,068	
Reappropriated Funds/Cash Funds Exempt	2,409	3,688	4,238	4,116	
Federal Funds	3,076	3,593	4,130	4,011	
S.B. 04-257 Amoritization Equalization	<u>76,458</u>	<u>84,649</u>	<u>193,694</u>	<u>235,165</u>	
General Fund	30,171	31,727	64,510	78,322	
Cash Funds	9,886	10,916	26,498	32,171	
Reappropriated Funds/Cash Funds Exempt	15,987	21,279	51,858	62,961	
Federal Funds	20,414	20,727	50,828	61,711	
S.B. 06-235 Supplemental Amortization Equalization					
Disbursements	<u>0</u>	<u>26,972</u>	<u>90,794</u>	<u>146,978</u>	
General Fund	0	9,331	30,239	48,951	
Cash Funds	0	3,639	11,663	18,880	
Reappropriated Funds/Cash Funds Exempt	0	7,093	25,066	40,577	
Federal Funds	0	6,909	23,826	38,570	
Salary Survey and Senior Executive Service a/	<u>337,986</u>	<u>394,702</u>	<u>458,469</u>	<u>273,583</u>	
General Fund	134,347	162,699	161,726	96,507	
Cash Funds	28,771	41,173	68,068	40,618	
Reappropriated Funds/Cash Funds Exempt	69,202	68,139	94,235	56,233	
Federal Funds	105,666	122,691	134,440	80,225	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Performance-based Pay	<u>0</u>	<u>181,676</u>	<u>184,590</u>	<u>0</u>	
General Fund	0	89,507	92,714	0	
Cash Funds	0	12,348	18,125	0	
Reappropriated Funds/Cash Funds Exempt	0	30,195	26,488	0	
Federal Funds	0	49,626	47,263	0	
Workers' Compensation	<u>35,025</u>	<u>26,710</u>	<u>34,064</u>	<u>34,116</u>	
General Fund	32,578	24,842	31,674	31,722	NP2 -- Ombuds Program
Cash Funds	1,033	797	1,073	1,075	
Reappropriated Funds/Cash Funds Exempt	1,414	1,071	1,317	1,319	
Operating Expenses	<u>137,560</u>	<u>154,977</u>	<u>144,175</u>	<u>183,402</u>	
General Fund	0	0	132,413	171,640	NP1 -- Fleet Variable
Reappropriated Funds/Cash Funds Exempt	129,962	130,309	0	0	
Federal Funds	7,598	24,668	11,762	11,762	
Legal Services	<u>114,740</u>	<u>138,349</u>	<u>134,429</u>	<u>134,429</u>	
General Fund	109,987	116,901	121,970	121,970	
Cash Funds	2,032	3,882	6,312	6,312	
Reappropriated Funds/Cash Funds Exempt	1,134	1,381	1,268	1,268	
Federal Funds	1,587	16,185	4,879	4,879	
<i>Hours</i>	<i>1,694.8</i>	<i>1,920.7</i>	<i>1,790.0</i>	<i>1,790.0</i>	
Purchase of Services from Computer Center - GF	397	2,420	40,303	40,303	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Multi-use Network Payments	<u>72,905</u>	<u>65,532</u>	<u>67,409</u>	<u>67,409</u>	
General Fund	40,920	36,782	37,835	37,835	
Cash Funds	2,955	2,657	3,241	3,241	
Reappropriated Funds/Cash Funds Exempt	5,718	5,139	4,777	4,777	
Federal Funds	23,312	20,954	21,556	21,556	
Payment to Risk Management and Property Funds	<u>36,287</u>	<u>13,330</u>	<u>17,928</u>	<u>17,928</u>	
General Fund	33,766	12,394	16,673	16,673	
Cash Funds	2,322	776	1,122	1,122	
Reappropriated Funds/Cash Funds Exempt	199	160	133	133	
Vehicle Lease Payments	<u>60,105</u>	<u>69,361</u>	<u>95,937</u>	<u>124,641</u>	
General Fund	51,481	61,045	77,430	93,036	DI #1 -- Disaster Mitigation
Reappropriated Funds/Cash Funds Exempt	8,624	8,316	18,507	26,428	
Federal Funds	0	0	0	5,177	DI #1 -- Disaster Mitigation
Information Technology Asset Maintenance	<u>107,731</u>	<u>134,012</u>	<u>104,793</u>	<u>104,793</u>	
General Fund	29,913	29,913	29,913	29,913	
Cash Funds	10,364	10,364	13,049	13,049	
Reappropriated Funds/Cash Funds Exempt	40,192	40,192	37,507	37,507	
Federal Funds	27,262	53,543	24,324	24,324	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Capitol Complex Leased Space	<u>421,347</u>	<u>475,931</u>	<u>473,484</u>	<u>476,126</u>	
General Fund	294,864	345,070	346,132	346,132	
Cash Funds	14,881	17,309	24,391	24,391	
Reappropriated Funds/Cash Funds Exempt	55,789	61,801	55,408	55,408	
Federal Funds	55,813	51,751	47,553	50,195	NP4 -- Leased Space Increase
<i>Square Feet</i>	<i>53,770.0</i>		<i>53,770.0</i>		
Leased Space	<u>56,320</u>	<u>80,849</u>	<u>80,988</u>	<u>99,561</u>	
General Fund	16,065	16,800	16,692	22,376	DI #1 -- Disaster Mitigation
Reappropriated Funds/Cash Funds Exempt	12,095	12,830	12,430	12,626	
Federal Funds	28,160	51,219	51,866	64,559	DI #1 -- Disaster Mitigation
Communication Services Payments	<u>21,871</u>	<u>26,606</u>	<u>27,788</u>	<u>27,788</u>	
General Fund	10,935	13,303	13,894	13,894	
Federal Funds	10,936	13,303	13,894	13,894	
Moffat Tunnel Improvement District - CF	27,172	13	92,958	137,444	
Workforce Development Council [Transferred to DOL	347,178	397,567	0 a/	0	
FTE	<u>3.9</u>	<u>3.8</u>	<u>0.0</u>	<u>0.0</u>	
Reappropriated Funds/Cash Funds Exempt	347,178	397,567	0	0	
FTE	3.9	3.8	0.0	0.0	
Federal Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Workforce Improvement Grants [Transferred to DOLI	1,864,826	2,995,301	0 a/	0	
FTE	<u>0.6</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	
Reappropriated Funds/Cash Funds Exempt	0	0	0	0	
Federal Funds	1,864,826	2,995,301	0	0	
FTE	0.6	1.0	0.0	0.0	
					<i>Request v. Approp.</i>
(1) SUBTOTAL - EXECUTIVE DIRECTOR'S					
OFFICE	5,511,350	7,306,790	4,488,696	4,350,143	-3.1%
FTE	<u>16.8</u>	<u>16.8</u>	<u>13.2</u>	<u>13.2</u>	<u>0.0%</u>
General Fund	1,215,519	1,478,172	1,822,845	1,808,426	-0.8%
FTE	0.0	0.0	0.5	0.5	0.0%
Cash Funds	195,069	180,493	407,906	399,353	-2.1%
Reappropriated Funds/Cash Funds Exempt	1,765,452	2,011,235	1,620,262	1,552,606	-4.2%
FTE	16.2	15.8	12.7	12.7	0.0%
Federal Funds	2,335,310	3,636,890	637,683	589,758	-7.5%
FTE	0.6	1.0	0.0	0.0	n/a

a/ The Workforce Development Council and its associated grant moneys were transferred to the Department of Labor and Employment, pursuant to S.B. 08-231

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 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 Local Government Severance Tax Fund, the Local Government Mineral Impact Fund, and indirect cost recoveries.					
Property Taxation	2,585,756	2,935,030	2,729,557	2,896,906	
FTE	<u>35.8</u>	<u>36.4</u>	<u>38.5</u>	<u>38.5</u>	
General Fund	1,254,573	1,416,586	1,305,288	1,408,357	DI #2 -- Assessor Training NP5 -- Postage
FTE	15.7	15.7	15.7	15.7	
Cash Funds	640,272	684,846	672,172	704,767	
FTE	10.0	11.1	11.1	11.1	
Reappropriated Funds/Cash Funds Exempt	690,911	833,598	752,097	783,782	
FTE	10.1	9.6	11.7	11.7	
State Board of Equalization - GF	12,856	12,856	12,856	12,856	
Board of Assessment Appeals	618,894	753,463	659,199	683,148	NP5 -- Postage
FTE	<u>14.5</u>	<u>14.8</u>	<u>15.0</u>	<u>15.0</u>	
General Fund	369,858	725,928	659,199	683,148	
FTE	8.7	14.3	15.0	15.0	
Reappropriated Funds/Cash Funds Exempt	249,036	27,535	0	0	
FTE	5.8	0.5	0.0	0.0	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Requests
Indirect Cost Assessment - RF	100,872	81,480	66,718	66,718	
					<i>Request v. Approp.</i>
(2) SUBTOTAL - PROPERTY TAXATION	3,318,378	3,782,829	3,468,330	3,659,628	5.5%
FTE	<u>50.3</u>	<u>51.2</u>	<u>53.5</u>	<u>53.5</u>	<u>0.0%</u>
General Fund	1,637,287	2,155,370	1,977,343	2,104,361	6.4%
FTE	24.4	30.0	30.7	30.7	0.0%
Cash Funds	640,272	684,846	672,172	704,767	4.8%
FTE	10.0	11.1	11.1	11.1	0.0%
Reappropriated Funds/Cash Funds Exempt	1,040,819	942,613	818,815	850,500	3.9%
FTE	15.9	10.1	11.7	11.7	0.0%

(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. Includes funding for foreclosure prevention. Significant Reappropriated Funds sources include: the Local Government Severance Tax Fund and the Local Tax Fund, and the Local Government Mineral Impact Fund.

(A) Administration

Personal Services	1,683,452	1,886,039	1,405,336	1,496,416	
FTE	<u>25.0</u>	<u>24.2</u>	<u>22.1</u>	<u>23.3</u>	
General Fund	299,150	364,445	341,403	373,494	
FTE	4.6	4.6	4.6	4.6	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Cash Funds	74,269	78,750	76,917	77,454	
FTE	0.9	0.9	0.9	0.9	
Reappropriated Funds/Cash Funds Exempt	120,728	150,066	144,997	153,805	
FTE	1.7	1.2	1.7	1.7	
Federal Funds	1,189,305	1,292,778	842,019	891,663	
FTE	17.8	17.5	14.9	16.1	
Operating Expenses	<u>273,700</u>	<u>258,672</u>	<u>323,903</u>	<u>324,928</u>	
General Fund	25,903	25,903	25,903	25,903	
Federal Funds	247,797	232,769	298,000	299,025	NP5 -- Postage
Manufactured Buildings Program - CF	753,772	1,085,481	1,168,644	1,199,423	NP5 -- Postage
FTE	9.7	9.9	11.7	11.7	
Colorado Affordable Housing Construction Grants & Loans - GF	1,100,000	1,223,324	2,225,000	2,225,000	
Federal Affordable Housing Construction Grants & Loans - FF	14,665,888	16,057,995	9,058,270	45,290,930	
Emergency Shelter Program - FF	968,312	979,637	967,363	923,376	
Private Activity Bond Allocation Committee - CF	2,500	2,500	2,500	2,500	
Low Income Rental Subsidies - FF	16,587,106	18,001,706	17,193,000	17,193,000	
Foreclosure Prevention Grant Fund - GF	0	0	100,000	0	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Foreclosure Prevention Grants - Reappropriated Funds	0	0	100,000	100,000	
Indirect Cost Assessment	<u>381,964</u>	<u>472,174</u>	<u>311,917</u>	<u>311,917</u>	
Cash Funds	149,320	160,786	134,113	134,113	
Reappropriated Funds/Cash Funds Exempt	41,662	31,996	23,542	23,542	
Federal Funds	190,982	279,392	154,262	154,262	
					<i>Request v. Approp.</i>
(3) SUBTOTAL - DIVISION OF HOUSING	36,416,694	39,967,528	32,855,933	69,067,490	110.2%
FTE	<u>34.7</u>	<u>34.1</u>	<u>33.8</u>	<u>35.0</u>	<u>3.6%</u>
General Fund	1,425,053	1,613,672	2,692,306	2,624,397	-2.5%
FTE	4.6	4.6	4.6	4.6	0.0%
Cash Funds	979,861	1,327,517	1,382,174	1,413,490	2.3%
FTE	10.6	10.8	12.6	12.6	0.0%
Reappropriated Funds/Cash Funds Exempt	162,390	182,062	268,539	277,347	3.3%
FTE	1.7	1.2	1.7	1.7	0.0%
Federal Funds	33,849,390	36,844,277	28,512,914	64,752,256	127.1%
FTE	17.8	17.5	14.9	16.1	8.1%

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Requests
(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; and assists local, state, and private organizations in disaster preparedness, response, recovery, and impact mitigation. Cash funds are predominantly from waste tire recycling fees and the Local Government Severance Tax Fund. Cash funds exempt are from reserves in the Local Government Severance Tax Fund, the Limited Gaming Fund, and the State Lottery Fund.)					
(A) Local Government and Community Services					
(1) Administration					
Personal Services	1,440,760	1,665,573	1,550,534	1,613,440	
FTE	<u>19.0</u>	<u>19.0</u>	<u>20.4</u>	<u>20.4</u>	
General Fund	821,162	951,543	874,844	909,715	
FTE	10.3	10.3	10.3	10.3	
Reappropriated Funds/Cash Funds Exempt	469,512	509,700	494,953	513,238	
FTE	6.8	6.4	7.0	7.0	
Federal Funds	150,086	204,330	180,737	190,487	
FTE	1.9	2.3	3.1	3.1	
Operating Expenses	<u>88,500</u>	<u>93,818</u>	<u>131,351</u>	<u>131,351</u>	
General Fund	42,178	42,178	42,178	42,178	
Reappropriated Funds/Cash Funds Exempt	25,145	25,146	25,146	25,146	
Federal Funds	21,177	26,494	64,027	64,027	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
(2) Local Government Services					
Local Utility Management Assistance - CF	144,799	162,399	151,817	157,705	
FTE	2.0	2.0	2.0	2.0	
Conservation Trust Fund Disbursements - CF	47,381,119	48,617,599	46,600,000	48,000,000	
FTE	1.9	2.0	2.0	2.0	
Volunteer Firefighter Retirement Plans - GF	3,946,667	4,025,790	4,163,651	4,421,411	
†GF: General Fund Exempt Account	3,665,842	3,736,480	4,163,651	4,421,411	
Volunteer Firefighter Death and Disability Insurance - GF	30,000	30,000	30,000	30,000	
†GF: General Fund Exempt Account	30,000	30,000	30,000	30,000	
Environmental Protection Agency Water/Sewer File Project - FF	49,549	45,747	50,000	50,000	
FTE	0.5	0.5	0.5	0.5	
Federal Disability Program Navigator - FF	1,028,922	0	0	0	
FTE	2.8	0.0	0.0	0.0	
United Health Rural Health Care Grants - CF	524,566	475,434	150,000	0	
(3) Community Services					
Community Services Block Grant - FF	4,742,824	4,995,123	5,190,947	5,500,000	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
(4) Waste Tire Fund					
Waste Tire Recycling, Reuse and Removal Grants	2,990,928	3,226,344	3,000,000	4,000,000	
FTE	<u>0.5</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	
Cash Funds	2,535,170	3,226,344	3,000,000	4,000,000	
FTE	0.5	0.7	0.7	0.7	
Reappropriated Funds/Cash Funds Exempt	455,758	0	0	0	
					<i>Request v. Approp.</i>
Subtotal: (A) Local Government and Community					
Services	62,368,634	63,337,827	61,018,300	63,903,907	4.7%
FTE	<u>26.7</u>	<u>24.2</u>	<u>25.6</u>	<u>25.6</u>	0.0%
General Fund	4,840,007	5,049,511	5,110,673	5,403,304	5.7%
FTE	10.3	10.3	10.3	10.3	0.0%
Cash Funds	50,585,654	52,481,776	49,901,817	52,157,705	4.5%
FTE	4.4	4.7	4.7	4.7	0.0%
Reappropriated Funds/Cash Funds Exempt	950,415	534,846	520,099	538,384	3.5%
FTE	6.8	6.4	7.0	7.0	0.0%
Federal Funds	5,992,558	5,271,694	5,485,711	5,804,514	5.8%
FTE	5.2	2.8	3.6	3.6	0.0%
†General Fund Exempt Account	3,695,842	3,766,480	4,193,651	4,451,411	6.1%
(B) Field Services					
Program Costs	2,053,880	2,230,882	2,327,999	2,440,035	
FTE	<u>21.2</u>	<u>20.6</u>	<u>28.6</u>	<u>28.6</u>	
General Fund	465,704	546,085	473,264	502,137	
FTE	5.2	5.2	4.9	4.9	
Cash Funds	0	0	97,308	107,264	
FTE	0.0	0.0	1.0	1.0	
Reappropriated Funds/Cash Funds Exempt	1,185,864	1,336,885	1,436,816	1,485,518	NP5 -- Postage
FTE	12.4	12.8	17.8	17.8	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Federal Funds	402,312	347,912	320,611	345,116	
FTE	3.6	2.6	4.9	4.9	
Community Development Block Grant (Business and Infrastructure Development) - FF	9,059,705	8,019,941	6,818,995	7,049,019	
Local Government Mineral and Energy Impact Grants and Disbursements	<u>119,764,475</u>	<u>140,619,011</u>	<u>125,900,000</u>	<u>230,000,000</u>	
Cash Funds	23,100,000	23,100,000	125,900,000	230,000,000	
Reappropriated Funds/Cash Funds Exempt	96,664,475	117,519,011	0	0	
Local Government Limited Gaming Impact Grants -	6,381,333	5,342,950	7,183,111	7,100,000	
Search and Rescue Program	460,290	447,908	615,000	615,000	
FTE	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	
Cash Funds	437,589	447,908	615,000	615,000	
FTE	1.3	1.3	1.3	1.3	
Reappropriated Funds/Cash Funds Exempt	22,701	0	0	0	
Colorado Heritage Communities Grant Fund - GF	200,000	200,000	200,000	200,000	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Requests
Colorado Heritage Communities Grants - Reappropriated Funds/Cash Funds Exempt	200,000	200,000	200,000	200,000	
					<i>Request v. Approp.</i>
Subtotal: (B) Field Services	138,119,683	157,060,692	143,245,105	247,604,054	72.9%
FTE	<u>22.5</u>	<u>21.9</u>	<u>29.9</u>	<u>29.9</u>	<u>0.0%</u>
General Fund	665,704	746,085	673,264	702,137	4.3%
FTE	5.2	5.2	4.9	4.9	0.0%
Cash Funds	29,918,922	28,890,858	133,795,419	237,822,264	77.8%
FTE	1.3	1.3	2.3	2.3	0.0%
Reappropriated Funds/Cash Funds Exempt	98,073,040	119,055,896	1,636,816	1,685,518	3.0%
FTE	12.4	12.8	17.8	17.8	0.0%
Federal Funds	9,462,017	8,367,853	7,139,606	7,394,135	3.6%
FTE	3.6	2.6	4.9	4.9	0.0%
(C) Indirect Cost Assessment	<u>727,821</u>	<u>483,787</u>	<u>610,467</u>	<u>610,467</u>	
Cash Funds	67,201	50,134	125,645	125,645	
Reappropriated Funds/Cash Funds Exempt	490,482	337,349	353,397	353,397	
Federal Funds	170,138	96,304	131,425	131,425	

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
					<i>Request v. Approp.</i>
(4) SUBTOTAL - DIVISION OF LOCAL GOVERNMENT	201,216,138	220,882,306	204,873,872	312,118,428	52.3%
FTE	<u>49.2</u>	<u>46.1</u>	<u>55.5</u>	<u>55.5</u>	<u>0.0%</u>
General Fund	5,505,711	5,795,596	5,783,937	6,105,441	5.6%
FTE	15.5	15.5	15.2	15.2	0.0%
Cash Funds	80,571,777	81,422,768	183,822,881	290,105,614	57.8%
FTE	5.7	6.0	7.0	7.0	0.0%
Reappropriated Funds/Cash Funds Exempt	99,513,937	119,928,091	2,510,312	2,577,299	2.7%
FTE	19.2	19.2	24.8	24.8	0.0%
Federal Funds	15,624,713	13,735,851	12,756,742	13,330,074	4.5%
FTE	8.8	5.4	8.5	8.5	0.0%
†General Fund Exempt Account	3,695,842	3,766,480	4,193,651	4,451,411	
(5) Division of Emergency Management					
Administration	3,259,931	3,191,974	2,444,957	2,806,712	
FTE	<u>25.6</u>	<u>27.8</u>	<u>24.5</u>	<u>29.4</u>	
General Fund	518,234	558,096	501,756	584,852	DI #1 -- Disaster Mitigation
FTE	7.2	7.2	7.2	8.1	DI #1 -- Disaster Mitigation
Reappropriated Funds	65,216	64,890	64,241	66,269	
FTE	0.6	0.3	1.0	1.0	
Federal Funds	2,676,481	2,568,988	1,878,960	2,155,591	DI #1 -- Disaster Mitigation NP5 -- Postage
FTE	17.8	20.3	16.3	20.3	DI #1 -- Disaster Mitigation

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
Disaster Response and Recovery	<u>4,856,477</u>	<u>1,970,075</u>	<u>4,950,000</u>	<u>4,950,000</u>	
Cash Funds	4,856,477	1,101,763	4,500,000	4,500,000	
Federal Funds	0	868,312	450,000	450,000	
Preparedness Grants and Training	<u>37,712,659</u>	<u>35,122,115</u>	<u>10,546,340</u>	<u>12,010,988</u>	
Cash Funds	0	0	10,988	10,988	
Federal Funds	37,712,659	35,122,115	10,535,352	12,000,000	
Indirect Cost Assessment	<u>235,020</u>	<u>432,162</u>	<u>125,809</u>	<u>143,413</u>	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	6,421	6,421	
Federal Funds	235,020	432,162	119,388	136,992	DI #1 -- Disaster Mitigation
					<i>Request v. Approp.</i>
(5) SUBTOTAL - DIVISION OF EMERGENCY					
MANAGEMENT	46,064,087	40,716,326	18,067,106	19,911,113	10.2%
FTE	<u>25.6</u>	<u>27.8</u>	<u>24.5</u>	<u>29.4</u>	<u>20.0%</u>
General Fund	518,234	558,096	501,756	584,852	16.6%
FTE	7.2	7.2	7.2	8.1	12.5%
Cash Funds	4,856,477	1,101,763	4,510,988	4,510,988	0.0%
Reappropriated Funds/Cash Funds Exempt	65,216	64,890	70,662	72,690	2.9%
FTE	0.6	0.3	1.0	1.0	0.0%
Federal Funds	40,624,160	38,991,577	12,983,700	14,742,583	13.5%
FTE	17.8	20.3	16.3	20.3	24.5%

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Requests
					<i>Request v. Approp.</i>
TOTAL: DEPARTMENT OF LOCAL AFFAIRS	292,526,647	312,655,779	263,753,937	409,106,802	55.1%
FTE	<u>176.6</u>	<u>176.0</u>	<u>180.5</u>	<u>186.6</u>	<u>3.4%</u>
General Fund	10,301,804	11,600,906	12,778,187	13,227,477	3.5%
FTE	51.7	57.3	58.2	59.1	1.5%
Cash Funds	87,243,456	84,717,387	190,796,121	297,134,212	55.7%
FTE	26.3	27.9	30.7	30.7	0.0%
Reappropriated Funds/Cash Funds Exempt	102,547,814	123,128,891	5,288,590	5,330,442	0.8%
FTE	53.6	46.6	51.9	51.9	0.0%
Federal Funds	92,433,573	93,208,595	54,891,039	93,414,671	70.2%
FTE	45.0	44.2	39.7	44.9	13.1%

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **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.

- ❑ **H.B. 08-1305 (Pommer/Johnson): Transfer of Enterprise Zone Duties.** Transfers certain enterprise zone program administrative responsibilities from the Department of Local Affairs to the Governor's Office of Economic Development (OED) and the Economic Development Commission. This transfer required a \$65,000 and 1.0 FTE reduction in FY 2008-09 appropriations to the Department of Local Affairs (including \$22,963 General Fund and \$42,037 reappropriated funds previously transferred from the OED). This transfer also required a \$22,963 General Fund and 1.0 FTE increase in FY 2008-09 appropriations to OED. As this act passed prior to the introduction of the FY 2008-09 Long Bill, these appropriation adjustments are reflected in the FY 2008-09 Long Bill.

- **H.B. 08-1319 (Soper/Kester): Factory-built Structure Requirements.** Requires individuals who are registered to install or certified to inspect the installation of manufactured homes, mobile homes, and factory-built residential structures to complete specified education requirements and pass an installation test approved by the Division of Housing. Expands those factory-built structures that must be inspected and certified by the Division to include those occupied on or after March 1, 2009 (even if the structure was not manufactured, repaired, or sold in Colorado). Appropriated \$113,632 cash funds and 1.7 FTE to the Division of Housing for FY 2008-09.

- **H.B. 08-1402 (Gagliardi and Ferrandino/Bacon): Foreclosure Notice and Outreach.** Requires a lender, at least 30 days prior to filing a notice of election and demand for sale related to a public trustee foreclosure, to mail a notice to a debtor containing telephone numbers for the Colorado Foreclosure Hotline and the lender's loss mitigation representative or department. Creates the Foreclosure Prevention Grant Fund, and authorizes the Division of Housing to use moneys in the Fund to make grants for the purpose of providing outreach and notice of foreclosure prevention assistance to persons in danger of foreclosure and to communities with high foreclosure rates. Appropriated \$100,000 General Fund to the Foreclosure Prevention Grant Fund for FY 2008-09, and appropriates \$100,000 from the Fund (reappropriated funds) to the Division of Housing for FY 2008-09.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Local Affairs**

**APPENDIX C: UPDATE OF FY 2008-09
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

- 47a **Department of Local Affairs, Division of Local Government, Field Services, Local Government Mineral and Energy Impact Grants and Disbursements** -- It is the intent of the General Assembly that the Department of Local Affairs consider granting \$1,500,000 from the Local Government Mineral Impact Fund created in Section 34-63-102 (5) (a) (I), C.R.S., to the Department of Higher Education, State Board for Community Colleges and Occupational Education State System Community Colleges for faculty and the development of community college-level curricula on alternative, renewable, and existing energies.

Comment: The metro Denver field representative that works in the Division of Local Governments in DOLA will coordinate with the Colorado Community College System staff and their designee to assist the community college staff on completing their application. The application process is competitive and requires a 25% match. Staff contacted the Provost of the Colorado Community College System (CCCS) and confirmed that a representative from the Department of Higher Education was in pursuit of application for grant moneys for the development of community college-level curricula on alternative, renewable, and existing energies. The CCCS anticipates meeting the December 1 deadline to submit an application for consideration and will provide a single application rather than a splintered set of applications from its individual community colleges to maximize the impact of these moneys if awarded. *Staff recommends that the JBC ask the Department to respond to this footnote at the hearing.*

Requests for Information

- 1 **All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2008-09. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

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 15, 2008 letter from the Governor included the following response to this request for information, "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, 2008." To date the Joint Budget Committee has not received a report pursuant to this request for information. For informational purposes, in FY 2008-09, it is estimated by staff that the Department will receive \$54.9 million, approximately 20.8 percent of the Department's budget funding 24.5 FTE (13.6 percent of all authorized FTE).

- 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 a report to the Joint Budget Committee by November 1, 2008, concerning revenues credited to and expenditures made from the Disaster Emergency Fund in FY 2007-08. 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.

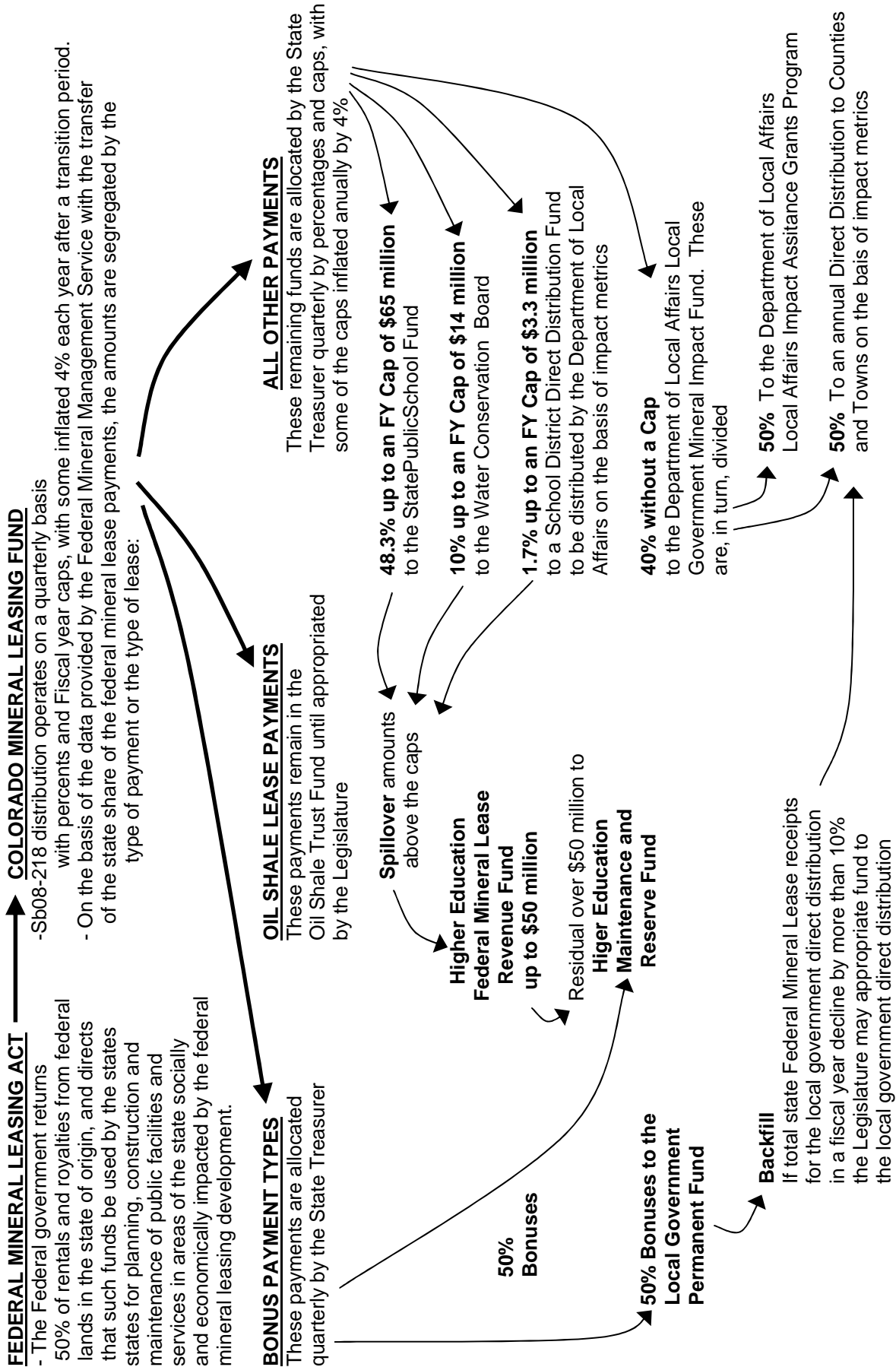
Comment: The Office of the Governor furnished a report in response to this request for information dated October 22, 2008. As is shown in the following table, in FY 2007-08, there were four declared emergencies where \$1.3 million was authorized for transfer into the Disaster Emergency Fund by executive order however, to date \$229,869, or 17.7 percent of the total authorized amount has been expended as of the date of this briefing.

Authorized Transfers to the Disaster Emergency Fund in FY 2007-08					
Executive Order	Nature of Disaster	Authorized Transfer	Total Expenses	Balance	Funding Source
D 006 08 (3/21/08)	Contamination of the Public Water Supply (Alamosa Co.)	\$300,000	\$130,818	\$169,182	Disaster Emergency Fund, fund balance
D 009 08 (4/17/08)	Wildfires in Crowley County	500,000	0	500,000	Major Medical Insurance Fund
D 011 08 (5/23/08)	Northern Colorado Tornadoes (Weld and Larimer Counties)	500,000	99,051	400,949	Major Medical Insurance Fund
D 012 08 (6/19/08)	Piñon Canyon Wildfire ¹ (Las Animas County)	0	0	0	n/a
Total		\$1,300,000	\$229,869	\$1,070,131	

¹ Executive Order D 012 08, issued on June 19, 2008, in response to the Piñon Canyon Wildfire, did not authorize a transfer, but rather the activation of the Colorado National Guard to assist in the response efforts. The wildfires occurred on federal land and as such will be paid for with federal moneys.

APPENDIX D: Flow Chart of Federal Mineral Lease Payment Distributions

Federal Mineral Lease Distributions under Senate Bill 08-218



SMC9/2/08