

Department of Local Affairs

Schedule 10

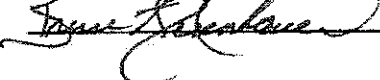
FY 2012-13 Budget Request

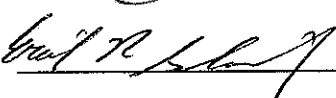
| Priority | Number | Division | Request | FTE | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds |
|---------------------------------------|--------|-----------------------------|--|------------|----------------------|----------------------|------------|----------------------|---------------|
| Budget Reduction Items | | | | | | | | | |
| 1 | BR-1 | Local Government | Reduce General Fund Support for the Volunteer Firefighter Pension Plan | 0.0 | (\$1,519,047) | (\$1,519,047) | \$0 | \$0 | \$0 |
| Total - Budget Reduction Items | | | | 0.0 | (\$1,519,047) | (\$1,519,047) | \$0 | \$0 | \$0 |
| Non-Prioritized Items | | | | | | | | | |
| NA | NP-1 | Executive Director's Office | Annual Fleet Vehicle Replacement | 0.0 | (\$18,285) | (\$18,285) | \$0 | \$0 | \$0 |
| Total Non Prioritized Items | | | | 0.0 | (\$18,285) | (\$18,285) | \$0 | \$0 | \$0 |
| Grand Total November 1, 2010 | | | | 0.0 | (\$1,537,332) | (\$1,537,332) | \$0 | \$0 | \$0 |

Schedule 13

Funding Request for the 2012-13 Budget Cycle

Department: Local Affairs
 Request Title: Reduce General Fund Support for the Volunteer Firefighter Pension Plan
 Priority Number: BR - #1

Dept. Approval by:  10/29/2011
 Date

OSPB Approval by:  10/26/11
 Date

☐ Decision Item FY 2012-13
☒ Base Reduction Item FY 2012-13
☐ Supplemental FY 2011-12
☐ Budget Amendment FY 2012-13

| Line Item Information | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 |
|--|-------|-----------------------------|---------------------------------------|----------------------------|--|--------------------------------------|
| | | 1 | 2 | 3 | 4 | 6 |
| | Fund | Appropriation FY 2011-12 | Supplemental Request FY 2011-12 | Base Request FY 2012-13 | Funding Change Request FY 2012-13 | Continuation Amount FY 2013-14 |
| Total of All Line Items | Total | 4,264,753 | - | 4,264,753 | (1,519,047) | (1,519,047) |
| | FTE | - | - | - | - | - |
| | GF | 4,264,753 | - | 4,264,753 | (1,519,047) | (1,519,047) |
| | GFE | - | - | - | - | - |
| | CF | - | - | - | - | - |
| | RF | - | - | - | - | - |
| | FF | - | - | - | - | - |
| (4) Division of Local Government: Volunteer Firefighter Retirement Plans | Total | 4,264,753 | - | 4,264,753 | (1,519,047) | (1,519,047) |
| | FTE | - | - | - | - | - |
| | GF | 4,264,753 | - | 4,264,753 | (1,519,047) | (1,519,047) |
| | GFE | - | - | - | - | - |
| | CF | - | - | - | - | - |
| | RF | - | - | - | - | - |
| | FF | - | - | - | - | - |

Letternote Text Revision Required? Yes: ☐ No: ☒ If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: ☐ No: ☐ Not Required: ☒

Schedule 13s from Affected Departments:

Other Information:



DEPARTMENT OF LOCAL AFFAIRS

*FY 2012-13 Balancing Request
November 1, 2011*

*John W. Hickenlooper
Governor*

*Reeves Brown
Executive Director*

Department Priority: BRI-1 of 1 Reduce General Fund Support for the Volunteer Firefighter Pension Plan

| Summary of Balancing Proposal for FY 2012-13 | Total Funds | General Fund | FTE |
|--|---------------|---------------|-----|
| Reduce the General Fund support for those plans which do not need the State contribution in order to remain actuarially sound. | (\$1,519,047) | (\$1,519,047) | 0.0 |

Request Summary:

This proposal will change current statute to eliminate State support for volunteer firefighter pension plans that pay monthly benefits of more than the \$300 per eligible participant per month AND are determined to be actuarially sound at current benefit levels for the next 20 years. Those plans paying less than or equal to the benefit of \$300 AND those paying more but determined to have a need at the state's \$300 level based on an independent actuarial study, will continue to receive State support. As part of a comprehensive rewrite of the statute, this proposal would also include a provision to limit benefit levels for which the state would provide assistance.

This change will result in a General Fund savings of \$1,519,047 in FY 2012-13 and FY 2013-14. This will reduce the State General Fund obligation for the program from FY 2011-12 appropriated levels of \$4.3 million to \$2.8 million in FY 2012-13.

The term "fully funded" is used here to denote those plans which, based on actuarial review, are determined sound for a 20 year period at the \$300 state current benefit level.

DOLA currently has an appropriation for \$4.3 million of General Fund Exempt used for

distribution to 227 qualified plans. The Department is required by statute to conduct an application process through which local firefighting agencies (including fire protection districts, municipalities and special improvement districts) may apply for State assistance. In order to qualify for assistance, localities must submit to DOLA an actuarial review of their plans "soundness" over the next 20 years. DOLA uses these studies to determine how much assistance each locality will receive. Under current law, any locality which submits a request will be funded at some level, regardless of whether the plan requires such funding to meet its \$300 contribution level.

The proposed change will impact approximately 25% of the 227 plans with applications for State assistance currently on file with the Department of Local Affairs (based on a four year average). Table 1 on the following page details how the different participants will be affected by the change.

Anticipated Outcomes:

These changes will result in fewer General Fund resources spent on volunteer firefighter retirement plans that have been independently verified as *not*

requiring State assistance in order to meet their benefit obligations. The proposal will *not* impact those plans that do need state assistance in order to meet benefit obligations. It is anticipated that the proposed changes will *not* negatively impact actual pension benefits paid to any retired volunteer firefighter throughout the State.

Assumptions for Calculations:

The 57 plans assumed to be affected by this change would have received \$1,519,047 General Fund support from the State in FY 2012-13. If statute is changed as proposed, these localities would no longer receive this assistance and the savings would be realized in the General Fund.

Consequences if not approved:

The State will continue to follow the statute as currently written and contribute unnecessarily to those plans that are determined to be “fully funded” and actuarially sound for the next 20 years. In a time of significant restriction on state revenue, it seems prudent to direct resources towards those plans which require state assistance to ensure their volunteers have adequate retirement coverage.

Impact to Other State Government Agency:

N/A – the proposal will not impact any other state agencies.

Relation to Performance Measures:

N/A – this is a budget efficiency measure for the purpose of reducing General Fund expenditures.

Current Statutory Authority or Needed Statutory Change:

C.R.S. (2011) 31-30-112 (2) (b) – Governing the State participation in volunteer firefighter pension plans – This proposal will require statutory change. Specifically, language in the referenced statute would need to be changed to eliminate the State obligation to subsidize those plans identified as actuarially sound and paying more than the \$300 monthly benefit. Other changes may also be required.

Table 1: Proposed Statutory Changes Presented by Affected Plan Type

| | New Statutory Provisions | Number of Plans Impacted |
|---|--|---------------------------------|
| 1 | Continue State support for any plan paying \$300 or less in benefits per month, per eligible retiree. | 170 |
| 2 | Continue State support for any plan paying <i>more than</i> \$300 in benefits per month per eligible retiree, BUT whose overall plan is NOT determined “fully funded” and actuarially sound per an independent review. | |
| 3 | Discontinue State support for any plan paying <i>more than</i> \$300 in benefits per month per eligible retiree, AND whose overall plan IS determined “fully funded” and actuarially sound per an independent review. | 57 |
| | Total Plans on file with Department of Local Affairs | 227 |

Schedule 13

Funding Request for the 2012-13 Budget Cycle

Department: Local Affairs
 Request Title: Vehicle Lease Common Policy Adjustment
 Priority Number: NP # 1

Dept. Approval by: *Brian A. [Signature]* 10/24/11
 Date

OSPB Approval by: *[Signature]* 10/21/11
 Date

- ☒ Decision Item FY 2012-13
- ☐ Base Reduction Item FY 2012-13
- ☐ Supplemental FY 2011-12
- ☐ Budget Amendment FY 2012-13

| Line Item Information | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 |
|---|-------|-----------------------------|---------------------------------------|----------------------------|--|--------------------------------------|
| | Fund | 1 | 2 | 3 | 4 | 6 |
| | | Appropriation FY 2011-12 | Supplemental Request FY 2011-12 | Base Request FY 2012-13 | Funding Change Request FY 2012-13 | Continuation Amount FY 2013-14 |
| Total of All Line Items | Total | 126,730 | - | 126,730 | (18,285) | (18,285) |
| | FTE | - | - | - | - | - |
| | GF | 95,952 | - | 95,952 | (18,285) | (18,285) |
| | GFE | - | - | - | - | - |
| | CF | - | - | - | - | - |
| | RF | 30,778 | - | 30,778 | - | - |
| | FF | - | - | - | - | - |
| (1) EXECUTIVE DIRECTOR'S OFFICE: Vehicle Lease Payments | Total | 126,730 | - | 126,730 | (18,285) | (18,285) |
| | FTE | - | - | - | - | - |
| | GF | 95,952 | - | 95,952 | (18,285) | (18,285) |
| | GFE | - | - | - | - | - |
| | CF | - | - | - | - | - |
| | RF | 30,778 | - | 30,778 | - | - |
| | FF | - | - | - | - | - |

Letternote Text Revision Required? Yes: ☐ No: ☒ If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: ☐ No: ☐ Not Required: ☒

Schedule 13s from Affected Departments:

Other Information:



DEPARTMENT OF LOCAL AFFAIRS

*FY 2012-13 Balancing Proposal
November 1, 2011*

John W. Hickenlooper
Governor

Reeves Brown
Executive Director

Transfer Local Government Mineral Impact Grant Program Funds

Proposal Summary: To transfer cash funds from the Local Government Severance Tax Fund #152 for the purpose of balancing the General Fund budget.

The current statutorily stated purpose of the funds is to provide direct distribution and grant opportunities for localities affected by mineral development. Such funds shall also be 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.

Table 1: Cash Fund Balance with Recommended Transfer for FY 2012-13

| | The Local Government Severance Tax Cash Fund #152 | The Local Government Mineral Impact Cash Fund #153 |
|---|--|---|
| Projected End of Year Balance FY 2011-12 | \$19,717,336 | \$0 |
| Additional Revenue based on September 2011 OSPB Economic Forecast ¹ | \$82,847,638 | \$69,423,784 |
| Beginning Projected Balance, July 1 FY 2012-13 | \$102,564,974 | \$69,424,378 |
| Less Projected Mandatory Expenditures ² | \$54,491,359 | \$61,927,559 |
| Equals Cash Balance Before Future Commitments | \$48,073,615 | \$7,496,819 |
| Less Future Commitments ³ | \$10,384,003 | \$3,809,149 |
| Equals Proposed Projected End of Year "Cash Out" Balance | \$37,689,612 | \$3,687,670 |
| Recommended Transfer for FY 2012-13 | \$30,000,000 | \$0 |
| Projected End of Year Balance with Transfer, FY 2012-13 | \$7,689,612 | \$3,687,670 |

¹Revenue estimates for Fund #152 are equal to one-half of the Severance Tax revenue as estimated by OSPB in its September 2011 economic forecast, or \$83,650,000. The revenue estimate for Fund #152 also includes a deduction of \$802,362 per the Department of Revenue proposal to refinance General Funded Severance tax collections. Estimates for Fund #153 are based on OSPB September 2011 forecast, pursuant to section 34-63-102 (5.4) (b), C.R.S. (2011) which establishes the distribution of federal mineral lease revenues.

²This amount includes the full amount of Direct Distribution payments to be made by August 31, 2012. See Table 2 for more detail.

³These amounts include the statutorily mandated set-aside for Uranium Mill Trailing Remediation Action Program fund from Fund #152 as well as estimates for the amounts needed to cover encumbered contracts that have not yet been paid in full from both funds. See Table 3 for more detail.

Impact of Recommended Reduction:

This proposal would transfer a total of \$30.0 million in cash funds from the Local Government Severance Tax cash fund to the General Fund in FY 2012-13 for balancing purposes. In addition, the proposal will not transfer any funds from the Local Government Mineral Impact Fund into the General Fund in FY 2012-13. These revenue estimates could change in a future forecast. Therefore, the requested amounts available for transfer could be reduced commensurately in the event that future revenue forecasts for this area decline.

The proposed plan allows for a total of \$10 million to be made available for the Mineral and Energy Impact grant program in FY 2012-13, assuming current revenue assumptions. This amount will be comprised of \$5 million from the Local Government Severance Tax cash fund and \$5 million from the Local Government Mineral Impact Fund. The requested transfers will not impact direct distribution from these fund sources as dispersed to eligible counties on August 31, 2012.

In combination with previously enacted cash transfers, this proposal will retain liquid balances of about \$7.7 million in the Local Government Severance Tax cash fund and \$3.7 million in the Local Government Mineral Impact Fund. This will permit the Department of Local Affairs some flexibility to account for variations in actual revenue received.

Assumptions:

The proposed transfers are based on the following assumptions:

- Revenue projections for both severance tax and Federal Mineral Lease are per the OSPB September 2011 economic forecast.
- Projected revenue for FY 2012-13 assume the passage of the Department of Revenue legislative proposal to refinance Severance Tax collection and administration with an “off-the-top” allocation from severance tax collections. The total amount of this refinance is anticipated to be \$1,604,723 cash funds. Half of this amount, or \$802,362 would not flow into the Local Government Severance Tax Cash Fund. Therefore, revenue estimates in FY 2012-13 are reduced by this amount.

The calculation for Projected Mandatory Expenditures in FY 2012-13 for both funds are shown in Table 2 below.

Table 2: Projected Mandatory Expenditures for FY 2012-13

| | The Local Government Severance Tax Cash Fund #152 | The Local Government Mineral Impact Cash Fund #153 |
|--|--|---|
| Payment of prior year direct distribution | \$26,775,000 | \$33,306,742 |
| Payments related to prior year encumbrances | \$6,285,717 | \$8,168,000 |
| New Contracts Encumbered | \$5,000,000 | \$5,000,000 |
| Encumbrances payable in future years | \$12,438,957 | \$10,467,891 |
| Administrative expenditures | \$3,991,685 | \$1,734,926 |
| Transfer to the Wildfire Preparedness Cash Fund (applies only to Fund #153) | \$0 | \$3,250,000 |
| Total | \$54,491,359 | \$61,927,559 |

The calculation for Future Commitments in FY 2012-13 for both affected funds is shown in Table 3 below.

Table 3: Projected Future Commitments for FY 2012-13

| | The Local Government Severance Tax Cash Fund #152 | The Local Government Mineral Impact Cash Fund #153 |
|---|--|---|
| Roll-forward of Encumbrances | \$5,100,000 | \$1,309,149 |
| Uranium Mill Trailing Remediation Action Program Set-aside (applies only to Fund #152) | \$4,784,003 | \$0 |
| Anticipated Payables (applies only to Fund #153) | \$0 | \$1,500,000 |
| Written Offers Not Contracted | \$500,000 | \$1,000,000 |
| Total | \$10,384,003 | \$3,809,149 |

Current Statutory Authority or Needed Statutory Change:

Section 39-29-110 (1) (a), C.R.S. (2011) – Local government severance tax fund – creation – administration – definitions. There is hereby created in the department of local affairs a local government severance tax fund. In accordance with section [39-29-108](#), portions of the state severance tax receipts shall be credited to the local government severance tax fund. Except as otherwise provided in section [39-29-109.5](#), all income derived from the deposit and investment of the moneys in the local government severance tax fund shall be credited to the local government severance tax fund. After making direct distribution disbursements, the executive director of the department of local affairs shall

distribute any remaining moneys and make loans from such fund in accordance with the purposes and priorities provided in paragraph (b) of this subsection (1).

Section 39-29-110 (1) (b) (I) and (II), C.R.S. (2011) - Seventy percent of the funds from the local government severance tax fund shall be distributed to those political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to taxation under this article and used for the planning, construction, and maintenance of public facilities and for the provision of public services. The executive director of the department of local affairs shall consider the economic needs of a political subdivision for purposes of making distributions pursuant to this subparagraph (I). The executive director may distribute moneys or make loans, or any combination thereof, to such political subdivisions for the planning, design, construction, erection, building, acquisition, alteration, modernization, reconstruction, improvement, or expansion of domestic wastewater treatment works or potable water treatment facilities.

Section 39-29-110 (1) (c) (I), C.R.S. (2011) Establishes the 30% direct distributions to impacted communities.

Section 39-29-110 (1) (A), C.R.S. (2011) – Allocates moneys to the uranium mill tailings remedial action program fund in accordance with the provisions of section [39-29-116](#) (3).

Section 39-29-110 (7) (a), C.R.S. (2011) – instructs the State Treasurer to deduct \$10 million from the Local Government Severance Tax Fund for transfer to the General Fund on June 30, 2010.

Section 34-63-102 (5.4) (b), C.R.S. (2011) – Dictates that for each quarter commencing during the 2008-09 fiscal year or during any succeeding fiscal year, forty percent of all non-bonus federal mineral lease revenue shall be credited to the local government mineral impact fund. These funds shall be distributed by the executive director of the department equally between direct distribution to counties and grants for communities impacted by energy development.

The proposal will require statutory change in order to allow transfer of the funds to the General Fund for balancing purposes.