

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Request Title: Decision Item FY 08-09 Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09
Department: Energy and Mineral Impact Program Monitoring and Processing
Priority Number: 1 Local Affairs
Dept Approval by: *Maria Salas*
OSP Approval: _____
Date: 1-17-08
Date: 1/18/08

Line (1) (d) Amort Equalization Disbursement	Fund	1	2	3	4	5	6	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09
Executive Directors Office Line (1) (e) Suppl Amort Equalization Disbursement	Total	2,316,109	2,229,192	0	2,229,192	2,489,618	0	2,489,618	2,759,624	258,395
	FTE	21.20	24.30	0.00	24.30	24.30	0.00	24.30	29.30	5.00
	GF	595,969	582,359	0	582,359	664,675	0	664,675	664,675	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	1,249,824	1,308,291	0	1,308,291	32,862	0	32,862	32,862	0
Executive Directors Office Line (1) (d) Amort Equalization Disbursement	Total	460,430	323,987	0	323,987	394,974	0	394,974	1,667,113	258,395
	FTE	0	0	0	0	0	0	0	0	0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0
Executive Directors Office Line (1) (e) Suppl Amort Equalization Disbursement	Total	76,458	84,649	0	84,649	196,324	0	196,324	199,724	3,400
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	30,171	31,727	0	31,727	64,401	0	64,401	64,401	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	9,886	10,916	0	10,916	24,888	0	24,888	24,888	0
Executive Directors Office Line (1) (e) Suppl Amort Equalization Disbursement	Total	15,987	21,279	0	21,279	53,167	0	53,167	56,567	3,400
	FTE	20,414	20,727	0	20,727	53,868	0	53,868	53,868	0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0
Executive Directors Office Line (1) (e) Suppl Amort Equalization Disbursement	Total	0	26,972	0	26,972	62,820	0	62,820	64,414	1,082
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	9,331	0	9,331	20,713	0	20,713	20,713	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	0	3,639	0	3,639	7,974	0	7,974	7,974	0
Executive Directors Office Line (1) (e) Suppl Amort Equalization Disbursement	Total	0	7,093	0	7,093	16,855	0	16,855	18,449	1,082
	FTE	0	6,909	0	6,909	17,278	0	17,278	17,278	0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0

**Schedule 13
Change Request for FY 08-09 Budget Request Cycle**

Request Title: **Decision Item FY 08-09 Energy and Mineral Impact Program Monitoring and Processing** Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09
 Department: **Local Affairs** Dept. Approval by: _____ Date: _____
 Priority Number: **1** OSPB Approval: _____ Date: _____

Executive Directors Office	Fund	Decision Cycle									
		1	2	3	4	5	6	7	8	9	10
Line (1) (n) Vehicle Lease Payments	Prior-Year Actual FY 08-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 08-09	
Total	60,105	79,635	0	79,635	93,213	0	93,213	2,301	95,514	6,903	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GF	51,481	65,897	0	65,897	77,031	0	77,031	0	77,031	0	
GFE	0	0	0	0	0	0	0	0	0	0	
CF	0	0	0	0	0	0	0	0	0	0	
CFE	8,624	13,738	0	13,738	16,182	0	16,182	2,301	18,483	6,903	
FF	0	0	0	0	0	0	0	0	0	0	
Division of Local Government	Total	2,179,546	2,037,936	0	2,037,936	2,137,261	0	2,137,261	262,711	2,399,972	247,030
Line 4 (B) Field Services	FTE	21.20	24.30	0.00	24.30	24.30	0.00	24.30	5.00	29.30	5.00
	GF	514,317	475,404	0	475,404	502,530	0	502,530	0	502,530	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	1,225,213	1,266,181	0	1,266,181	1,310,903	0	1,310,903	262,711	1,573,614	247,030
	FF	440,016	296,351	0	296,351	323,828	0	323,828	0	323,828	0

Letternote revised text: In the Executive Director's Office increase letternote c by \$7,295 which shall be from the mineral and energy impact grant program. In the Field Services line increase letter note a by \$262,711 which shall be from the mineral and energy impact grant program.

Cash Fund name/number, Federal Fund Grant name: Fund 152 - Local Government Severance Tax Fund and Fund 153 - Local Government Mineral Impact Fund
 IT Request: Yes No If Yes, List Other Departments Here: Personnel and Administration
 Request Affects Other Departments: Yes No

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Local Affairs
Priority Number:	1
Change Request Title:	Energy and Mineral Impact Program Monitoring and Processing

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

Local government needs and program revenues from both state severance taxes and federal mineral lease funds have increased dramatically in recent years. Specifically, the amount of grant and loan awards to local governments has more than quadrupled from Fiscal Year 2003 (\$27.8 million) to Fiscal Year 2007 (\$119.8 million). Despite reallocation of all other available staff resources for the administration of the program, resources have not been adequate to properly administer the program. The Department is seeking 5.0 additional FTE and \$270,006 in Cash Funds Exempt spending authority for the monitoring and payment processing within the Severance and Mineral Impact Program. Severance tax and federal mineral lease funds are sought to fund this operational need for additional resources prompted by a performance audit and internal review.

Background and Appropriation History:

During state fiscal years 1997 through 2002, the average number of grants per year was 162. At that time, and for many years previously, the staffing for the grants program was appropriated at 6.0 FTE with 1.0 Program Administrator and 5.0 staff to process

contracts and payments and monitor awarded projects. For fiscal years 2003 through 2007, the average number of grants per year increased to 309.

Impact Awards, by Fiscal Year

FY97	103
FY98	118
FY99	179
FY00	191
FY01	153
FY02	225
FY03	158
FY04	267
FY05	333
FY06	417
FY07	369

This increase in awarded contracts amounts to an almost doubling of the workload. However, the staffing for the program has not been increased as demonstrated in the appropriation chart below.

<u>Appropriation and FTE, by Fiscal Year</u>	<u>Appropriation</u>	<u>FTE</u>
FY98	\$ 388,784	6.0
FY99	\$ 395,609	6.0
FY00	\$ 415,725	6.0
FY01	\$ 438,621	6.0
FY02	\$ 450,970	6.0
FY03	\$ 480,800	6.0
FY04	\$ 510,630	6.0
FY05	\$ 509,904	6.0
FY06	\$ 516,723	6.0
FY07	\$ 530,795	6.0

General Description of Request:

As the October 2007 Energy and Mineral Impact program performance audit found, monitoring expenditures is a key component of a granting agency's system of internal controls and is critical for large programs such as the energy and mineral impact grants. Monitoring generally includes some combination of reporting by grantees and review performed by program staff to provide reasonable assurance that grant funds are used for authorized and intended purposes in compliance with state laws, grant contracts, and other program requirements, and to keep grantees on course toward meeting project goals. The audit recommended that the Department reevaluate its program monitoring procedures and identify the appropriate combination of grantee reporting requirements, the level of documentation to be provided with reimbursement requests, desk reviews, and site visits. The Department agreed to submit this budget amendment to allow it to take a stronger and more standardized approach to on-site monitoring of grant expenditures, provide additional technical assistance to the grantees, and conduct a detailed review of payments processed. The department will strategically place throughout the state the General Professional III staff requested to complete the on-site monitoring and to be available to the local government staff to provide technical assistance. The technical assistance provided prior to application will also help ensure adequate grant management systems are in place at the local level. This request will bring the department into compliance with this recommendation.

Another audit recommendation was for the department to conduct secondary reviews of expenditure data and processing. An increase in cash funds exempt spending authority and FTE will allow the program to increase grantee monitoring and oversight while improving the accuracy and timeliness of contract and payment processing. Funding for additional program staff would be the same as for the existing staff from the Severance Tax and Mineral Impact Funds.

Consequences if Not Funded:

The department will not be able to ensure grant expenditures are consistently reviewed for allowable costs with adequate documentation. The department will also not be able to conduct the necessary on-site monitoring and technical assistance as recommended by the audit.

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Department of Local Affairs

Calculations for Request:

FTE and Operating Costs								GRAND TOTAL		
Fiscal Year(s) of Request		FY 07-08	FY 08-09	FY 09-10	FY 07-08	FY 08-09	FY 09-10	FY 07-08	FY 08-09	FY 09-10
PERSONAL SERVICES	Title:	General Professional III			Program Assistant I					
Number of PERSONS / class title		0	3	3	0	2	2			
Number of months <u>working in</u> FY 07-08, FY 08-09 and FY 09-10		0	12	12	0	12	12			
Number months <u>paid in</u> FY 07-08, FY 08-09 and FY 09-10*		0	12	12	0	12	12			
Calculated FTE per classification		0.00	3.00	3.00	0.00	2.00	2.00	\$0	5.00	5.00
Annual base salary			\$46,884	\$46,884		\$35,928	\$35,928			
Salary		\$0	\$140,652	\$140,652	\$0	\$71,856	\$71,856	\$0	\$212,508	\$212,508
PERA	10.15%	\$0	\$14,276	\$14,276	\$0	\$7,293	\$7,293	\$0	\$21,569	\$21,569
Medicare	1.45%	\$0	\$2,039	\$2,039	\$0	\$1,042	\$1,042	\$0	\$3,081	\$3,081
Prior Year SAED	N/A	\$0	\$0	\$1,055	\$0	\$0	\$539	\$0	\$0	\$1,594
Subtotal Personal Services at Division Level		\$0	\$156,967	\$158,022	\$0	\$80,191	\$80,730	\$0	\$237,158	\$238,752
Subtotal AED at EDO Long Bill Group Level	Varies	\$0	\$2,250	\$2,250	\$0	\$1,150	\$1,150	\$0	\$3,400	\$3,400
Subtotal SAED at EDO Long Bill Group Level	Varies	\$0	\$1,055	\$703	\$0	\$539	\$359	\$0	\$1,594	\$1,062
OPERATING EXPENSES										
Supplies @ \$500/\$500***	\$500	\$0	\$1,500	\$1,500	\$0	\$1,000	\$1,000	\$0	\$2,500	\$2,500
Computer @ \$900/\$0	\$900	\$0	\$2,700	\$0	\$0	\$1,800	\$0	\$0	\$4,500	\$0
Office Suite Software @ \$330/\$0	\$330	\$0	\$990	\$0	\$0	\$660	\$0	\$0	\$1,650	\$0
Office Equipment @ \$2,225 /\$0	\$2,225	\$0	\$6,675	\$0	\$0	\$4,450	\$0	\$0	\$11,125	\$0
Telephone Base @ \$450/\$450***	\$450	\$0	\$1,350	\$1,350	\$0	\$900	\$900	\$0	\$2,250	\$2,250

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Department of Local Affairs

Subtotal Operating Expenses		\$0	\$13,215	\$2,850	\$0	\$8,810	\$1,900	\$0	\$22,025	\$4,750
Fleet mileage rate (\$.14 per mile; 12,600 miles per year; for 2 vehicles)		\$0	\$3,528	\$3,528	\$0	\$0	\$0	\$0	\$3,528	\$3,528
Vehicle Lease payments - FY08-09 2 vehicles prorated 4 months of lease payments. FY09-10 are for full fiscal yr.	287.63/ mo	\$0	\$2,301	\$6,903	\$0	\$0	\$0	\$0	\$2,301	\$6,903
GRAND TOTAL ALL COSTS		\$0	\$179,316	\$174,256	\$0	\$90,690	\$84,139	\$0	\$270,006	\$258,395

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$270,006	\$0	\$0	\$270,006	\$0	5.0
Executive Directors Office: Line (1) (d): Amort Equalization Disbursement	\$3,400	\$0	\$0	\$3,400	\$0	0.0
Executive Directors Office: Line (1) (e): Suppl Amort Equalization Disbursement	\$1,594	\$0	\$0	\$1,594	\$0	0.0
Executive Directors Office: Line (1) (n) Executive Directors Office: Vehicle Lease Payments	\$2,301	\$0	\$0	\$2,301	\$0	0.0
Division of Local Government: Line 4 (B) Field Services Program Costs	\$262,711	\$0	\$0	\$262,711	\$0	5.0

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$258,395	\$0	\$0	\$258,395	\$0	5.0
Executive Directors Office: Line (1) (d): Amort Equalization Disbursement	\$3,400	\$0	\$0	\$3,400	\$0	0.0
Executive Directors Office: Line (1) (e): Suppl Amort Equalization Disbursement	\$1,062	\$0	\$0	\$1,062	\$0	0.0
Executive Directors Office: Line (1) (n) Vehicle Lease Payments	\$6,903	\$0	\$0	\$6,903	\$0	0.0
Division of Local Government: Line 4 (B) Field Services Program Costs	\$247,030	\$0	\$0	\$247,030	\$0	5.0

Assumptions for Calculations:

1. It is assumed it will take five (5) additional FTE to meet audit and statutory requirements: Three General Professional III and two Program Assistant I's will be hired to fulfill the Energy and mineral Impact audit recommendations.
2. The General Professional III duties are assumed to include the following:

Project Development - this consists of working with potential grant applicants to determine how a proposed application can be strengthened to improve chances of success in securing funds. Program guidelines are reviewed, including guidance on match requirements, project selection criteria, and timing of the application and review process. At times, with new applicants, goal setting or capital improvements planning assistance will be provided.

Application review and grant award - each application is reviewed, analyzed and summarized in a 2-page project summary form. Applicants are contacted to provide additional information or for clarification. All project summary forms are reviewed jointly by field staff to ensure consistency in review procedures. Final summary

forms are mailed to applicants so that they may present and defend their project at hearings before the Impact Advisory Committee.

Contracting and amendments - Upon award of funds, contracts are developed with each recipient specifying such elements as scope of work, performance period and payment procedure. Contract amendments are required from time to time due to unforeseen events such as cost overruns.

Documented monitoring and travel - 1/3 of all grant awards will be monitored annually by field staff utilizing a risk based approach. Site visits and desk audits in which invoices or other proofs of payment are produced and recorded.

Strategic Grant making - As part of its audit response, DOLA agreed to develop methods by which some portion of funds be made available on an annual basis to more strategically address the impacts of energy and mineral development. Regional, multijurisdictional projects will be developed in conjunction with grantees to implement this element.

3. The Program Assistant I duties are assumed to include the following:

Payment Processing - Each pay request must be reviewed for accuracy, timeframe, eligibility of costs and other funding sources (match). The PAI position will assist in verifying the math, ensuring there are no duplicate billings, comparing dates of invoice and activities to contracts to ensure the costs are eligible for reimbursement, verifying expenditure of match as stated in the contract, and preparing a payment voucher for the GPIII review and approval. Payment vouchers are then input into the state accounting system and program database, with copies to accounting and project file. The PA I positions will assist GP III's in communicating with grantees until all necessary documentation is received and recorded.

Contracting and amendments - With the significant increase in the number of grant contracts and amendments, the PA I will assist in the preparation, recording

(including database input), verifying, distributing and mailing of all grant contracts and amendments to ensure the division achieves its desired goals in a timely manner.

Strategic Grant making - The PA I positions will assist in verification and consistent documentation of the impacts of energy and mineral development as well as the documentation of the local benefit of the grants. Tools to adequately measure the success will be developed, implemented and reported. The PA I positions will be responsible for coordination of this effort.

4. It is assumed the funding for the five FTE will be from the cash funds exempt Local Government Severance Tax Fund and the Local Government Mineral Impact Fund.
5. The hours spent by these positions on various tasks were determined through analysis of staffing and workload levels and staff reporting by similar positions within the Department.
6. It is assumed the computer and software expenses are \$1,230 per 1.0 FTE.
7. It is assumed the office furniture expenses are \$2,225 per 1.0 FTE.
8. It is assumed the three General Professional III's will be stationed strategically throughout the state to complete the required work.
9. It is assumed the department will not need additional leased space.
10. It is assumed the department will need two additional fleet vehicles to be utilized by the General Professional III to conduct on-site monitoring and technical assistance at the local government locations.
11. It is assumed on-site monitoring will be completed on a risk based approach.
12. The department assumes it will make 7 payments per contract.

<u>Worksheet - Hours Per Year</u>	<u>Classification</u>		<u>Hrs/Project</u>	<u>Increased No. Projects</u>	<u>Total Hours</u>	
Project Development						
	General Professional III		11	147	1,617	
	Program Assistant I		2	147	294	
Application Review and Grant Award						
	General Professional III	Total from below:	15	147	2,205	
		Review & Write Up	7	147	1,029	
		Pro/Con Meeting & Travel	3	147	441	
		Adv Comm Meeting & Travel	5	147	735	
Contracting and Amendments						
	General Professional III		3	147	441	
	Program Assistant I		3	147	441	
Payment Processing (7 per contract)						
	GP III (0.5 hr per payment)		3.5	147	514.5	
	PA I (1.0 hr per payment)		7	147	1,029	
Payment Proc (7 per contract) - Secondary Review (Peer)						
	Program Assistant I		7	147	1,029	

Documented Monitoring & Travel						
	General Professional III	1/3 of overall awards per year - risk based	8	103	824	
Strategic Grant making						
	General Professional III		624		624	
	Program Assistant I		1456		1,456	
						Equivalent FTE
TOTAL - COMPLIANCE				Total Hours	10,474.5	5.0
	General Professional III			GPIII Hours	6,225.5	3.0
	Program Assistant I			PA I Hours	4,249	2.0

Impact on Other Government Agencies: Department of Personnel and Administration – 2 additional fleet vehicle requested.

Cost Benefit Analysis: The benefit is to compare the cost of this budget request to the benefit of the Legislative Audit recommendation that would provide addition program staff to adequately administer Energy and Mineral Impact Grants Program. The benefits are measured through balancing program flexibility with the risks that questionable costs may be incurred with taxpayer funds.

The performance audit completed on the Energy and Mineral Impact Grants program by the Colorado Office of the State Auditor and released in October of 2007 identified concerns in the following areas: controls over supplemental grant awards, inconsistent use of evaluation criteria, lack of compliance with statutory requirements about grant funds being awarded to political subdivisions, standardized monitoring of grant expenditures, strategic planning for grant making and several other areas.

The audit examined a sample of 128 payments and \$17.9 million in expenditures. Of this, the audit identified a total of \$1.6 million in questioned costs, or 9 percent of the total sample expenditures. In addition, the audit notes that of the \$17.9 million total sample, some \$3.5 million (or 20 percent) of the payments were only supported with summary spreadsheets as provided by the grantees and did not include invoices as back-up documentation, as was provided for the other 80 percent of the total. If this finding is extrapolated out, it is possible that 20 percent of the total local government severance tax and federal mineral lease funds expended in FY 2006-07 (Schedule 9A Fund 152 = \$73,911,000 + Fund 153 = \$39,753,666) did not have invoice documentation to back-up expenditures, which the \$22.7 million was not examined in detail and potentially leaving a portion of these grant funds at risk for fraud. When this request is compared to the total potential funds at risk to the costs of new staff, at \$22.7million/\$270,006 or \$84 of monitored value for questioned costs and potentially secured for every \$1 spent on the additional staff.

Implementation Schedule:

Task	Month/Year
FTE Hired	07/2008
Develop on-site monitoring checklist	07/2008
Begin on-site monitoring	09/2008
Detailed review of payments	08/2008

Statutory and Federal Authority:

C.R.S. 24-32-104. (1) (2007) The division shall perform the following functions: (a) Assist the governor in coordinating the activities and services of those departments and agencies of the state having relationships with units of local government in order to provide more effective services to units of local government and to simplify procedures with respect thereto; (b) Advise the governor and the general assembly of the problems of local government; (c) Serve as a clearing house, for the benefit of local government, of information relating to the common problems of local government and of state and federal services available to assist in the solution of those problems; (d) Refer local government to appropriate departments and agencies of the state and federal government

for advice, assistance, and available services in connection with specific problems; (e) Perform such research as is necessary to carry out the functions of the division, including the study of local government, intergovernmental relations, the structure and powers of local government units and their relationships to each other, local government finance, services, management, and functions; (f) Encourage and when so requested assist cooperative efforts among the officials of local government units toward the solution of common problems; (g) Encourage and cooperate in training institutes, conferences, and programs for local government officials and employees; (h) Publish an annual compendium of local government fiscal data beginning with calendar year 1968 and publish from time to time other statistical and research reports of interest to local government, the general assembly, and the general public; (i) Upon request by local government officials, provide technical assistance in defining their local government problems and developing solutions thereof; (j) Provide technical assistance to district attorneys, including, but not limited to, coordinating educational grants;

C.R.S. 34-63-102 (5) (a) (I) (2007) The remaining fifteen percent of all moneys described in paragraph (a) of subsection (1) of this section, any moneys received pursuant to subparagraph (II) of paragraph (b) of subsection (3) of this section, and any moneys received pursuant to subparagraph (II) of paragraph (c) of subsection (3) of this section shall, upon receipt, be paid into the local government mineral impact fund, which is hereby created. The executive director of the department of local affairs shall distribute moneys from such fund pursuant to subsection (3) of this section; except that the remainder provided for in this paragraph (a) shall be distributed in accordance with the purposes and priorities described in subsection (1) of this section.

C.R.S. 39-29-101 (3) (2007) It additionally is the intent of the general assembly that a portion of the revenues derived from such a severance tax be used by the state for public purposes, that a portion be held by the state in a perpetual trust fund, and that a portion be made available to local governments to offset the impact created by nonrenewable resource development.

Performance Measures:

1. By June 30, 2009, undertake a major initiative working in partnership with one or more private foundations directed toward making measurable improvements in the quality of life in rural communities. Each specific performance measure will be identified based on individual awards.
2. By June 30, 2009, one-third of projects will be monitored using a risk based approach.