



The Colorado Health Foundation

Understanding Colorado's Local Governments: The Fiscal Outlook for Cities, Towns and Counties during COVID-19, and its impact on Communities

August 4, 2020

What are Local Governments in Colorado?

There are four main types of local government:

Counties, **municipalities** (cities and town), **special districts**, and **school districts**.

- **64 counties** included two consolidated city and county governments.
- **271 incorporated municipalities** including 196 towns, 73 cities, and two consolidated city and county governments.

Differences between Municipal and County Services

Municipalities

- Have broad, general powers and responsibilities.
- Finance municipal services such as police and fire, parks and recreation, water and sewer, trash removal, etc.
- Enact measures to preserve and protect the safety, health, and welfare of the community.
- Authority to manage land use and growth.

Counties

- Responsibilities and powers given to them by the state legislature.
- Law enforcement, including the court system, district attorney and jail facilities through the sheriff.
- Social services, including administering and carrying out virtually all programs overseen by the Colorado Department of Human Services.
- Health services, although their ability to do so depends on resources available.
- Road and bridge construction, maintenance and repair.
- Control land use in the unincorporated areas.

Sources of Revenue

Local Governments have three primary local sources of revenue:

- **Sales tax** is levied on retail sales of tangible personal property and some services. Use tax is a sales tax levied on goods purchased outside the municipality, but stored, used, or consumed within the municipality.
- **Property tax** is levied based on the valuation of taxable property. The levy of one mill collects \$1 per \$1,000 of assessed value.
- **Fees** are charges imposed to defraying the cost of a particular government service. Examples include recreation fees, facilities fees, impact fees and franchise fees.

County and Municipal Budgeting Process

Most local governments keep two budgets:

- The **operating budget**, often simply referred to as “the budget,” funds ongoing outlays such as employee salaries, payments for services, and interest on long-term debt.
- The **capital budget**—which is used to fund major infrastructure projects such as bridges, roads, or waterworks—issues long-term debt, such as bonds.

Typical budget timeline:

- August/September – Budget briefings with policy makers.
- October – Draft budget formally presented.
- December – Final budget adoption.
- Often include public input through Advisory Committees or budget hearings.
- Lag in tax collection reporting makes process more difficult during crisis.
- Unlike the federal government, local governments cannot run budget deficit.

Impact of Federal Relief Funds

- Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) reimburse costs for expenditures incurred due to COVID-19.
- Enhanced SNAP benefits injecting fast, high “bang-for-the-buck” stimulus into the economy.
- Expanded unemployment benefits.
- Federal aid through the CARES Act is helping, but it likely won't be enough to fill the holes in cities' budgets caused by the economic fallout.
- Budget crisis not going to go away quickly, expect to see larger fiscal hit next year.

TABOR's Impact on Recovery

Taxpayers Bill of Rights (TABOR)

- Places strict limits on how much revenue governments can spend.
- Requires voter approval for each new tax increase.
- For de-Bruced governments, tax revenues can rise as the economy picks back up.
- Governments that not been de-Bruced, cuts could be permanent even after the economy recovers.
- Provision to allow for new emergency taxes without voter approval (and after reserves are spent) at the state level, but no provision for local governments.
- Requires every government saves 3 percent of its annual budget for use during a declared emergency - money can only be used for expenses directly associated with the emergency.

Municipal Trends

- Sales and use taxes provide a significant portion of local government income.
 - Temporary closure of businesses and high levels of unemployment have caused sale tax revenues to plummet.
 - Drop in travel and canceled events result in significant drops to tourism-related taxes.
 - Local governments still must maintain trash pickup, police, and other services.
 - Demand for social services is increasing with high unemployment rates, loss of school lunches, etc., leading to higher costs for housing, food, and mental health.
- Immediate effects on budgets:
 - Hiring freezes, cost of living freezes.
 - Furloughs.
 - Capital equipment purchase reduction.
 - 2020 department / programming cuts.
 - Delay in major projects including traffic / transit improvements, open space.
 - Pulling from savings.
 - Ongoing review of budgets for current year and 2021.

County Trends

- Counties seem to be in decent shape, particularly the more they rely on property taxes.
 - Most have been fiscally responsible in the economic boom they have some ability to backfill shortfalls for this year due to good financial planning.
 - Reliance on property tax revenues could come back with a vengeance as levels are reassessed going forward.
- Delayed impact due to lag in property tax assessments.
 - To get back on track they'll focus on programmatic cuts in the 2021 & 2022 budgets.

Key Examples

Aurora

- Projected \$25M shortfall
- About 600 temp and seasonal employees furloughed

Fort Collins

- Range of revenue loss from \$15 million to \$50 million
- Furloughing nearly 600 part-time and seasonal employees from May 1 until the end of June
- Fort Collins usually plans its budgets in two-year increments, but leaders are now budgeting for just 2021 because of coronavirus-related funding uncertainties. The city will continue community engagement on the budget until city manager Darin Atteberry publishes his recommended budget Sept. 1.

Broomfield

- The makeup of Broomfield's revenue stream is 27.8% from sales tax, 28.4% property tax, 5.7% use tax and the rest from other sources such as grants.
- Without definitive numbers, Richey predicted revenue will be less than 2019 — \$104,665,702 compared to last year's \$120,290,837, with sales tax accounting for a large portion of the loss.
- Broomfield announced a two-month furlough of more than 230 employees & a hiring freeze

Greeley

- Anticipating a 10% to 20% budget reduction which translates to a loss of \$10.9 million - \$22.3 million from lost sales tax and other revenues
- Furloughed 85 city employees (8.8% of city employees) from May 1 – end of May

Grand Junction

- May decrease in sales tax of 8.3%, which was better than expected - (was projecting between 12% (May) and 25% (April).
- Reduce expenditures by around \$7 million this year
- Grand Junction sometimes experiences a lag before its economy is hit as hard as other areas. He pointed to the most recent recession, which began for much of the country in 2008, but didn't hit Grand Junction until 2009.

Arapahoe Parks & Rec

- 500k loss in revenue from decrease in sales tax collection (about 220k a month)
- Delaying projects & furloughed 150+ employees

Key Examples

Colorado Springs

- Mayor John Suthers asked department heads to develop plans to cut \$20 million in the city's budget (operational not personnel)
- Delaying capital improvement projects, including maintenance on city buildings

Snowmass Village

- Based on preliminary 2020 budget projections being tracked by the town's finance department, the village expects to see a 27% average reduction in actual sales tax revenue over the rest of 2020.
- But despite these revenue losses, the town still estimates ending 2020 roughly \$800,000 in the positive, as the town ended the 2019 budget year with more funds than it anticipated, including \$4.8 million in the general fund alone.

Telluride

- Elimination of \$25,000 of travel and training expenditures which will get moved into its new housing relief fund, established to help locals with meeting rent and mortgage needs living in both deed restricted and free market properties.

Denver

- The city is currently anticipating a budget gap of \$227 million. That is primarily driven by sales and use tax, lodgers' tax, occupational privilege tax and parking revenues.
- City employees, including City Council staff, are be required to take eight furlough days in 2020 and will be in asked to take more in 2021.
- Denver is asking all city-agency heads to propose 7.5% reductions to this year's budget.
- During the 2008 Recession Denver's general fund dipped by 6.4%, now, the city is seeing a 10.5% loss in revenue.
- Prioritizing infrastructure projects and streamlining building processes.
- Library hours being cut, recreation center hours being reduced. Parks mowed less.

Key Examples

Jefferson County

- Beginning June 1, most Jefferson County offices switched to a four-day business week and will be closed on Fridays.
- The county made \$16.1 million in budget cuts last year and expects it will need to make around \$12 million in cuts this year.
- As Jefferson County begins its 2021 budgeting process, administrative staff is entering the process by warning county departments to cut a total of about \$6.3 million from budgets.
- Considering a no-raise budget for the next year for city employees. Instead one option would be for the county to budget for a one-time payment of \$500 or \$1,000 to all employees paid out in late 2021.

Larimer County

- Expect overall revenue drops of as much as 9% in 2020 due to the loss of sales tax revenue.
- The county expects building and use tax revenue to decline as much as 36%, while vehicle registration and sales taxes are expected to drop about 10% each.
- County officials expect major drops in revenue in multiple funds within the larger budget: The Ranch and work-release programs both expect deep losses. Smaller hits are expected for the Clerk and Recorder's Office, Natural Resources Department and the Sheriff's Office.

Morgan County

- Food stamp need has increased. In March, food stamp numbers were down from March 2019. By May numbers were almost double what they were in May 2019. Currently, the County is okay because of federal funding, but continued pressure and limited federal funds are worrisome.

Alamosa

- While sales and property tax are holding steady likely due to stimulus and unemployment benefits. There is 2-month lag on reports, so it is likely there will be a drop. There are concerns because HUTF are down \$40k, indicating people are not working or traveling. When stimulus and unemployment benefits end, there could be a sharp decrease in tax revenue.
- County has cut back on some capitol projects, no furloughs.

One significant or outsized employer / industry

Oil & Gas

- Oil & Gas values are down 30% statewide.
- Weld & Adams Counties have had large layoffs from Haliburton & Liberty.
- Weld County hospitality has seen a significant negative impact due to oil and gas reductions.
- Weld County has a \$400M budget and is expecting to cut 25% in 2021, with impacts hitting in 2022 due to lag in property taxes.
- Oil & Gas are large charitable contributors and there is concern about nonprofit sustainability (ex. Food Bank.)

Agriculture

Bruce Fickenschure, who oversees the southeast part of Colorado for the Colorado State University Extension, said coronavirus provided a one-two punch for those who depended on outside income. As side jobs in small towns dried up so did that extra income. “And now we also have this drought on top of it where producers are having to sell livestock off which is their main source of income,” Fickenschure said. “2020 has been a tough year for anybody down here in agriculture.”

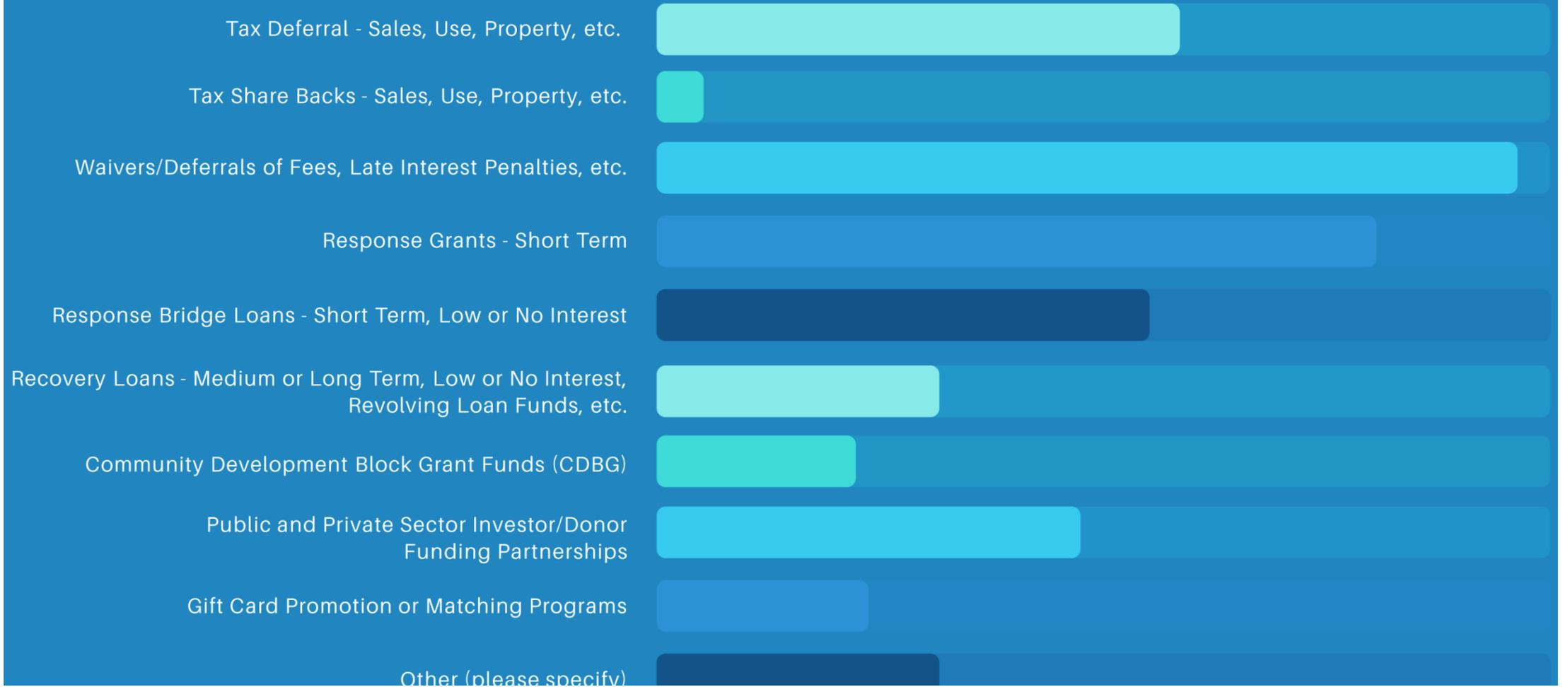
Lake County

Bracing for immediate and long-term impacts as the Climax mine begins to reduce its production and workforce. On April 24, Freeport-McMoRan, the mine’s owner, announced that production at the Lake County operation would be reduced to half of its regular output. Lake County Government is now preparing for the widespread impacts that the loss of revenue will have on county functions.

Budget Cuts

- Most jurisdictions cut budgets across the board as an immediate response.
 - They then moved to hiring freezes, including seasonal workers.
 - Several jurisdictions then added in furlough days.
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- Now most departments are being asked to further cut budgets.
 - Could be same or varying percentages.
 - Looking at individual programs, but cutting services is usually last on the list.

If so, what options have been considered or implemented? Select all that apply.



Economic Recovery & Development

- Local jurisdictions are creating economic recovery task forces / workgroups, often in coordination with EDCs and Chambers
- Providing small business loans or grants
- Ideas and suggestions
 - Invest to grow locally vs offering larger incentives for big, new companies
 - Shrinking physical spaces
 - Outsourcing backend departments and combining with neighboring jurisdictions
 - Reducing economic incentives
 - Reducing burden on new businesses
 - Streamlining processes
 - Zoning opportunities

What Next: Is there more relief in sight?

Another Federal Relief Package

- Disagreement over details: unemployment supplement, liability shields for businesses, money for local governments, school funding/reopening.

Local Efforts

- The City and County of Denver has created the Nonprofit Emergency Relief Fund (NPERF) will provide one-time grant assistance up to a maximum of \$15,000 to eligible Denver nonprofit organizations to alleviate financial impacts resulting from COVID-19.

Ballot Measures

- Gallagher Amendment Repeal and Property Tax Assessment Rates Measure (on ballot).
- Colorado Tobacco and E-Cigarette Tax Increase for Health and Education Programs (referred by legislature).
- Vote on Fees – Initiative 295 (signatures filed 7/30).
- State income tax rate cut – Initiative 306 (signatures filed 7/30).
- Paid Medical and Family Leave Initiative (signatures filed).
- Denver Homeless/Housing Tax Increase to fund housing options, rental assistance and supportive services (under discussion).
- ****Forthcoming Local Ballot Measure Tracker****

Gaps

Remaining gaps in resources impact all Colorado families:

- School Funding
- Childcare
- Housing
- Rent
- Mortgage
- Food Security
- School lunch insecurity

Stepping Up: Non-Profits, Direct Services & Foundations

Top three basic needs among individuals across the state:

(Mile High United Way Statewide 2-1-1 Data 4/25-5/1; Results Lab Rapid Needs Assessment 3/31-4/20)

1. Housing Payment Assistance (24% of 2-1-1 requests)
2. Food & Meals (17% of 2-1-1 requests)
3. Utility Payment Assistance (13% of 2-1-1 requests)

Most impacted

- Refugees, immigrants, and undocumented workers
- Individuals and children in unsafe environments where they may be experiencing violence
- Older adults and elderly
- Those experiencing homelessness
- People with mental health and substance abuse issues

Stepping Up: Non-Profits, Direct Services & Foundations

Private Sector and Foundations are using their resources to help those most in need during this time:

- Help Colorado Now \$17 Million

This Fund is organized to ensure that the most acute community needs across the state are being addressed and that community voice is reflected in all funding decisions made over time. Through this Fund, eligible community-based organizations across Colorado may receive a general operating grant of up to \$25,000.

- Community Voices/ Trends Takeaway Report (March – May) Applications by County of Org Location:

1. Denver (380)
2. Arapahoe (140)
3. Boulder (124)
4. Jefferson (107)
5. El Paso (102)

Did not apply: Cheyenne, Kiowa, Jackson, Mineral, Washington



Mental Health,
Food and Basic
Needs

Assuring Better Child Health & Development

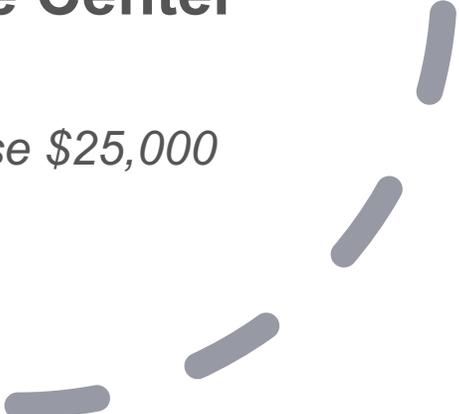
A Project of Colorado Nonprofit Development Center Supporting the mental health of young children and their caregivers \$25,000

Rotary Club of the North Fork Valley Foundation

Local Farm Produce to Low Income Community \$3,600

Summit County Family Resource Center Summit County

Basic Needs - Continued Emergency Response \$25,000



Resources

- Department of Local Affairs (DOLA) <https://www.coresiliency.com/covid19>
- Department of Public Health & Environment <https://covid19.colorado.gov/are-you-sick/testing-for-covid-19>
- Colorado Municipal League (CML) [https://www.cml.org/home/topics-key-issues/coronavirus-\(covid-19\)](https://www.cml.org/home/topics-key-issues/coronavirus-(covid-19))
- Colorado Counties Inc. (CCI) <https://ccionline.org/home/registration/covid-info/>
- Colorado City and County Managers Association (CCCMA) <https://coloradoccma.org/covid19/>
- Colorado Association of School Boards (CASB) <https://casb.memberclicks.net/coronavirus-information>
- Colorado Education Association (CEA) <https://www.coloradoea.org/cea-covid-19-resource-page/>
- Special District Association of Colorado (SDAC) <https://www.sdaco.org/news/sda-news/detail/id/1473>
- Mental Health Colorado <https://www.mentalhealthcolorado.org/free-resources/>
- Housing Colorado <https://www.housingcolorado.org/page/covid19>
- Colorado Office of Economic Development and International Trade (OEDIT) <https://choosecolorado.com/covid19/>
- Colorado Small Business Development Center Network (SBDC) <https://www.coloradosbdc.org/covid/>

Community Conversation

- What is happening in your community?
- How is your organization responding to the crisis?
- What does the rest of 2020 look like? 2021?

Thank you!



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Gallagher Amendment

- Property tax revenue could suffer for years
 - Decrease in business = decreases value of business buildings
 - Projecting a residential tax decrease from 7.15% to 5.8%
 - \$490M cut in school funding
 - \$240M cut in county/city funding
 - Fire departments losing money
- Property taxes support hospitals, libraries, fire departments, schools, etc.
- Non-residential property owners (farmers, ranchers, small businesses) could end up paying more than 6x more than homeowners
- TABOR – makes cuts permanent as assessments can't go back up without voter approval
- Most counties have “de-bruced”, which means tax revenues can rise as the economy pushes up
 - Places that have not “de-bruced” may go back to voters soon
- Jeffco cutting snow removal, workforce centers, jail and could turn permanent since they did not “de-bruce”
- **Community colleges, cities, counties may consider supporting the statewide ballot question to repeal the Gallagher Amendment**